Solvency and Financial Conditions Report (SFCR)

ERGO Life Insurance SE
Financial Year 2019

ERGO

Contents

Summary

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

ERGO Life Insurance SE operates in all Baltic countries with a multi distribution channel approach and can rely on own extensive and country wide sales networks in Latvia, Estonia and Lithuania. With a premium income of EUR 71,6 million ERGO maintained the fifth position in the Lithuanian and the fourth position in the Baltic life insurance market. The company's material lines of business are Life insurance and Health Insurance. In 2019, the result from investment activities of ERGO Life Insurance SE was profit of EUR 7,7 million which results in return of 3% on financial investments. There have not been any significant business or other events over the reporting period that have a material impact on ERGO (chapter A Business and Performance).

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

Our company is always in a position to manage the risks involved. This is demonstrated by the implementation of sound risk management (chapter C Risk Profile).

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

Our company is adequately capitalized and in the reporting year has met the requirements for the provision of solvency capital and minimum capital at all times (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 2019 financial year.

This Solvency and Financial Conditions Report for financial year 2019 was approved by the Management Board of ERGO Life Insurance on 06.04.2020.

A. Business and Performance

A.1 Business

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

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

ERGO operates with a multi distribution channel approach and can rely on own extensive and country wide sales networks in Latvia, Estonia and Lithuania. With a premium income of EUR 71,6 million ERGO maintained the fifth position in the Lithuanian and the fourth position in the Baltic life insurance market. ERGO underwrites business mainly in Latvia and Lithuania. ERGO's material lines of business are Life insurance and Health Insurance.

There have not been any significant business or other events over the reporting period that have a material impact on ERGO.

The responsible supervisory authority for the company is Bank of Lithuania (Lietuvos bankas), Gedimino pr. 6, LT-01103 Vilnius. The company is audited by KPMG Baltics UAB, Konstitucijos prospektas 29, K29 Vilnius, 08105, Lithuania.

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

Related undertakings:

- 100 per cent of the shares of the company ERGO Invest SIA, Limited Liability Company, Latvia.
- 26 per cent participation in CJSC ERGO Ins. Co, Closed Joint Stock Company, Belarus.

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

According to the estimates of the European Commission made in March 2020, there is still a lot of uncertainty about the extent and economic impact of the crisis caused by the COVID-19 pandemic. The impact of the crisis will depend, among other things, on the spread of the pandemic and on the capacity of public authorities to act quickly. The stylised scenario is based on the assumptions that COVID-19 will have the same mortality rate across the EU and that the restrictions imposed will have a bigger impact in Europe compared to the one observed in China. On that basis, the COVID-19 crisis is estimated to have significant detrimental impacts, some of which can, however, be offset by timely and effective policy action. The base case scenario is that real GDP growth in 2020 will be zero but in the case of a more adverse scenario it may also be negative.

Estonia

Economic growth in the first half of 2019 was driven by strong private investment and a flexible labour market. Nevertheless, in the future growth is expected to slow due to cyclical factors and the restructuring of the energy sector.

Economic growth will be adversely affected by uncertainty in the industrial sector and declining electricity production (due to rising carbon allowance prices).

So far, growth in private consumption has been supported by rapidly rising employment and real incomes. Domestic demand is expected to remain the main growth driver thanks to rising incomes and moderate inflation.

Latvia

In 2019, economic growth in Latvia slowed. Private consumption is expected to remain the principal growth driver, while investment is expected to continue to decline. Growth in private consumption will be supported by subdued inflation and tax cuts.

Export growth is expected to be modest due to weak external demand, agricultural exports being a possible exception. The decline in investment should somewhat mitigate labour shortages and the tight situation in the labour market.

Lithuania

In 2019, economic growth was supported by strong domestic demand and a resilient export sector. Growth in private consumption has been driven by employment growth and lower labour taxes.

Growth in exports has been driven by robust export of services, which is expected to offset the decline in the export of goods in the second half of 2019.

According to forecasts, inflation will decrease.

A.2 Underwriting Performance

A.2.1 Overview of Underwriting Performance

In 2019, ERGO generated premium income of EUR 71,64 million, a 1,3% increase on the year before. The largest classes were life insurance contracts and health insurance, the premium income of which amounted to EUR 41,20 million or 57,5 % and EUR 30,44 million or 42,5 % of the portfolio respectively. In terms of premium income, ERGO maintained the fifth position in the Lithuanian and the fourth position in the Baltic life insurance market. Claims and benefits incurred and changes in liabilities totaled EUR 51,14 million.

In euros	**2019**		**2018**		**Change**	
	Gross premiums written	Share of class, %	Gross premiums written	Share of class, %	Gross premiums written	Share of class, pp
Life insurance contracts	41 202 012	57,5	41 449 790	58,6	- 247 778	-1,1
Health insurance contracts	30 435 021	42,5	29 240 405	41,4	1 194 616	+1,1
Total	71 637 033	100,0	70 690 195	100,0	946 838	

Table 1: Gross premium income by line of business

In euros	**2019**	**2018**
Latvia	29 947 908	26 193 215
Lithuania	35 787 461	38 708 232
Estonia	5 901 664	5 788 748
Total from insurance activities	**71 637 033**	**70 690 195**

Table 2: Gross premium income by countries

A.3 Investment Performance

A.3.1 Overview of Investment Performance

Strategic investment management is the responsibility of the company's asset and liability management team which includes specialists from Estonia and Germany. In line with the investment management system tactical investment management is outsourced to an external service provider, group's asset management company MEAG (Munich ERGO Asset Management GmbH), which delivers the service in accordance with the strategic investment management plan and risk profile approved by the management board of ERGO.

In 2019, ERGO maintained a conservative approach to debt securities' interest rate and credit risk. The credit risk profile of the rated debt securities portfolio was as follows: 25,5% (2018: 25,2%) had an AAA (by Standard & Poor's) or Aaa (by Moody's) rating, 33,5% (2018: 33,2%) were rated AA or Aa, 27,5% (2018: 26,2%) had an A rating, and 13,5% (2018: 15,3%) were rated BBB or Baa.

At the year-end, the investment portfolio comprised investments in associates of EUR 5,3 million (2018: EUR 6,5 million), debt securities of EUR 227,9 million (2018: EUR 213,1 million), loans of EUR 6.0 million (2018: EUR 6.0 million), and equities and fund units of EUR 26,8 million (2018: EUR 27,3 million). There were no term deposits.

Income on assets with interest rate risk amounted to EUR 4,9 million. Realization of equities and units and debt securities resulted in a gain of EUR 0,4 million. Dividend income was EUR 2,5 million. The fair value reserve increased by EUR 13,3 million.

ERGO does not have any investments in securitization.

A.3.2 Gains and losses recognised directly in equity

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

In euros	**2019**	**2018**
At 1 January	**23,603,596**	**26 225 722**
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	-310 858	-224 967
Derecognised from equity and recognised in profit or loss in connection with arrival of maturity date		-674
Net change in fair value recognised in other comprehensive income or expense during the year	13 587 324	-2 396 486

At 31 December	**36 880 062**	**23 603 596**

Table 3: Gains and losses recognized directly in equity

A.4 Performance of other activities

Other income contains fees, commissions and charges received; income from currency revaluation; interests received from intragroup loans; rental income; and other income not related to insurance activities. Observed insignificant decrease of other income in the year 2019 is caused by many unrelated factors.

Other expenses contain expenses related to currency revaluation; write-offs of tangible and intangible assets; other expenses not related to insurance activities. As no write-off of intangible assets and impairment loss from reclassification of participation to the asset held for sale occurred in the reporting period, other expenses decreased by 85%.

In euros		**2019**				**2018**		
Other activities	**Estonia**	**Latvia**	**Lithuania**	**Total**	**Estonia**	**Latvia**	**Lithuania**	**Total**
Other income	51 782	232 697	413 194	**697 673**	26 623	262 928	415 572	705 123
Other expenses	49 370	253 803	55 489	**358 662**	160 276	613 904	1 635 147	2 409 327
Total result	2 412	-21 106	357 705	**339 011**	**-133 653**	**-350 976**	**-1 219 575**	**-1 704 204**

Table 4: Other income and expenses

A.5 Any other information

There is no other information.

B. System of Governance

B.1 General information on the system of governance

In 2019 the Supervisory Board initiated changes in the composition of the Management Board. One Management Board member was recalled, and a new Management Board member was elected. Also, one Supervisory Board member was recalled from the Supervisory Board at her own request.

All Management members were evaluated under Fit and Proper procedure and their candidacies were reconciled with Bank of Lithuania Lithuanian Financial Supervision and Resolution Authority (FSA). More detailed information about current composition of the Management Board as well as its members duties and responsibilities is provided below.

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

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

ERGO has following management bodies:

- **General meeting of shareholders**
- **Supervisory Board** (consists of 3 members, elected for a term of 3 years)
- **Management Board** (consists of 5 members, elected for a term of 5 years)
- **Managing Director of ERGO**
- **Committees** (ALM committee, AML committees (AML Operational committee and AML Strategic committee), AL-Team, Business Continuity committee, Fit & Proper committee, Remuneration Committee and etc.)

B.1.1 Management Board

The Company is managed by the Management Board. The Management Board is responsible for managing the Company, setting objectives and determining strategy. In doing so, it is obliged to safeguard Company interests and endeavor to achieve a long-term increase in the Company's value. The Management Board must ensure compliance with statutory requirements and internal company 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 Management Board members elect one from among themselves to be the Chairman of the Management Board (also called here CEO).

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

According to the Supervisory Board decision (dated 31. July 2019) as from 31st of July 2019 Tarmo Koll was recalled from the position of the management Board. Temporarily his duties took over the Chairman of the Board Bogdan Benczak.
In the 3Q 2019 Maciej Szyszko was elected as a new member of the Management Board and CFO instead of Tarmo Koll.

