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Annual report 2016
Württembergische Versicherung AG

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württembergische

Der Fels in der Brandung.

Württembergische Versicherung AG
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Supervisory Board

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Chairman
(until 9 February 2017)
Chairman of the Executive Board
Wüstenrot & Württembergische AG
(until 31 December 2016)

Jürgen A. Junker
(from 10 February 2017)
Chairman
(from 22 February 2017)
Chairman of the Executive Board of
Wüstenrot & Württembergische AG
(from 1 January 2017)

Uwe Ilzhöfer[1]
Deputy Chairman
(until 31 December 2016)
Former Chairman of the Works Council
Württembergische Versicherung AG/
Württembergische Lebensversicherung AG,
Stuttgart head office

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Deputy Chairman
(from 22 February 2017)
Deputy Chairman of the Central Works Council
Württembergische Versicherung AG/
Württembergische Lebensversicherung AG,
Deputy Chairman of the Works Council
Württembergische Versicherung AG/
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Wolfgang Dahlen[1]
(until 30 June 2016)
Former Chairman of the Central Works Council
Württembergische Versicherung AG/
Württembergische Lebensversicherung AG

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Chair of Insurance Economics
and Risk Management at Friedrich Alexander University
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(until 30 September 2016)
Trade union secretary
United Services Trade Union ver.di
Federal administration Berlin

Jochen Haller
Former Managing Director of IHK
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Gisbert Hasenfuss[1]
Head of the Regional Head Office Stuttgart/Rems-Murr
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Managing Partner
KRAFT Baumanagement GmbH

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Member of the Management
W&W Asset Management GmbH

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(from 1 July 2016)
Insurance employee
Württembergische Versicherung AG

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(from 14 November 2016)
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United Services Trade Union ver.di
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Westfälische Provinzial Lebensversicherung AG,
Provinzial NordWest Holding AG

Gerold Zimmermann[1]
(from 16 January 2017)
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Württembergische Versicherung AG/
Württembergische Lebensversicherung AG
Chairman of the Works Council
Württembergische Versicherung AG/
Württembergische Lebensversicherung AG,
Stuttgart head office

1 Employee representatives.

Württembergische Versicherung AG
Management report

Basis

Business model

Overview of
Württembergische Versicherung AG

Württembergische Versicherung AG, based in Stuttgart, Germany, is one of Germany's tradition-richest insurance companies. It had been founded as "Württembergische Privat-Feuer-Versicherungs-Gesellschaft" in 1828. Today, the company offers custom-tailored property and personal accident insurance products. Due to its wide spectrum of offerings, Württembergische is one of Germany's largest property and casualty insurers.

Its core market is Germany, where Württembergische Versicherung AG has its head office in Stuttgart.

Together with Württembergische Lebensversicherung AG, Württembergische Krankenversicherung AG, Allgemeine Rentenanstalt Pensionskasse AG and Karlsruher Lebensversicherung AG, it is part of the Württembergische Versicherung Group.

Since the merger of the traditional companies Wüstenrot and Württembergische in 1999, the company has been part of the W&W Group. This Group combines the Home Loan and Savings Bank and Insurance divisions as equally strong pillars and offers financial planning solutions for private and commercial customers from one source. It positions itself and its subsidiaries as a financial planning specialist for financial security, property, risk protection and wealth management. The Chairman of the Executive Board of Württembergische Versicherung AG is in charge of the Insurance division of the W&W Group and represents it on the W&W Management Board. Wüstenrot & Württembergische AG holds 100% of the share capital of Württembergische Versicherung AG. The business model of Württembergische Versicherung AG was again successful and did not change in the financial year 2016.

W&W@2020 on course

Creating assets – securing assets. This is our vision. We made significant steps along this road in 2016 with the W&W@2020 programme.

To be able to meet the needs of our clients even more efficiently, we effectively combine the competent consulting of our sales representatives with the opportunities of digitisation. With our newly designed websites, social media and chat offerings, we are now not only faster in terms of customer interaction, but have also made significant improvements. Our Net Promoter Score – an indicator of customer satisfaction – also increased further in 2016. Württembergische consistently achieves scores that are higher than the market level, and its consultant NPS is even at best-practice level.