Management Board members as at the end of 2018 were:

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

The roles and responsibilities of the members of the Management Board until 31.12.2019 were as follows:

- 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. He is also managing Director of ERGO.
- Member of the Management Board (CUO Life/ Health) Ingrida Kirse is responsible for life, health insurance operations (UW, product development, pricing, contract management, AML) in the Baltics. She also is a branch manager of ERGO Life Insurance SE branch in Latvia.
- Member of the Management Board (CDO) Tadas Dovbyšas is responsible for sales (distribution) in Life in the Baltics.
- Member of the Management (COO) Board Marek Ratnik is responsible for P&C insurance operations in the Baltics (UW, product development, pricing, contract management). He is also a branch manager of ERGO Life Insurance SE branch in Estonia.
- Member of the Management Board (CFO) Maciej Szyszko is responsible for accounting, planning and controlling, actuarial, risk management, investments, procurement, IT in the Baltics.

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

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

In view of the requirement of a consistent business management the Management Board members (including Branch Managers of Company's Branches) conduct their business area independently and

on their own responsibility. Any matters of fundamental importance have to be presented to the Management Board for information and/ or deciding. Any matters having impact on another business area have to 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 solely.

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 according to the annual plan.

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 Managing Director

The Managing Director is responsible for organization, management and supervision of day-today activities of ERGO as the manager of the public limited company as established under laws of the Republic of Lithuania. The Managing Director is elected and removed / dismissed by the Management Board from among its members. The Managing Director performs his/her duties in compliance with respective laws, the Statute of the company and internal regulations. The Managing Director of ERGO currently is also the Chairman of the Management Board.

B.1.3 Supervisory Board

B.1.3.1 Duties and responsibilities

The Supervisory Board plans the activities of the Company, organize 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 authorized to take management action in place of the Management Board. The Supervisory Board also appoints the external auditor for the Company and Group financial statements and for the half-year financial report.

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

A Member of the Supervisory Board may be paid remuneration in accordance with their tasks and the financial situation of the Company, the amount of and procedure for payment of which is determined by a resolution of the general meeting.

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 20th of November 2019 Shareholder took a decision on revoking Malgorzata Maria Makulska from the position as from 20th of November 2019 at her own request.

The members of the Supervisory Board are:

- Piotr Maria Sliwicki – Chairman of the Supervisory Board
- Grzegorz Szatkowski – member of the Supervisory Board
- Maximilian Happacher – 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.1.4 Key functions

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

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

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

Actuarial function

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

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 Appointed actuary is the holder of the actuarial function in ERGO. Please see chapter B.6 for details.

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.

Internal Audit

The Internal Audit Function is provided by local auditors in Estonia, Latvia and Lithuania. The Internal Audit Function performs assigned audits independently, objectively and under its own responsibility.

The Internal Audit Function provides independent, objective assurance and consulting services designed to add value and improve the effectiveness of risk management, control and governance processes. The Internal Audit Function supports ERGO Supervisory Board and ERGO Management Board in performing its monitoring tasks and is responsible in particular for checking the internal governance system, including the risk management system, internal control system and the other Solvency II key functions (compliance, risk management and actuarial function). Please see chapter B.5 for details.

Risk Management function

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

B.1.5 Remuneration policy

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

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

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

B.1.5.1 Remuneration principles

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

- remuneration policy is in line with the achievement of objectives defined in the Company strategy; in the event of changes of the strategy, the remuneration system structure shall be reviewed and if necessary, amended;

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

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

ERGO applies a total compensation approach. The total remuneration contains not only fixed components, but also variable remuneration. Remunerations ranges are assigned to managerial or non-managerial level of position. The variable remuneration percentages are monitored against market on annual bases.

B.1.5.2 Basic and variable remuneration

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

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

According to the positions' direct influence to company results, percentage of variable remuneration can differ – depending on whether it is business or support function.

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

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

- Company's targets include 60% and
- Individual targets include 40%

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

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

Variable remuneration of the key function holders consists of short term variable remuneration component and long term variable remuneration component.

B.1.5.4 Other benefits

Company provides for employees attractive Social package, which includes additional vacations, trainings, Health and Life insurance, recognition for length of service, etc.

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

There was no such kind of transactions during reporting period.

B.2 Fit and proper requirements

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

Persons to whom the fit and proper requirements apply:

- Members of the Management Board of ERGO;
- Members of the Supervisory Board of ERGO;
- Head of the internal audit function;
- Head of the compliance function;
- Head of the risk management function;
- Head of the actuarial function;
- Persons who are key function executors (all employees who are performing key functions in actuarial, compliance, internal audit, risk management).

B.2.1 Fitness requirements

A Key Person is considered "fit" if his/her relevant professional and formal qualifications, knowledge and experience within the insurance sector, other financial sectors or other businesses are adequate to enable sound and prudent management. The respective duties allocated to that Key Person and, where relevant, his/her insurance, financial, accounting, actuarial and management skills should be taken into account.

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

(i) Insurance and financial markets;
(ii) the business strategy and business model;
(iii) the system of governance;
(iv) financial and actuarial analysis and
(v) the regulatory framework and requirements, as described in Nr. 11 of the EIOPA Guidelines on the System of Governance.

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

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

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

B.2.2 Propriety requirements

A Key Person is considered "proper" if he/she is of good repute and integrity. This is not the case when the assessment of the Key Person's honesty and financial soundness – based on his/her character, personal behavior and business conduct, including any criminal, financial or supervisory aspects – may justify the assumption that such aspects could affect the sound and prudent performance of his/her duties as a Key Person.

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

B.2.3 Assessment of fitness and propriety

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.

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

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;
- Personal declaration of no conflict of interest, where applicable.

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

B.3.1 Description of risk management system

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

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

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.

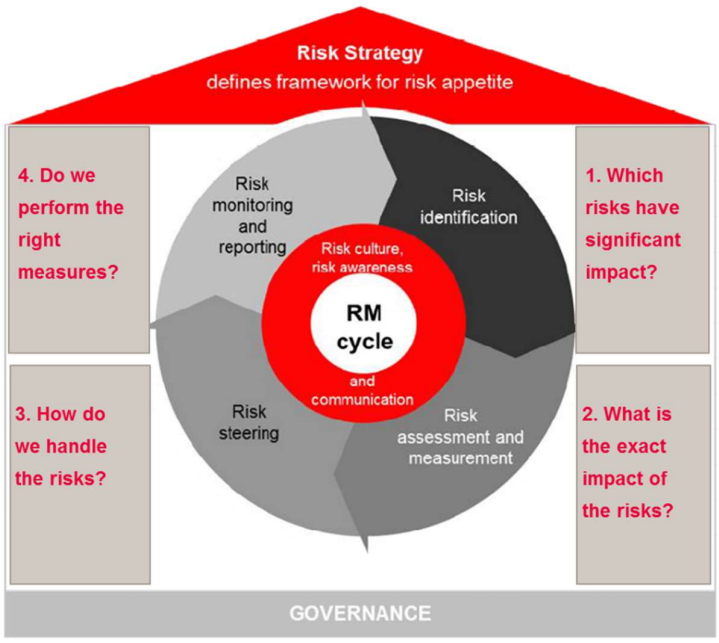

Figure 1: Risk Management Cycle

B.3.1.1 Risk strategy

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

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

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

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

B.3.1.2 Risk identification

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

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

B.3.1.2 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.

B.3.1.3 Risk steering and monitoring

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

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

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

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

The methods for risk monitoring include comparison of actual with target, analysis of the efficiency of risk measures, analysis of the results of the risk profile analysis and performance measures as well as

the monitoring of existing controlling figures linked to risk management. Escalation processes have been defined for limit breaches and are also documented in the RLTM.

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

B.3.1.5 Risk reporting

To ensure continuous monitoring regular reporting process is established. 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

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

B.4 Internal control system

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

Organizational responsibility 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

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 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.

- Monitoring: monitoring of adherence to legal requirements on a regular basis and creation of necessary controls.

B.5 Internal audit function

Internal Audit of ERGO supports the Supervisory 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

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

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

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 audit function 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 the 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 the auditing function by his behavior.

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

B.6 Actuarial function

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

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

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

The actuarial function for ERGO is performed mainly by the Head of the Actuarial Department. This department reports to the CFO.

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

A) In coordinating the technical provisions regarding the legal entity reporting and Munich Re group model

1) Actuarial department performs the tasks according to article 48, in particular parts a)–f) and according to the corresponding article 262 (level II statements), in particular 1)–5);

B) Regarding underwriting policy and reinsurance arrangements

1) Actuarial department performs the tasks according to article 48, in particular parts g)–h) and according to the corresponding article 262 (level II statements), in particular 6)–7).

B.7 Outsourcing

B.7.1 Description of Outsourcing

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

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

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

An activity is insurance-specific only when there is a relation between the outsourced activities and the original insurance business. In this sense, the outsourcing of the following functions and insurance activities are considered as important outsourcing:

- The outsourcing of key functions of the company:
    - internal audit function;
    - compliance function;
    - risk management function;
    - actuarial function.
- The outsourcing of other functions and insurance activities that are fundamental for the ability of the company to carry out its core business, such as:
    - Sales;

- claims management;
- policy management, incl. underwriting;
- accounting;
- investments and/or asset management;
- product development and pricing of insurance products;
- rendering of data storage services;
- regular maintenance and support for the relevant IT systems;
- ORSA process (Own Risk and Solvency Assessment).

ERGO has not outsourced any key functions.

B.8 Any other information

There is no any other information.

C. Risk Profile

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

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

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

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

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

Use of special purpose entities

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

C.1 Underwriting risk

C.1.1 Risk exposure

Under the light of current market situation and Company’s portfolio movements, the following material risks can be identified:

1. Risk free rate fluctuations. Cash flow discounting under best estimate assumptions must be performed using risk free rate curve. Therefore, risk free rate decrease would lead in significant increase in best estimate liabilities and vice versa. In the light of underwriting risk, risk free rate fluctuations have a significant impact on life expense and lapse risks. In case of further decrease of risk free rate, increase in life expense and lapse risks will be present as well.

2. Mortality assumptions for pension annuities in annuity payment phase. The risk of pricing annuities incorrectly due to incorrect assumptions on longevity. The risk is related mainly to annuity pricing. The result is inadequate premiums, resulting in loss. In case of future experience mortality adjustments, increase in life longevity risk would be present as well.

3. Mortality risk. The risk of pricing life policies incorrectly due to incorrect assumptions on mortality or inappropriate underwriting decisions. The risk is related mainly to life insurance pricing. The result is inadequate premiums, resulting in loss. Any subsequent modelling assumption adjustments would result in life / health SLT (similar to life) mortality risk increase. Regular pricing versus actual mortality outgo comparison is performed. The risk is currently considered small.

4. Morbidity / disability risk. The risk of pricing of life policies with riders incorrectly due to incorrect assumptions on morbidity / disability or inappropriate underwriting decisions. The risk is related mainly to life policies with riders. The result is inadequate premiums, resulting in loss. Any subsequent modelling assumption adjustments would result in life / health SLT morbidity / disability risk increase.

5. Expense risk. Insufficient premium amount to cover the expenses. Increase in actual expenses in comparison to planned expenses. The risk results in lower than planned technical result. Expense risk is monitored regularly: revision and adjustment of business processes to increase efficiency and optimize expenses. Any subsequent modelling assumption adjustments would result in life / health SLT expense risk increase.

6. Health NSLT (similar to non-life) premiums and costs. The risk that actual expense level is higher than estimated. The calculated premiums do not cover the expenses and claims, resulting in possible negative technical result and loss of customers and market share. Due to soft market the premium level on the market is low, therefore it is difficult to renew existing contracts and attract new customers. Significant part of costs is fixed, therefore loss of customers affect the cost level directly.

7. Health NSLT attritional losses. The risk of a higher number of attritional losses and more severe claims than expected. Due to soft market the risk that the price level does not cover the actual number of losses. The risk can also appear due to low quality risk selection and inadequate risk assessment. The result is unexpected loss and negative technical result also affecting the solvency. Additionally the risk affects the costs (due to more resources in claims handling).

8. Health NSLT renewal risk. Health NSLT is a product with the duration of one year at most. Therefore future business volumes depend on contract renewals significantly. In case of decrease in renewals, health NSLT business volumes would decrease on one hand. On the other, it would lead to straightforward decrease in health NSLT reserve and premium risk as well.

9. Health NSLT morbidity. Increase in medical costs that cannot be absorbed through premium adjustments. Increase in claims expenditure due to exceptional, one-off events (e. g. pandemics). This results in the risk of pricing health policies incorrectly due to incorrect assumptions on morbidity / disability or inappropriate underwriting decisions. The result is inadequate premiums, resulting in loss.

C.1.2 Measures for risk assessment

The following criteria are assumed:

1. Reserve risk. Changes in future policyholders' behavior and management actions might lead to necessity to re-evaluate best estimate parameters used for reserving purposes. Latter might cause fluctuations in technical provisions. Therefore parameter validation is performed on annual basis and if inappropriateness is found, corresponding parameter update procedure is initiated.
2. Loss and expense developments: Life Insurance. Claim and administrative cost ratios are examined on quarterly basis for term life product and riders. If significant deviations from

expected claim probabilities were determined, premium rate adjustment for future new business would be initiated.

3. Loss and expense developments: Health Insurance. Claim and administrative costs are examined on quarterly basis as well as for life insurance. However, due to shorter policy duration (health product has a duration of one year the most) premium rate adjustment in case of insufficiency is more effective than for life products. Also, risk of overestimation of premium rates must be avoided due to possible decrease in renewals.
4. Lapse risk. The risk is relevant for life insurance. The analysis is performed on annual basis in order to capture significant actual lapse deviations from best estimate rates. Currently major part of company's portfolio consists of products with guaranteed outgoes therefore lapse overestimation must be captured.
5. Product development and tariff changes. Due to continuous low interest rate environment in the market, guaranteed investment return revision is required as well as monitoring of products with guaranteed investment return share in new business.
6. Reinsurance structure. The reinsurance structure is continuously revised and (if needed) updated.

C.1.3 Material risk concentrations

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

C.1.4 Risk reduction techniques

In the year 2019 the following risk mitigating techniques were present:

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

C.1.5 Description of Stress tests and scenario analyses

Company has a large share of products with guaranteed investment return in liability portfolio. Therefore underwriting risk is influenced by investment return fluctuations as well. In the light of current investment environment situation and liability portfolio mix, the following stress situations were investigated:

1. Lapse risk combined shock. Impact on insurance products with guaranteed investment return was tested. Lapse increase for lower guarantees (≤ 1%) and decrease for higher guarantees (> 1%) combined shock was tested. Impact on best estimate liabilities, own funds SCR and MCR values were estimated.
2. Premium risk for health. Business volume decrease for health NSLT products was estimated. Impact on best estimate liabilities, own funds, SCR and MCR values was evaluated.
3. Increase of combined ratio in health. Situations of combined loss ratio decreasing by 5%, 20% and increase by 20% were examined. Impact on best estimate liabilities, own funds, SCR and MCR values was evaluated.
4. Natural catastrophe scenario. Event of arena collapse was examined. Largest available arena in the Baltic countries was in scope, insured and ERGO-insured proportions were evaluated regarding current market shares, impact per country was examined. Impact on best estimate liabilities, own funds, SCR and MCR values was evaluated.
5. Low interest rates in combination with longevity increase. Combined situation of interest rate downwards shifts by 100 bps and death probability decrease for annuities was examined. Impact on best estimate liabilities, own funds, SCR and MCR values was evaluated.
6. Low interest rates in combination with higher annuity pick-ups after accumulation period. Impact of increased volume of annuities with higher guarantees was estimated on best estimate liability, own funds SCR and MCR.
7. Annuity mortality assumption change. Impact of decreased mortality for immediate annuities was examined. Impact on best estimate liabilities, own funds, SCR and MCR values was evaluated.

All the stress situations were modelled using portfolio data as at 31.03.2019. The performed stress tests to evaluate the sensitivity of solvency ratio did not reveal any significant impact on Solvency situation. None of the stress tests defined above led to insolvency.

C.2 Market risk

C.2.1 Risk exposure

Major part of asset portfolio carries interest rate and credit risk. Since current interest rates environment provides negative or slightly positive yields, Company has been forced to invest in issues with lower credit rating (in order to meet minimum return requirements of liabilities). Consequently average credit rating of the portfolio has decreased and CVaR (credit value at risk) consumption has increased.

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

C.2.2 Measures for risk assessment

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

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

In 2019, tactical decisions were made and implemented by MEAG (MEAG Munich ERGO AssetManagement GmbH), an investment management company hired by ERGO. The compliance of investments with the adopted strategy is monitored by the asset and liability management team (AL Team) which, in addition to asset manager, consists of company's actuaries, investment officers, risk manager, head of planning and controlling department and Management Board member. If problems arise, AL Team is in position to develop appropriate risk measure which will be then implemented by asset manager. Many ERGO group units are also involved in planning, monitoring and managing investment risks.

C.2.3 Material risk concentrations

Below is list of 10 counterparties with highest market exposure

Counterparty	Type of exposure	Rating class (when available)	Total exposure
French Republic	1 – Standard; 3 – Covered bond exposure; 6 – Zero risk	AA	26 935 676
Federal Republic of Germany	1 – Standard; 6 – Zero risk	AAA	19 399 210
Republic of Austria	6 – Zero risk	AA	14 247 428
Kingdom of Belgium	6 – Zero risk	AA	13 611 106
European Investment Bank	6 – Zero risk	AAA	13 371 263
Italian Republic	6 – Zero risk	BBB	11 903 929
Kingdom of Spain	6 – Zero risk	A	11 883 751
Republic of Ireland	6 – Zero risk	A	8 579 098
Kingdom of the Netherlands	6 – Zero risk	AAA	7 215 469
Münchener Rückversicherungs-Gesellschaft AG.	1 – Standard; 4 – Property	Unrated	6 273 259

Table 5: List of counterparties

C.2.4 Risk reduction techniques

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

C.2.5 Description of Stress tests and scenario analyses

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

C.3 Credit risk

C.3.1 Risk exposure

Credit risk is defined as the economic loss that can arise if the financial situation of a counterparty changes. When identifying credit risks we look at the risks which are inherent to assets and liabilities.

We analyse what impact this risk could have on our financial situation, particularly resulting from a counterparty risk of migration (deterioration of the "credit rating" of the counterparty) and the credit spread risk (price changes within a fixed rating class), be it asset or liability side. The credit risk on the asset side is based on three main components:

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

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

C.3.2 Measures for risk assessment

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

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

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

The weighted average rating of fixed-income securities was A at the end of the year (2018: A).

C.3.3 Material risk concentrations

Please see chapter C.2 Market risk.

C.3.4 Risk reduction techniques

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

C.3.5 Description of Stress tests and scenario analyses

Please see chapter C.2 Market risk

C.4 Liquidity risk

C.4.1 Risk exposure

During 1st quarter of 2016 the held-to-maturity (HTM) category was abolished. Consequently share of liquid and available for sale assets increased significantly.

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

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

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

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

	EPIFP @ 31.12.2018	**EPIFP @ 31.12.2019**
Health SLT	5 955 917	5 243 230
Other life insurance	7 302 358	8 392 902
Unit-linked	20 133 668	23 255 222
Total	**33 391 943**	**36 891 354**

Table 6

C.4.3 Measures for risk assessment

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

C.4.4 Material risk concentrations

There are no material risk concentrations regarding liquidity risks.

C.4.5 Risk reduction techniques

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

C.4.6 Description of Stress tests and scenario analyses

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

C.5 Operational risk

C.5.1 Risk exposure

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

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

The highest operational risks have been identified in the areas of execution, delivery and process management (errors in data entry, accounting, underwriting, etc.), Internal Fraud (unauthorized activities of employees) and Suitability, Disclosure & Fiduciary (failed mandatory reporting, actions that could cause violation of Data protection, Insurance supervision and Contract law). In addition, single high operational loss events might endanger Company’s ability to continue with business operations. These events include errors in product development, 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 defense and as well via the interlocking of controls on the different levels within the Internal Control System.