To maintain these standards, we strengthen the level of service and advice provided locally through a qualifications offensive and by promoting mutual cooperation between Wüstenrot and Württembergische. There are now more than 1,891 certified financial planning specialists in the W&W Group. By the end of 2016 we were able to expand the number of Financial Planning Centres to 30.

This financial planning from a single source is unique and sets us apart from our competitors. To ensure that our customers are better able to perceive and benefit from this uniqueness, we are working on further extending our communication channels, among other things. Digitally and personally, Wüstenrot & Württembergische and thus Württembergische Versicherung AG will therefore continue to be available around the clock.

Thanks to W&W@2020, customers now have many options for communicating with us. In 2016, the entire W&W Group conducted more than 3,000 chats and more than 2,400 video consultations. At the same time, our online offerings have continuously been expanded. We have not only concentrated on new and attractive products, but also created a large number of convenient and innovative digital offers for our customers, such as the new app for the convenient notification of motor insurance claims.

In addition, the product websites www.wuerttembergische.de and the respective agency websites have been redesigned to make them more modern and attractive. In this way, our sales force agencies can also acquire new and prospective customers online. This ensures that our customers always receive a competent reply quickly when submitting any requests for advice online (website, chat).

Strict discipline in terms of running costs is essential for us to finance the appropriate investment that is needed. In line with our strategy of increasing efficiency, we have set ourselves the goal of improving the productivity of the W&W Group by at least 5% a year.

Within the scope of W&W@2020, we have also introduced numerous new products and services and won several awards.

Product mix

In 2016, Württembergische Versicherung AG received an award for customer satisfaction from MSR Consulting. In the surveys, it received an "outstanding" for its service quality and a "very good" for claims processing as a high-service insurer.

To be able to offer its customers high quality products which are geared to their individual needs, Württembergische services a broad product portfolio covering virtually all business lines of property and personal accident insurance. This includes:

- Personal accident insurances
- Liability insurances
- Motor insurances
- Fire insurances
- Household insurances
- Residential building insurances
- Other property insurances (including technical insurances)
- Transport and aviation insurances
- Legal expenses insurances

In the year under review, the portfolio share of premium car policies remained at a very high level in the business segment motor. The range was successfully extended in the area of motor insurance to include the GDV eCall component, the "emergency service" provided by Württembergische. Moreover, preparations for a telematics solution were launched within the scope of an expanded field test. In the year under review, the demand in the field of classic and exotic cars again exceeded the market average, resulting in high growth rates for Württembergische Versicherung AG.

In 2016, Württembergische Versicherung AG mostly sold premium services in the private customer business segment.

New modular rates were rolled out in the casualty, household and residential building segments and were labelled as "outstanding" by Franke und Bornberg in the premium protection category. The "house & flat cover", "electronics", "building technology AllRisk", "fit & active" and "fractures and ligament ruptures" modules offer customers excellent solutions for many avenues in life. The sale of online products in the private customer segment was successfully supplemented with the provision of guarantees for rent deposits.

The growth in the corporate customer business segment continued in 2016. It was again mainly supported by the core product "company policy", whose scope of services was further expanded in 2016, e.g. by including photovoltaic systems on commercially used buildings. Moreover, the focus on target group products continued in the financial year under review.

Sales channels

For the sale of our products,
we especially rely on the competence and reliability of personal advice. Our own exclusive sales force with its approximately 3,000 mobile sales partners account for the greatest share in this area. This sales force is supported by about 3,000 Wüstenrot consultants. To give our customers digital access to the offer of Württembergische Versicherung AG, we are also increasingly offering our products online. Additionally, broker sales and strong cooperation partners from the banking and insurance sector are making a key contribution to our success.

Commitment to sustainability

The W&W Group and thus also Württembergische Versicherung AG have disclosed their efforts to promote sustainability in the declaration of conformity with the German Sustainability Code (DNK). The declaration of conformity is also published on the website of the W&W Group under https://www.ww-ag.com/en/ueber_uns/engagement/Sustainability.html. The project is coordinated by a central Group Sustainability Committee (GSC) that oversees the Group's sustainability programmes.