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

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

C.5.3 Material risk concentrations

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

C.5.4 Risk reduction techniques

The Operational Risk management focuses on the following operative elements:

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

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

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

C.5.5 Operational risk scenario analyses

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

There were no significant changes compared to the previous year assessment. The highest impact was identified from errors in product development scenario, where due to inadequate assumed parameters and actuarial methods the calculation of premium and benefits adjustments is inadequate, resulting in possible loss up to 1,5 M€. The second largest impact is assumed from internal fraud scenario. Possible financial loss can be up to 500 000 € in case of realization of worst case scenario. Business interruption either due to fire or system failure can lead to loss of Gross Written Premiums (GWP) up to 8,5 M€, although, in such case the highest reputational loss is assumed. In addition, all of the scenarios are related to high reputational impact.

C.5.6 Methods and assumptions used in the scenario analyses

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

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

Examples:

- The calculation of a business disruption scenario should be based on average personnel costs, downtimes (based e. g. on information from incident management) and results from the business impact analyses
- Actual violations of project budgets
- Insurance sums of household insurances can be used when calculating damages resulting from natural catastrophes.

External information can also be used when performing a scenario analyses.

Examples:

- Legal issues should be based on actual fines that could be set
- Studies, statistics or information from market comparisons can be used to identify trends, e.g. in claims developments.

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

C.6 Other material risks

C.6.1. Strategic Risks

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

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.

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

- Capital markets – Baltic Life insurance business is dependent on capital market developments. Baltic Life insurance entity's investment portfolio is not able to provide returns, which would meet guaranteed interests it is obliged to offer to clients. Guarantees given in the past are significantly higher than existing capital markets can provide.
- Political environment – political environment in the Baltic States is currently stable.
- Shifting regulation – current government pays a lot of attention to monitoring the implementation of EU regulation, e.g. Anti-Money Laundering (AML), Insurance Distribution (IDD) and General Data Protection Regulation (GDPR). These require additional resources, proper analysis, trainings and communication. Failure to be in compliance with the regulations lead to high penalties and reputational impact.
- Competitive insurance market environment – markets continue to be competitive, especially considering clear indications of the market softening. Declined market demand and as a result possible tariff's decrease would end in difficulties to generate positive UW results.
- Demographical situation – reduced migration due to potential market softening and decline in the economic growth, also 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 the Company by the changed customers' behaviour and needs in terms of digitalization.

According to the ERGO strategic directions for Life there are moderate growth aspirations with focus on products with low capital market sensitivity and portfolio shift from conventional to capital market linked products incl. biometric products.

Health segment's aspiration is to maintain the market leader's position in the Baltic States and exploit business potential in private health segment continuously gaining from automation and digitalization of internal and customer service' processes. In addition, increased focus on continual profitability. The business is steered regionally, however, around 77% of the Company's business comes from one

country, Latvia. Health insurance development (including State Health care system) is different in the three countries, therefore group health business is most developed in Latvia, followed by Lithuania and Estonia.

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

C.6.2 Reputational risks

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

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

ERGO has defined three sub-categories of Reputational risk:

- Data and Information
- Image risks
- Investment performance

The identification process of Reputational risk takes place in three ways:

- ad hoc reporting;
- regular quarterly communication between the Risk Management function and relevant parties such as the Compliance function, Internal Audit or Corporate Communication;
- internal control system, where basic assessment of potential reputational loss for each operational risk takes place.

Respective risk takers define measures including an implementation plan to minimize and steer the risk. Depending on the relevance and materiality, other relevant parties such as the Compliance function or Internal Audit are consulted and informed about the defined measures. As a minimum, measures for the most important reputational risks are discussed and approved by the local Management Board. ERGO Group AG Management Board, Munich Re Management Board or relevant committees are informed about the initiated measures as necessary.

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.

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

C.7 Any other information

The COVID-19 pandemic occurred during the preparation of the report in February 2020 is considered as a "major development" as referred to in article 54(1) in the Solvency II Directive. The assumptions made in the stress tests presented in the Chapter C.1.5 are also relevant to pandemic scenario. Moreover different scenarios were preliminary assessed during March 2020 and no significant impact on solvency identified. More detailed stress tests and analysis are currently work-in-progress and will be finally available during second quarter of the year 2020.

D. Valuation for Solvency Purposes

D.1 Assets

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

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

ASSETS	**Solvency II value 2019**	**Financial statements (IFRS) value 2019**	**Explanation**
Deferred acquisition costs	0	5 380 348	Deferred 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	871 404	Other intangible assets are only shown in the solvency balance sheet if they are both ac-counted for in IFRS and traded in an active market. The latter requirement is deemed to be met if an active market exists for similar assets. Since ERGO Life Insurance SE's intangible assets do not currently meet this requirement, this item in the solvency balance sheet is empty.
Deferred tax assets	110 460	110 460	Valuation of deferred tax assets does not differ in Solvency II and Financial statements.
Property, plant & equipment held for own use	2 040 219	2 040 219	SII and IFRS values are equal.
Investments (other than assets held for index-linked and unit-linked contracts)	**263 335 347**	**259 978 801**	
Property (other than for own use)	31 800	18 935	The difference between SII and IFRS values is equal to difference between property appraisal and book value.
Holdings in related undertakings, including participations	8 643 832	5 300 151	Participations to affiliated companies are accounted by equity method. The difference between SII and IFRS values comes from different base values taken for the calculation, because affiliated company's SII and IFRS own funds are not equal.
Bonds	227 877 840	227 877 840	Financial investments are valuated at fair value as for Solvency II purposes as for IFRS.
Government Bonds	182 164 893	182 164 893	SII and IFRS values are equal.
Corporate Bonds	44 851 137	44 851 137	SII and IFRS values are equal.

ASSETS	Solvency II value 2019	Financial statements (IFRS) value 2019	Explanation
Structured notes	861 810	861 810	SII and IFRS values are equal.
Collective Investments Undertakings	26 781 875	26 781 875	SII and IFRS values are equal.
Derivatives	0	0	SII and IFRS values are equal.
Assets held for index-linked and unit-linked contracts	51 889 808	51 889 808	SII and IFRS values are equal.
Loans and mortgages	**6 004 493**	**6 004 493**	
Other loans and mortgages	6 004 493	6 004 493	SII and IFRS values are equal.
Insurance and intermediaries receivables	9 617 261	9 083 307	At the end of reporting period discounting of this item has not been required. The difference between SII and IFRS data comes from the differences in presentation.
Reinsurance receivables	1 444	1 444	At the end of reporting period discounting of this item has not been required. SII and IFRS values are equal.
Receivables (trade, not insurance)	441 134	462 369	At the end of reporting period discounting of this item has not been required. The difference between SII and IFRS data comes from the differences in presentation.
Cash and cash equivalents	8 576 676	8 576 676	SII and IFRS values are equal.
Any other assets, not elsewhere shown	242 922	282 353	Other assets, not elsewhere shown, cover all assets that cannot be allocated in any other class of assets. This includes work of arts and prepayment assets. At the end of reporting period discounting of this item has not been required. The difference between SII and IFRS data comes from the differences in presentation.
Total assets	**342 259 763**	**344 681 682**	

Table 7: Assets that is to be given in the Quantitative Reporting Template

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

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

In addition to the different valuation methods used for individual items, the structure of the solvency balance sheet also differs from that of the IFRS balance sheet. Not all balance sheet items are therefore

directly comparable. The differences are particularly significant for assets shown under investments. In the IFRS balance sheet, loans on policies are included in investments as "loans", whilst under Solvency II they are shown outside investments as a separate item. There are also differences in the classification of receivables and other assets, which are described under the individual items. Where it was possible to reclassify assets as per IFRS in order to comply with the structure prescribed for the solvency balance sheet, we did so.

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

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

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

D.1.3 Goodwill

No goodwill is shown in the solvency balance sheet.

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

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 has to be performed annually. Property is not evaluated by the company itself, but appraisal service is outsourced to professional real estate appraiser.

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

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

For 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 has to be either the market price or the proportional amount of the equity of the participation.

Other financial assets

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

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

D.1.9 Determining fair values

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

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

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

Assets allocated to Level 2 are valued using models based on observable market data. For this, we use inputs directly or indirectly observable in the market, other than quoted prices. If the financial instrument concerned has a fixed contract period, the inputs used for valuation must be observable for the whole of this period. The financial instruments we have allocated to this level mainly comprise borrowers' note loans, 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 can 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 based on 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 must 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 must 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 must be measured with their fair values. However, for reasons of simplification, receivables from dividends and receivables from profit pooling or transfer agreements are measured at their IFRS book value, i.e. at amortised costs. Doubtful receivables are written down to the envisaged amount attainable.

Receivables (trade, not insurance) 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

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.

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

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

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

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

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

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

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

Company's technical provisions for life products on Solvency II basis as at 31.12.2019 were as follows:

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)			**Total (Health similar to life insurance)**
			Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			Contracts without options and guarantees	Contracts with options or guarantees	
Technical provisions calculated as a whole	0	51 889 808			0			51 889 808	0			0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	0	0			0			0	0			0
Technical provisions calculated as a sum of BE and RM												
Best Estimate												
Gross Best Estimate	215 867 498		0	-9 349 690		0	-7 928 742	198 589 066		0	-4 327 323	-4 327 323
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	18 108		0	-82 153		0	-1 261 518	-1 325 563		0	-15 270	-15 270
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	215 849 390		0	-9 267 537		0	-6 667 224	199 914 629		0	-4 312 053	-4 312 053
Risk Margin	3 716 503	2 658 591			636 150			7 011 244	833 755			833 755
Amount of the transitional on Technical Provisions												
Technical Provisions calculated as a whole	0	0			0			0	0			0
Best estimate	0		0	0		0	0	0		0	0	0
Risk margin	0	0			0			0	0			0
Technical provisions - total	219 584 000	45 198 709			-7 292 591			257 490 118	-3 493 567			-3 493 567

Table 8: Technical provisions for life products on Solvency II basis

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

	Medical expense insurance
Technical provisions calculated as a whole	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	0
Technical provisions calculated as a sum of BE and RM	
Best estimate	
Premium provisions	
Gross	11 774 835
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0
Net Best Estimate of Premium Provisions	11 774 835
Claims provisions	
Gross	1 733 485
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	0
Net Best Estimate of Claims Provisions	1 733 485
Total Best estimate - gross	13 508 320
Total Best estimate - net	13 508 320
Risk margin	403 082
Amount of the transitional on Technical Provisions	
Technical Provisions calculated as a whole	0
Best estimate	0
Risk margin	0
Technical provisions - total	
Technical provisions - total	13 911 402
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	13 911 402

Table 9: Health similar to non-life technical provision

ERGO's consolidated financial statements meet the requirements of IFRS.

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 capitalized and amortized over the terms of the contracts; cf. below. The measurement of technical provisions is based on FAS 60 and FAS 97. Credit insurance contracts are accounted for in accordance with the rules of 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, unearned premiums are calculated only in case if it is stated in corresponding reinsurance contract. The posting of unearned premiums is restricted to health business.

The provision for future policy benefits in long-term underwriting business is posted for the actuarially calculated value of obligations arising from policyholders' guaranteed entitlements. As well as life insurance, this concerns portions of health and accident insurance, insofar as the business is conducted like life insurance. Measurement is usually based on the prospective method, by determining the difference between the present values of future benefits and future premiums. The actuarial assumptions used for their calculation include, in particular, assumptions relating to mortality, disablement and morbidity, as well as assumptions regarding interest-rate development, lapses and costs. These are estimated on a realistic basis at the time the insurance contracts are concluded and they include adequate provision for adverse deviation to make allowance for the risks of change, error and random fluctuations.

In primary insurance, measurement is generally carried out individually for each risk. For life primary insurance, biometric actuarial assumptions based on the tables ALB95 produced using national statistics of Baltic countries and DAV87R of the German Association of Actuaries are used. We also largely use the tables of the national actuarial associations for the rest of the primary insurance business. The actuarial interest rate employed for discounting in life primary insurance is limited by guaranteed investment return stated in each contract, future investment return is assumed to be equal to unfranked investment income defined in company's Prophet model.

The actuarial assumptions are adjusted if this is shown to be necessary by a liability adequacy test in accordance with IFRS 4.

The measurement of the provisions for future policy benefits depends on the type of contract, being based either on FAS 60 (life primary insurance, health primary insurance and the bulk of reinsurance treaties), on FAS 97 (life primary insurance on the universal life model, unit-linked life insurance and life reinsurance for assumed policies based on FAS 97).

For contracts in accordance with FAS 60, the provision for future policy benefits is calculated from the present value of estimated future policy benefits (including claims adjustment expenses) less the present value of future net level premiums. Net level premium is that part of the gross premium that is needed to finance future policy benefits. Life primary insurance contracts with limited premium payment are generally valued in accordance with FAS 97.

For all other contracts as per FAS 97, an account is kept to which net level premiums and interest earnings are credited and from which risk premiums and administration expenses are debited, not all credits and debits being contractually fixed at the time the contracts are concluded. The provision for future policy benefits for life primary insurance where policy-holders bear the investment risk themselves (unit-linked life insurance) is described below.

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). All these provisions include expenses for internal and external loss adjustment expenses. 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. For determining the provision for outstanding claims, company 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.

Other technical provisions mainly include the provision for premium refunds in primary insurance and the provision for unexpired risk in health. Provisions for premium refunds are posted in life primary insurance for obligations involving policyholder bonuses and rebates that have not yet been irrevocably allocated to individual contracts at the balance sheet date. Where these provisions are posted on the basis of national regulations, a retrospective approach is usually taken based on supervisory or individual contract regulations. Unexpired risk reserve is formed if current health premium rates are proved to be insufficient to cover claims and corresponding reserves.

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 corresponding matching adjustment from asset portfolio – 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.

The value of the provision for future policy benefits in life primary insurance where policyholders bear the investment risk themselves (unit-linked life insurance) essentially corresponds to the market value of the relevant investments shown under assets. Besides this, as with the provision for future policy benefits in accordance with FAS 97, they may include additional premium components. Changes in this provision are fully recognized in the technical result. Insofar as these changes derive from unrealized gains and losses from alterations in the fair values of the related investments, they are matched by opposite changes of the same amount in the investment result. Recognizing these provisions at fair value, with impact on profit or loss, avoids valuation mismatches that would otherwise occur due to different measurement of the corresponding investments.

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. In life business acquisition costs are capitalized and amortized over the duration of the contracts. This is done either proportionally to the premium income (FAS 60) or proportionally to the respective contracts‘ expected gross profit margins calculated for the relevant year of the contract term (FAS 97). The allocation of individual contracts to the FASs concerned is described above. In determining the amount of amortization, we consider an actuarial interest rate and changes resulting from the disposal or withdrawal of contracts from the portfolio. In health insurance the deferred acquisition costs are amortized 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; cf. above.

In line with Solvency II, technical provisions (and reinsurance recoverables, respectively) are established for all (re)insurance contracts independent of the level of insurance risk underlying a particular contract. That means Solvency II covers all business including products or contracts which do not meet the definition of insurance contract under IFRS.

In some cases, an insurer is required or permitted to unbundle particular components from insurance contracts in line with IFRS 4. Under Solvency II unbundling is not permitted.

In line with FAS 60, a liability for unpaid claim costs including estimates of incurred but not reported claims and claims adjustment expenses is accrued when insured events occur. For long-term contracts, a liability for future policy benefits is accrued when premium revenue is recognized. Premiums for long-term contracts are recognized when due from policyholders.

Usually, the liability for future policy benefits is established at the beginning of the coverage period, as this is the point in time when the first premium is due.

In contrast, Solvency II requirements lead to initial recognition when the (re)insurer becomes a party to the contract but, at the latest, when the (re)insurance cover begins.

Solvency II requirements explicitly prescribe that “all payments to policy holders and beneficiaries, including future discretionary bonuses, which insurance and reinsurance undertakings expect to make, whether or not those payments are contractually guaranteed” are to be considered in the calculation of technical provisions. Consequently, expected future discretionary bonuses are taken into consideration in the cash flows used for the calculation of technical provisions in line with Solvency II.

Additional differences may occur, e.g. resulting from the inclusion of general overhead expenses in Solvency II technical provisions.

In line with FAS 60, a liability for future policy benefits is established for long-term contracts. The liability is the present value of estimated future policy benefits to be paid, less the present value of future premiums to be collected from policyholders. There are no specific provisions with respect to the boundary for the determination of future premiums and future policy benefits.

Additionally, a liability for unpaid claim costs including estimates of incurred but not reported claims and claims adjustment expenses is accrued when insured events occur. There are no specific provisions with respect to the boundary for the determination of unpaid claim costs and claims adjustment expenses.

On the other hand, actuarial practice depending on type of product has evolved. There might be cases where this leads to a differing contract boundary compared to Solvency II requirements.

For Solvency II we use the values of the basic risk-free interest rates depending on currency and maturity and if need be the counter-cyclical premium as derived and published by EIOPA [and where applicable a matching premium] when discounting technical provisions.

In line with IFRS, assumptions regarding interest rates for the calculation of the provision for future policy benefits are estimated on a realistic basis at the time the insurance contracts are concluded. They include adequate provision for adverse deviation to make allowance for the risks of change, error and random fluctuations.

The actuarial interest rate employed for discounting in life primary insurance is limited by the respective maximum actuarial interest rate prescribed by the supervisory authorities.

The actuarial assumptions regarding interest rates are adjusted if this is shown to be necessary by a liability adequacy test in accordance with IFRS 4.

The provision for outstanding claims is generally not discounted.

Unearned premiums are not discounted.

Other technical provisions mainly include the provision for premium refunds in primary insurance and the unexpired risk reserve. These technical provisions are not discounted.

Solvency II prescribes an explicit risk adjustment calculated using a 6% cost of capital approach. 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 adjustment is calculated.

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

D.2.2 Uncertainty Associated with the Amount of Technical Provisions

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

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

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

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

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

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

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

	Solvency II value	Statutory accounts value
Technical provisions – non-life	13 911 402	13 561 910
Technical provisions – non-life (excluding health)	0	0
Technical provisions calculated as a whole	0	
Best Estimate	0	
Risk margin	0	
Technical provisions - health (similar to non-life)	13 911 402	13 561 910
Technical provisions calculated as a whole	0	
Best Estimate	13 508 320	
Risk margin	403 082	
Technical provisions - life (excluding index-linked and unit-linked)	208 797 842	192 820 287
Technical provisions - health (similar to life)	-3 493 567	1 231 983
Technical provisions calculated as a whole	0	
Best Estimate	-4 327 323	
Risk margin	833 755	
Technical provisions – life (excluding health and index-linked and unit-linked)	212 291 409	191 588 304
Technical provisions calculated as a whole	0	
Best Estimate	207 938 756	
Risk margin	4 352 653	
Technical provisions – index-linked and unit-linked	45 198 709	53 175 516
Technical provisions calculated as a whole	51 889 808	
Best Estimate	-9 349 690	
Risk margin	2 658 591	

Table 10: Differences of technical provisions under Solvency II and IFRS

The differences in valuation principles can be summarized as follows:

1. Health NSLT. Best estimate premium reserve is equal to unearned premium provision under statutory accounts basis. Under Solvency II basis it is equal to best estimate future cash outflows related to future premiums. Best estimate claims provision under Solvency II is estimated as best estimate future cash outflows linked to premiums which have already been paid as at valuation date. In general it is equal to claim reserve value in statutory accounts and is calculated as sum of incurred but not reported, reported but not settled and claim settlement reserves.
2. Health SLT. Under Solvency II best estimate technical provision based on future cash flows is evaluated. Meanwhile statutory accounts cover current unearned premium and claim reserve sums.
3. Life. Main valuation difference belongs to products with guaranteed investment return in accumulation phase. Under Solvency II technical provisions for these products are evaluated on best estimate cash flow basis discounted with EIOPA's risk free rate curve for corresponding date; meanwhile statutory accounts values are derived using US-GAAP FAS60 standards taking into account asset backing this liability. In addition to this liability deferred acquisition costs are defined as assets and are present as asset.