As a financial services provider and pension specialist, we are conscious of our responsibility to the environment. For this reason, company vehicles are subsidised or penalised, depending on their carbon emissions, and high ecological standards are also at the forefront when it comes to expanding the Ludwigsburg/Kornwestheim site. We are also placing more emphasis on ecological concerns in terms of our investment strategy and our products.

Additionally, responsibility towards employees is a key aspect of sustainability. To ensure our competitiveness and fitness for the future, we need to invest sustainably in people in addition to saving costs. Therefore, W&W offers products and services for the creation of a better work-life balance, health management and further training and development. The current activities are also particularly designed to create more flexibility in the workplace and to promote teleworking.

We believe strongly in supporting worthy projects. By way of W&W AG and its subsidiaries, the W&W Group therefore supports various regional organisations and institutions that promote culture and strengthen society, such as the Friedrich August von Hayek Foundation and the Association for a Safe and Clean Stuttgart ("Förderverein Sicheres und Sauberes Stuttgart e.V.") and Safe Ludwigsburg – Association to Promote Crime Prevention ("Sicheres Ludwigsburg – Förderverein zur Kriminalprävention e.V.").

Regulatory requirements

Since 1 January 2016, the new risk-oriented solvency regime Solvency II has been in force. The required quarterly reports were submitted to BaFin on time in 2016. The requirements for coverage ratios were more than satisfied.

Business management system

The W&W Group's integrated business management system is designed to retain value. A three-year plan is drawn up on the basis of the business strategy and presented to the Supervisory Board for approval. The plan approved by the Supervisory Board for the following financial year is used to establish the main metrics for the management to use as quantitative targets. The most important performance indicators are derived on this basis.

We review our operational plan with two extrapolations during the financial year. Management activities are performed throughout the year using a "management cockpit" that tracks targets on a monthly basis. Counteraction is taken where necessary if actual performance deviates from the target.

To properly guide the W&W Group, key performance indicators were defined for the "profitability" and "market/customers/sales" parameters.

In the "profitability" area, the net income for the year before taxes and profit transfer according to the German Commercial Code (HGB) and the combined ratio (net) represent central financial performance indicators for Württembergische Versicherung AG. The combined ratio describes the ratio of expenses for the insurance business and expenses for insurance claims to premiums earned.

Due to the streamlining of the corporate goals, the value-oriented net sales performance has no longer been part of the target agreements since 2016. This management parameter is thus no longer included as the most important performance indicator for the "market/customer/sales" area. As this indicator is significant for the management of Württembergische Versicherung AG, we continue to report it in the comparison with the previous year in the economic report and in the forecast report.

A positive value-oriented net sales performance means that we grow profitably under our own steam. Factors are used to weight new and replacement business minus cancellations of contracts in force in individual lines of insurance (based on annual contribution to the portfolio). These factors are determined based on profitability. As a rule, the more profitable the business line, the higher the weighting factors.

Employees

As at 31 December 2016, the Württembergische Versicherung Group had 3,283.7 (previous year: 3,387.9) employees, calculated based on full-time equivalents, excluding trainees.

The restructuring of the W&W Group, and thus also of Württembergische Versicherung AG, to safeguard its future continued in the 2016 financial year. The company focused more on the future-related topic of digitisation, for example, which will also be of key importance going forward within the scope of the W&W@2020 programme. To make processes more flexible and streamlined, it was necessary to carry out restructuring across the Group and cut jobs. In this case, we were on hand to offer support to our employees, and constructive agreements were reached jointly with our employee representative committees.

By 2020 we want to boost the digitisation expertise of our employees and promote the agile skills and working practices of individuals and the organisation as a whole. To this end, we are offering specific opportunities for obtaining additional qualifications, such as the "agile project management" initiative or workshops on "design thinking". In addition, we developed an agility index, which will enable us to monitor the agility level of the organisation and derive suitable measures.

Wüstenrot & Württembergische, and thus also the Württembergische Versicherung Group, remain attractive employers. This is evident from the extensive support offered in relation to work-life balance. We have helped employees reconcile their personal and career objectives more easily with flexible working hours and workplace models as well as professional childcare and wellness assistance. For example, within the scope of the new working world, which will also be implemented in the new campus, we offer mobile working across the Group. This will give our employees the opportunity to work flexibly regardless of location. Since 2012, the "Feuerseepiraten" corporate childcare centre in Stuttgart has promoted the compatibility of work and family.

As part of the W&W health management initiative, our employees also have the chance to take advantage of the numerous health-promoting measures. They include corporate sports offers, partnerships with fitness studios and seminars on health issues. In the financial year ended, we received the Corporate Health Award in the special prize category "Demographics" for our commitment to company health management. In regard to professional and private problems such as burnout, conflicts in the workplace, life crises and financial emergencies, we offer our staff life-coaching sessions where solution-based counselling can be utilised.

In the 2016 financial year, we once again demonstrated our fair treatment of trainees and university graduates with our participation in the "Fair Company Initiative". We also worked harder to promote new talent: Within the framework of the Bildungskongress der Versicherungswirtschaft (BIKO) (Educational Congress of the Insurance Industry), the sales training department of Württembergische Versicherung AG took second place in the "InnoWard" in the category "initial vocational training" with its "teaching platform for field sales". In addition, in the past financial year it was decided that in future 30% of the year's best trainees would each be awarded a permanent employment contract per job description, regardless of whether there was a permanent vacancy.

We also endeavour to give our experienced employees development opportunities: Attractive prospects abound throughout the W&W Group on both the professional and executive career tracks. We offer particularly talented employees programmes such as our Premium Talent Programme, where entrepreneurial, social and specialist skills are further developed. Mutual understanding and networking within the Group are important to us. We also want to promote this more in the future by offering our staff company-wide programs to develop potential and internships in customer-related areas.

Acknowledgement

We would like to thank our internal and mobile sales force staff for their dedication and extraordinary commitment throughout the previous financial year. Their expertise and motivation are essential to our future. We would also like to thank the employee representatives and their committees, the representatives of the mobile sales force organisations and the executive representative committees for their close cooperation and constructive support of all the action taken to prepare our company for the future.

Ratings

In the year under review, Standard & Poor's (S&P) again confirmed ratings of all core companies in the W&W Group with a stable outlook. Württembergische Versicherung AG has thus retained its "A–" rating. S&P's rating recognises the W&W Group's good business and financial risk profile, in particular.

After last year's rise on the rating scale, the risk management of the W&W Group will continue to be listed in the category "strong".

Business report

Business environment

Macroeconomic environment

The German economy continued its steady growth from previous years in 2016. According to provisional calculations, it generated an increase in GDP of around 1.9%. The most important support for the economy was the dynamic consumer demand of private households. By contrast, the manufacturing industry only achieved modest growth. This was particularly due to exports, which continued to suffer from the disappointing demand from key emerging countries (China, Russia, Brazil). The disappointing foreign trade business and continuing political uncertainty (e.g. the UK's envisaged exit from the EU) hampered the propensity of companies to invest despite historically low financing conditions. Given the historically still very low mortgage interest rates and continuing high need for housing in conurbation areas, the construction sector saw lively demand for properties and a high level of building activity. From the standpoint of the W&W Group, in particular the historically above-average income trends for private households and the dynamics of the residential building sector therefore presented a favourable macroeconomic environment in 2016.

Capital markets

Bond markets

Long-term interest rates continued their long-standing downward trend in the first half of 2016. At the beginning of the year, in particular, very weak economic data from China put a dampener on the global economic outlook. In addition, the initially continuing slump in the oil price caused inflation expectations to sink further. In March, the European Central Bank (ECB) decided to continue pursuing an expansionary monetary policy in the form of a renewed reduction in key rates and an extension of its bond purchase programme. As a result, the yield of 10-year federal government bonds, which had still been 0.63% at the turn of the year, dropped to – 0.2% in early July, a new historic record low. The decision by the Brits in a referendum, who surprisingly voted for a Brexit, was also a contributing factor. The resulting political and economic uncertainty also drove many investors into the safe haven of bunds.