4. Unit-linked. Technical provision calculated as a whole under Solvency II basis is equal to accumulated value under statutory accounts basis; however claim reserves under Solvency II basis are evaluated on best estimate principles and statutory accounts values are derived from actual reported claims.

D.2.4 Matching adjustment

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

D.2.5 Volatility adjustment

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

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

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

D.2.7 Transitional deduction

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

D.2.8 Recoverables from reinsurance contracts and special purpose vehicles

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

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

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

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

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

Two best estimate reserving assumptions were updated in response to annual validation outgo:

- Lapse assumptions for conventional business

- Longevity experience for immediate annuities.

Joint impact of the latter updates on Company's Solvency rate is increase by 5%.

D.3 Other liabilities

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

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

OTHER LIABILITIES	Solvency II value 2019	Financial statements (IFRS) value 2019	Explanation
Financial liabilities other than debts owed to credit institutions	1 768 921	1 768 921	SII and IFRS values are equal.
Insurance & intermediaries payables	3 967 660	3 975 802	At the end of reporting period discounting of this item has not been required. The difference between SII and IFRS data comes from the differences in presentation.
Reinsurance payables	243 638	243 638	At the end of reporting period discounting of this item has not been required. SII and IFRS values are equal.
Payables (trade, not insurance)	3 453 459	3 580 729	At the end of reporting period discounting of this item has not been required. The difference between SII and IFRS data comes from the differences in presentation.
Total other liabilities	**9 433 678**	**9 569 090**	

Table 11: Other liabilities that is to be given in the Quantitative Reporting Template

According to Article 75(1) (b) of Directive 2009/138/EC all the other liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction, that means with their fair values. When valuing liabilities, no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made. As in general the valuation basis for Solvency II and IFRS is different, 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 is 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 has to be performed annually. Property is not evaluated by the company itself, but appraisal service is outsourced to professional real estate appraiser.

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

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 capitalisation 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	**31.12.2019**	**31.12.2018**
Total of reserves and retained earnings from financial statements	75 715 471	60 366 490
Difference in the valuation of assets	-2 421 919	-4 888 238
Difference in the valuation of technical provisions	-9 851 663	401 940
Difference in the valuation of other liabilities	135 412	135 813
Solvency II Excess of assets over liabilities	**63 577 301**	**56 016 005**

Table 12: Excess of assets over liabilities - attribution of valuation differences

E.1.2 Composition of own funds

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

Basic own funds	**31.12.2019**	**31.12.2018**	**Tier classification**
Ordinary share capital (gross of own shares)	4 380 213	4 380 213	Tier 1 - unrestricted
Share premium account related to ordinary share capital	15 129 289	15 129 289	Tier 1 - unrestricted
Reconciliation reserve	40 457 339	36 405 745	Tier 1 - unrestricted
Net deferred tax assets	110 460	100 758	Tier 3
Total basic own funds	**60 077 301**	**56 016 005**	

Table 13: Basic own funds

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement

Company‘s Solvency Capital Requirement as at 31.12.2019 is provided in the table below, simplified calculations are not used.

	Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
Market risk	13 461 576	13 494 542	0
Counterparty default risk	2 886 745	2 886 745	0
Life underwriting risk	10 129 005	10 051 419	0
Health underwriting risk	8 033 217	8 033 217	0
Non-life underwriting risk	0	0	0
Diversification	-10 735 517	-10 717 773	
Intangible asset risk	0	0	
Basic Solvency Capital Requirement	23 775 026	23 748 150	
Adjustment due to RFF/MAP nSCR aggregation	0		
Operational risk	2 939 256		
Loss-absorbing capacity of technical provisions	0		
Loss-absorbing capacity of deferred taxes	0		
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
Solvency capital requirement, excluding capital add-on	26 687 407		
Capital add-ons already set	0		
Solvency capital requirement	26 687 407		

Table 14: Company's Solvency Capital Requirement

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

Linear MCR	10 932 147
SCR	26 687 407
MCR cap	12 009 333
MCR floor	6 671 852
Combined MCR	10 932 147
Absolute floor of the MCR	6 200 000
Minimum Capital Requirement	10 932 147

Table 15: Company's Minimum Capital Requirement

Minimum capital requirement inputs cover the following:

	MCR components	
	Non-life activities	Life activities
	MCR(NL, NL) Result	MCR(NL, L)Result
Linear formula component for non-life insurance and reinsurance obligations	2 065 337	0

Table 16: MRC components

	Background information			
	Non-life activities		Life activities	
	Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Medical expense insurance and proportional reinsurance	13 508 320	30 435 021	0	0
Income protection insurance and proportional reinsurance	0	0	0	0
Workers' compensation insurance and proportional reinsurance	0	0	0	0
Motor vehicle liability insurance and proportional reinsurance	0	0	0	0
Other motor insurance and proportional reinsurance	0	0	0	0
Marine, aviation and transport insurance and proportional reinsurance	0	0	0	0
Fire and other damage to property insurance and proportional reinsurance	0	0	0	0
General liability insurance and proportional reinsurance	0	0	0	0
Credit and suretyship insurance and proportional reinsurance	0	0	0	0
Legal expenses insurance and proportional reinsurance	0	0	0	0
Assistance and proportional reinsurance	0	0	0	0
Miscellaneous financial loss insurance and proportional reinsurance	0	0	0	0
Non-proportional health reinsurance	0	0	0	0
Non-proportional casualty reinsurance	0	0	0	0
Non-proportional marine, aviation and transport reinsurance	0	0	0	0
Non-proportional property reinsurance	0	0	0	0

Table 17: Background information

	Non-life activities	Life activities
	$MCR_{(L, NL)}$ Result	$MCR_{(L, L)}$ Result
Linear formula component for life insurance and reinsurance obligations	0	8 866 810

Table 18: MRC components

	Non-life activities		Life activities	
	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
Obligations with profit participation - guaranteed benefits	0		212 964 379	
Obligations with profit participation - future discretionary benefits	0		2 885 011	
Index-linked and unit-linked insurance obligations	0		42 622 270	
Other life (re)insurance and health (re)insurance obligations	0		0	
Total capital at risk for all life (re)insurance obligations		0		1 198 275 717

Table 19: Background information

SCR values in comparison to previous period:

	Gross solvency capital requirement (current year)	Gross solvency capital requirement (previous year)
Market risk	13 494 542	12 943 298
Counterparty default risk	2 886 745	2 854 205
Life underwriting risk	10 051 419	6 809 831
Health underwriting risk	8 033 217	7 840 565
Non-life underwriting risk	0	0
Diversification	-10 717 773	-9 366 831
Intangible asset risk	0	0
Basic Solvency Capital Requirement	23 748 150	21 081 068
Operational risk	2 939 256	2 725 748
Solvency capital requirement excluding capital add-on	26 687 407	23 806 816

Table 20: SCR values

Increases in life and health underwriting modules are observed. The growth was present due to organic changes in liability portfolios linked to current company's business strategy. SCR by modules:

Market risk

	Absolute values after shock	
	Net solvency capital requirement	Gross solvency capital requirement
Interest rate risk	2 144 288	2 343 329
interest rate down shock	0	0
interest rate up shock	2 144 288	2 343 329
Equity risk	6 634 975	6 634 975
type 1 equities	0	0
Type 1 equity other than long-term		
strategic participations (type 1 equities)		
Long-term equity investments (type 1 equities)		

	Absolute values after shock	
	Net solvency capital requirement	Gross solvency capital requirement
duration-based (type 1 equities)		
type 2 equities	6 634 975	6 634 975
Type 2 equity other than long-term		
strategic participations (type 2 equities)		
Long-term equity investments (type 2 equities)		
duration-based (type 2 equities)		
qualifying infrastructure corporate equities	0	0
qualifying infrastructure corporate equities, other than strategic and long-term	0	0
strategic participations (qualifying infrastructure corporate equities)	0	0
Long-term equity investments (qualifying infrastructure corporate equities)	0	0
qualifying infrastructure equities other than corporate	0	0
qualifying infrastructure equities other than corporate, other than strategic and long-term	0	0
strategic participations (qualifying infrastructure equities other than corporate)	0	0
Long-term equity investments (qualifying infrastructure equities other than corporate)	0	0
Property risk	7 950	7 950
Spread risk	7 212 187	7 211 567
bonds and loans	7 212 187	7 211 567
loans and bonds (qualifying infrastructure corporate investment)	0	0
loans and bonds (qualifying investment infrastructure other than infrastructure corporate)	0	0
loans and bonds (other than qualifying investment infrastructure and infrastructure corporate)	0	0
credit derivatives	0	0
downward shock on credit derivatives	0	0
upward shock on credit derivatives	0	0
Securitisation positions	0	0
Senior STS securitisation	0	0
Non-senior STS securitisation	0	0
resecuritisations	0	0
Other securitisation	0	0
Transitional type 1 securitisation	0	0
Guaranteed STS securitisation	0	0
Market risk concentrations	2 793 124	2 793 124
Currency risk	106 150	106 150
increase in the value of the foreign currency	102 049	102 049
decrease in the value of the foreign currency	4 101	4 101
Diversification within market risk module	-5 437 098	-5 602 553
Total market risk	13 461 576	13 494 542

Table 21: Market risk

Counterparty default risk

	Name of single name exposure	Code of single name exposure	Loss Given Default	Probability of Default	Net solvency capital requirement	Gross solvency capital requirement
Type 1 exposures						1 583 060
Single name exposure 1	SKANDINAVISKA ENSKILDA BANKEN AB	None	4 109 134	0,005		
Single name exposure 2	MR GROUP	LEI/529900MUF4C20K50JS49	2 574 039	0,0001		
Single name exposure 3	SWEDBANK AB	None	2 516 273	0,005		
Single name exposure 4	SWISS RE	LEI/549300CJ7LW6QSGIL444	2 202 935	0,0001		
Single name exposure 5	NORDEA BANK ABP	None	1 931 550	0,005		
Single name exposure 6	AGGREGIERTES VERMÖGEN GAL LITAUEN	None	548 460	0,042		
Single name exposure 7						
Single name exposure 8						
Single name exposure 9						
Single name exposure 10						
Type 2 exposures						1 502 851
Receivables from Intermediaries due for more than 3 months			0			
All type 2 exposures other than receivables from Intermediaries due for more than 3 months			10 019 009			
Diversification within counterparty default risk module						-199 166
Total counterparty default risk					2 886 745	2 886 745

Table 22: Counterparty default risk

Life underwriting risk

	Net solvency capital requirement	Gross solvency capital requirement
Mortality risk	2 108 926	2 112 469
Longevity risk	2 461 991	2 461 991
Disability-morbidity risk	133 661	133 661
Lapse risk	4 235 179	4 131 830
risk of increase in lapse rates	3 056 809	3 056 809
risk of decrease in lapse rates	4 235 179	4 131 830
mass lapse risk	3 056 809	3 056 809
Life expense risk	5 276 031	5 276 031
Revision risk	0	0
Life catastrophe risk	1 192 471	1 193 790
Diversification within life underwriting risk module	-5 279 255	-5 258 354
Total life underwriting risk	10 129 005	10 051 419

Table 23: Life underwriting risk

Health underwriting risk

	Net solvency capital requirement	Gross solvency capital requirement
	C0060	**C0080**
Health mortality risk	59 221	59 221
Health longevity risk	0	0
Health disability-morbidity risk	603 688	603 688
Medical expense	603 688	603 688
increase of medical payments	603 688	603 688
decrease of medical payments	0	0
Income protection	0	0
SLT health lapse risk	767 498	767 498
risk of increase in lapse rates	767 498	767 498
risk of decrease in lapse rates	0	0
mass lapse risk	767 498	767 498
Health expense risk	553 587	553 587
Health revision risk	0	0
Diversification within SLT health underwriting risk	-549 841	-549 841
Total SLT health underwriting risk	1 434 153	1 434 153
Diversification within NSLT health underwriting risk	0	0
Total NSLT health underwriting risk	7 130 102	7 130 102
Mass accident risk	307 594	307 594
Accident concentration risk	0	0
Pandemic risk	0	0
Diversification within health catastrophe risk	0	0
Total health catastrophe risk	307 594	307 594
Diversification within health underwriting risk module	-838 632	-838 632
Total health underwriting risk	8 033 217	8 033 217

Table 24: Health underwriting risk

Operational risk

	Capital requirement
Operational risk - Information on technical provisions	
Life gross technical provisions (excluding risk margin)	203 611 433
Life gross technical provisions unit-linked (excluding risk margin)	42 540 118
Non-life gross technical provisions (excluding risk margin)	13 508 320
Capital requirement for operational risk based on technical provisions	1 321 501
Operational risk - Information on earned premiums	
Earned life gross premiums (previous 12 months)	27 754 993

	Capital requirement
Earned life gross premiums unit-linked (previous 12 months)	18 561 222
Earned non-life gross premiums (previous 12 months)	31 022 966
Earned life gross premiums (12 months prior to the previous 12 months)	30 054 582
Earned life gross premiums unit-linked (12 months prior to the previous 12 months)	16 659 114
Earned non-life gross premiums (12 months prior to the previous 12 months)	28 967 835
Capital requirement for operational risk based on earned premiums	2 040 889
Operational risk - calculation of the SCR	
Capital requirement for operational risk charge before capping	2 040 889
Percentage of Basic Solvency Capital Requirement	7 124 445
Capital requirement for operational risk charge after capping	2 040 889
Expenses incurred in respect of unit linked business (previous 12 months)	3 593 471
Total capital requirement for operational risk	2 939 256

Table 25: Operational risk

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

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

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

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

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

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

E.6 Any other information

There is no other information.

APPENDICES

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

S.02.01.02

Balance sheet

Assets		**Solvency II value** C0010
Intangible assets	R0030	
Deferred tax assets	R0040	110 460
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	2 040 219
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	263 335 347
Property (other than for own use)	R0080	31 800
Holdings in related undertakings, including participations	R0090	8 643 832
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	227 877 840
Government Bonds	R0140	182 164 893
Corporate Bonds	R0150	44 851 137
Structured notes	R0160	861 810
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	26 781 875
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	51 889 808
Loans and mortgages	R0230	6 004 493
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	6 004 493
Reinsurance recoverables from:	R0270	-1 340 833
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-1 258 680
Health similar to life	R0320	-15 270
Life excluding health and index-linked and unit-linked	R0330	-1 243 410
Life index-linked and unit-linked	R0340	-82 153
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	9 617 261
Reinsurance receivables	R0370	1 444
Receivables (trade, not insurance)	R0380	441 134
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	8 576 676
Any other assets, not elsewhere shown	R0420	242 922
Total assets	R0500	**340 918 931**

		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	13 911 402
Technical provisions – non-life (excluding health)	R0520	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	13 911 402
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	13 508 320
Risk margin	R0590	403 082
Technical provisions - life (excluding index-linked and unit-linked)	R0600	208 797 842
Technical provisions - health (similar to life)	R0610	-3 493 567
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	-4 327 323
Risk margin	R0640	833 755
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	212 291 409
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	207 938 756
Risk margin	R0680	4 352 653
Technical provisions – index-linked and unit-linked	R0690	45 198 709
Technical provisions calculated as a whole	R0700	51 889 808
Best Estimate	R0710	-9 349 690
Risk margin	R0720	2 658 591
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	1 768 921
Insurance & intermediaries payables	R0820	3 967 660
Reinsurance payables	R0830	243 638
Payables (trade, not insurance)	R0840	3 453 459
Subordinated liabilities	R0850	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	**277 341 630**
Excess of assets over liabilities	R1000	**63 577 301**

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	30 435 021								
Gross - Proportional reinsurance accepted	R0120									
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140									
Net	R0200	30 435 021								
Premiums earned										
Gross - Direct Business	R0210	31 022 966								
Gross - Proportional reinsurance accepted	R0220									
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240									
Net	R0300	31 022 966								
Claims incurred										
Gross - Direct Business	R0310	23 271 454								
Gross - Proportional reinsurance accepted	R0320									
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340									
Net	R0400	23 271 454								

		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	-1 570								
Gross - Proportional reinsurance accepted	R0420									
Gross - Non-proportional reinsurance accepted	R0430									
Reinsurers' share	R0440									
Net	R0500	-1 570								
Expenses incurred	R0550	6 438 911								
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								**30 435 021**
Gross - Proportional reinsurance accepted	R0120								
Gross - Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140								
Net	R0200								**30 435 021**
Premiums earned									
Gross - Direct Business	R0210								**31 022 966**
Gross - Proportional reinsurance accepted	R0220								
Gross - Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240								
Net	R0300								**31 022 966**
Claims incurred									
Gross - Direct Business	R0310								**23 271 454**
Gross - Proportional reinsurance accepted	R0320								
Gross - Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340								
Net	R0400								**23 271 454**

		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								**-1 570**
Gross - Proportional reinsurance accepted	R0420								
Gross - Non-proportional reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	R0500								**-1 570**
Expenses incurred	R0550								**6 438 911**
Other expenses	R1200								
Total expenses	R1300								**6 438 911**

		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 re-insurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	3 766 628	22 981 717	17 415 970	2 151 897					**46 316 211**
Reinsurers' share	R1420	206 208	7 985	279 494	408 282					**901 969**
Net	R1500	3 560 420	22 973 732	17 136 476	1 743 615					**45 414 242**
Premiums earned										
Gross	R1510	3 766 628	22 981 717	17 415 970	2 151 897					**46 316 211**
Reinsurers' share	R1520	206 208	7 985	279 494	408 282					**901 969**
Net	R1600	3 560 420	22 973 732	17 136 476	1 743 615					**45 414 242**
Claims incurred										
Gross	R1610	744 247	24 969 095	8 268 459	381 557					**34 363 357**
Reinsurers' share	R1620	0	25	93 071	-2 500					**90 596**
Net	R1700	744 247	24 969 070	8 175 387	384 057					**34 272 761**
Changes in other technical provisions										
Gross	R1710	-5 681	987 051	-11 389 191	365 678					**-10 042 142**
Reinsurers' share	R1720									
Net	R1800	-5 681	987 051	-11 389 191	365 678					**-10 042 142**
Expenses incurred	R1900	1 555 127	4 273 939	4 651 833	1 081 181					**11 562 080**
Other expenses	R2500									
Total expenses	R2600									**11 562 080**

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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		LATVIA	ESTONIA	
Premiums written		**C0080**	**C0090**	**C0100**	**C0140**
Gross - Direct Business	R0110	5 821 349	23 509 493	1 104 179	**30 435 021**
Gross - Proportional reinsurance accepted	R0120	0			
Gross - Non-proportional reinsurance accepted	R0130	0			
Reinsurers' share	R0140	0			
Net	R0200	5 821 349	23 509 493	1 104 179	**30 435 021**
Premiums earned					
Gross - Direct Business	R0210	5 790 003	24 117 840	1 115 123	**31 022 966**
Gross - Proportional reinsurance accepted	R0220	0			
Gross - Non-proportional reinsurance accepted	R0230	0			
Reinsurers' share	R0240	0			
Net	R0300	5 790 003	24 117 840	1 115 123	**31 022 966**
Claims incurred					
Gross - Direct Business	R0310	4 998 473	18 044 860	228 120	**23 271 454**
Gross - Proportional reinsurance accepted	R0320	0			
Gross - Non-proportional reinsurance accepted	R0330	0			
Reinsurers' share	R0340	0			
Net	R0400	4 998 473	18 044 860	228 120	**23 271 454**

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0010	C0020	C0030	C0070
	R0010		LATVIA	ESTONIA	
Changes in other technical provisions					
Gross - Direct Business	R0410	-1 570			**-1 570**
Gross - Proportional reinsurance accepted	R0420	0			
Gross - Non-proportional reinsurance accepted	R0430	0			
Reinsurers' share	R0440	0			
Net	R0500	-1 570			**-1 570**
Expenses incurred	R0550	1 213 592	4 732 484	492 835	**6 438 911**
Other expenses	R1200				
Total expenses	R1300				**6 438 911**

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0150	C0160	C0170	C0210
Country	R0010		LATVIA	ESTONIA	
Premiums written		C0220	C0230	C0240	C0280
Gross	R1410	24 890 276	16 628 450	4 797 485	**46 316 211**
Reinsurers' share	R1420	248 533	313 909	339 527	**901 969**
Net	R1500	24 641 744	16 314 541	4 457 958	**45 414 242**
Premiums earned					
Gross	R1510	24 890 276	16 628 450	4 797 485	**46 316 211**
Reinsurers' share	R1520	248 533	313 909	339 527	**901 969**
Net	R1600	24 641 744	16 314 541	4 457 958	**45 414 242**
Claims incurred					
Gross	R1610	15 874 477	13 976 844	4 512 036	**34 363 357**
Reinsurers' share	R1620	6 318	84 278		**90 596**
Net	R1700	15 868 158	13 892 566	4 512 036	**34 272 761**
Changes in other technical provisions					
Gross	R1710	-5 439 346	-4 083 880	-518 915	**-10 042 142**
Reinsurers' share	R1720	0			
Net	R1800	-5 439 346	-4 083 880	-518 915	**-10 042 142**
Expenses incurred	R1900	6 846 450	2 585 717	2 129 913	**11 562 080**
Other expenses	R2500				
Total expenses	R2600				**11 562 080**

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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 re-insurance	**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		51 889 808								**51 889 808**
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	215 867 498			-9 349 690			-7 928 742			**198 589 066**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	18 108			-82 153			-1 261 518			**-1 325 563**
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	215 849 390			-9 267 537			-6 667 224			**199 914 629**

		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 re-insurance	**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	3 716 503	2 658 591			636 150					**7 011 244**
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	R0110										
Best estimate	R0120										
Risk margin	R0130										
Technical provisions - total	R0200	219 584 000	45 198 709			-7 292 591					**257 490 118**

		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			-4 327 323			**-4 327 323**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			-15 270			**-15 270**
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090			-4 312 053			**-4 312 053**
Risk Margin	R0100	833 755					**833 755**
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110						
Best estimate	R0120						
Risk margin	R0130						
Technical provisions - total	R0200	-3 493 567					**-3 493 567**

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	11 774 835								
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140									
Net Best Estimate of Premium Provisions	R0150	11 774 835								
Claims provisions										
Gross	R0160	1 733 485								
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240									
Net Best Estimate of Claims Provisions	R0250	1 733 485								

		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	13 508 320								
Total Best estimate - net	R0270	13 508 320								
Risk margin	R0280	403 082								
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	13 911 402								
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330									
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	13 911 402								

		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								**11 774 835**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140								
Net Best Estimate of Premium Provisions	R0150								**11 774 835**
Claims provisions									
Gross	R0160								**1 733 485**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240								
Net Best Estimate of Claims Provisions	R0250								**1 733 485**

		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								**13 508 320**
Total Best estimate - net	R0270								**13 508 320**
Risk margin	R0280								**403 082**
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								**13 911 402**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330								
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340								**13 911 402**

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Non-life Insurance Claims

Total Non-Life Business

Accident year / Underwriting year

Z0020	Accident year

Gross Claims Paid (non-cumulative) - Development year. Total Non-Life Business

(absolute amount)

		Development year						Current year, sum of years (cumulative)	
		0	1	2	3	4	5	In Current year	Sum of years (cumulative)
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0170**	**C0180**
Prior	**R0100**								5 615 634
N-12	**R0130**	7 329 839	2 847 672	4 918	10				10 182 440
N-11	**R0140**	13 514 081	4 875 419	5 629	2 187	38			18 397 355
N-10	**R0150**	13 076 865	965 201	1 140	23				14 043 230
N-9	**R0160**	7 664 056	676 036	471					8 340 563
N-8	**R0170**	7 781 074	790 035						8 571 109
N-7	**R0180**	8 542 179	672 067	354					9 214 600
N-6	**R0190**	9 603 763	722 118	726	228				10 326 835
N-5	**R0200**	11 741 374	547 101						12 288 475
N-4	**R0210**	15 035 738	693 273	-447					15 728 564
N-3	**R0220**	17 597 499	770 885	-102					18 368 282
N-2	**R0230**	20 376 234	893 529	369				369	21 270 133
N-1	**R0240**	19 895 032	832 195					832 195	20 727 227
N	**R0250**	22 432 324						22 432 324	22 432 324
Total	**R0260**							23 264 888	195 506 769

Gross undiscounted Best Estimate Claims Provisions - Development year. Total Non-Life Business

(absolute amount)

		Development year						Current year, sum of years (cumulative)
		0	1	2	3	4	5	Year end (discounted data)
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0360**
Prior	**R0100**							
N-12	**R0130**	3 061 174	10 472	1 110				
N-11	**R0140**	4 974 702	29 039	3 015	191			
N-10	**R0150**	1 384 650	4 589	286				
N-9	**R0160**	1 228 492	2 959	3				
N-8	**R0170**	1 253 670	7 373					
N-7	**R0180**	1 141 179	6 741					
N-6	**R0190**	1 315 479	4 329	818				
N-5	**R0200**	1 234 554	112					
N-4	**R0210**	1 559 963	600	38				
N-3	**R0220**	1 368 512	421	106				
N-2	**R0230**	1 700 560	892	336				336
N-1	**R0240**	1 719 930	1 885					1 885
N	**R0250**	1 727 285						1 727 285
Total	**R0260**							1 729 506

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	4 380 213	4 380 213			
Share premium account related to ordinary share capital	R0030	15 129 289	15 129 289			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	40 457 338	40 457 338			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	110 460				110 460
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	60 077 301	59 966 841			110 460
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	60 077 301	59 966 841			110 460
Total available own funds to meet the MCR	R0510	59 966 841	59 966 841			
Total eligible own funds to meet the SCR	R0540	60 077 301	59 966 841			110 460
Total eligible own funds to meet the MCR	R0550	59 966 841	59 966 841			
SCR	R0580	26 687 407				
MCR	R0600	10 932 147				
Ratio of Eligible own funds to SCR	R0620	2,25				
Ratio of Eligible own funds to MCR	R0640	5,49				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	63 577 301
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	3 500 000
Other basic own fund items	R0730	19 619 963
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	40 457 338
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	36 891 354
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	R0790	36 891 354

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	13 461 576		
Counterparty default risk	R0020	2 886 745		
Life underwriting risk	R0030	10 129 005		
Health underwriting risk	R0040	8 033 217		
Non-life underwriting risk	R0050			
Diversification	R0060	-10 735 517		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	23 775 026		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	2 939 256
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	26 687 407
Capital add-on already set	R0210	
Solvency capital requirement	R0220	26 687 407
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.28.02.01

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

MCR components

		MCR components	
		Non-life activities	Life activities
		$MCR_{(NL, NL)}$ Result	$MCR_{(NL, L)}$ Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	2 065 337	

Background information

		Background information			
		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	13 508 320	30 435 021		
Income protection insurance and proportional reinsurance	R0030				
Workers' compensation insurance and proportional reinsurance	R0040				
Motor vehicle liability insurance and proportional reinsurance	R0050				
Other motor insurance and proportional reinsurance	R0060				
Marine, aviation and transport insurance and proportional reinsurance	R0070				
Fire and other damage to property insurance and proportional reinsurance	R0080				
General liability insurance and proportional reinsurance	R0090				
Credit and suretyship insurance and proportional reinsurance	R0100				
Legal expenses insurance and proportional reinsurance	R0110				
Assistance and proportional reinsurance	R0120				
Miscellaneous financial loss insurance and proportional reinsurance	R0130				
Non-proportional health reinsurance	R0140				
Non-proportional casualty reinsurance	R0150				
Non-proportional marine, aviation and transport reinsurance	R0160				
Non-proportional property reinsurance	R0170				

Linear formula component for life insurance and reinsurance obligations

		Non-life activities	Life activities
		$MCR_{(L, NL)}$ Result	$MCR_{(L, L)}$ Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200		8 866 810

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

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210			212 964 379	
Obligations with profit participation - future discretionary benefits	R0220			2 885 011	
Index-linked and unit-linked insurance obligations	R0230			42 622 270	
Other life (re)insurance and health (re)insurance obligations	R0240				
Total capital at risk for all life (re)insurance obligations	R0250				1 198 275 717

Overall MCR calculation

		C0130
Linear MCR	R0300	10 932 147
SCR	R0310	26 687 407
MCR cap	R0320	12 009 333
MCR floor	R0330	6 671 852
Combined MCR	R0340	10 932 147
Absolute floor of the MCR	R0350	6 200 000
Minimum Capital Requirement	R0400	10 932 147

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	2 065 337	8 866 810
Notional SCR excluding add-on (annual or latest calculation)	R0510	5 041 872	21 645 535
Notional MCR cap	R0520	2 268 842	9 740 491
Notional MCR floor	R0530	1 260 468	5 411 384
Notional Combined MCR	R0540	2 065 337	8 866 810
Absolute floor of the notional MCR	R0550	2 500 000	3 700 000
Notional MCR	R0560	2 500 000	8 866 810