From spring, the globally reported economic data stabilised, which meant that fears of recession receded once again. From mid-July, a turnaround became evident. Long-term interest rates picked up moderately. The political and economic trend in the UK after the Brexit vote was much more stable than had been originally feared by the financial markets. Moreover, the oil price made a significant recovery. After Donald Trump's surprising election as the new US president, market players increased their growth and inflation forecasts for the US economy. The yields of US bonds subsequently rose appreciably, which spread at least in part to the German bond market. At the bottom line, the yield of 10-year German government bonds had at least reached 0.21% as of the end of 2016, i.e. 42 basis points less than at the end of 2015.

Backed by another reduction in the key interest rate by the ECB in March, the yields of short-term bonds continued to drop in 2016, reaching a new record low of – 0.81% shortly before the end of the year. The two-year yield closed the year at – 0.77%, 42 basis points below the level at the end of 2015.

Stock markets

European stock markets made a historically weak start into 2016. By mid-February, the Euro STOXX 50 and the DAX sustained losses of about 18%. The main reason for this was an increasing economic pessimism amongst investors, which was also fuelled by the very weak economic data from China and the initially persisting decrease in oil prices. From mid-February, the trend gradually reversed. This was triggered by various factors: The economic confidence of investors rose somewhat again due to the improved US economic data, the more stable development in China and the supporting measures adopted by the ECB. Oil prices also recovered considerably. In the remaining part of the year, the Euro STOXX 50 mostly fluctuated within a narrow bandwidth of 2900 to 3100 points. The most important exception was the period from mid-June to early July, when the investors' risk aversion increased significantly in connection with the UK referendum as to whether the country is to stay in the EU. Following the surprising "leave" vote, the Euro STOXX 50 temporarily even dropped below the mark of 2700 points. However, thanks to the surprisingly robust UK economy and the quick establishment of a new government, the stock markets calmed down speedily. In the last trading weeks, the European stock indices recovered significantly thanks to positive signals from the US stock markets after Trump's election as the new US President. With a year-end DAX level of 11481 points, the German stock market achieved a gain of 6.9%. The Euro STOXX 50 finished at 3,291 points, only 0.7% higher than at the end of 2015.

Industry trends

In 2016, the financial services industry was faced with further regulatory stipulations and requirements. The introduction of Solvency II represented a central challenge. General economic conditions also impacted the entire sector. Despite the difficult market environment, Württembergische Versicherung AG performed very well and ranks 10th among Germany's property insurers in terms of gross premiums written in the domestic direct business in 2015. In 2016, the growth in premium income as well as the increase in claims continued in the property and personal accident insurance.

According to provisional calculations by the German Insurance Association (GDV), premium income went up about 2.8% towards the end of the year, reaching €66.2 billion (previous year: €64.4 billion). The legal expenses insurance recorded the highest growth of 5.5%. The private property insurance also achieved a high growth rate of 5.0%. The motor insurance also contributed to the premium growth, though at a lower rate (+ 2.8%) than in the previous year. Transport and aviation insurance achieved growth of 1.5%, as in the previous year. Following the decline in the previous year, the premium income of the general personal accident insurance achieved a growth of 1.5% in the year under review. All other business lines recorded moderate growth rates. The combined ratio (combined ratio of claims and expenses) remained at about 96% across all business lines.

Business development and position of the company

Business performance

The claims development in the financial year 2016 was excellent. The claims equalisation provisions were further strengthened with a high allocation of €43.2 million (previous year: €62.0 million). In 2016, Württembergische Versicherung AG reached a combined ratio of 89.6% in the direct domestic business, more than 6 percentage points below the market. This reflects our cautious, income-oriented underwriting policy. Our gross premiums went up 2.4%, a rate close to that of the market (2.8%).

At €207.9 million, new business remained at the level of the previous year. The value-oriented net sales amounted to €23.7 million, a figure slightly below that of the previous year (€26.8 million).

The net income from investments declined to €80.8 million (previous year: €104.0 million), as there were no special effects as in the previous year.

The net income before taxes and profit transfer climbed from €70.2 million to €110.3 million due to the lower allocation to the claims equalisation provisions and the burden from the pension provision, which was still high, but much lower than in the previous year.

Underwriting income marked by positive claims development

Despite higher gross claims expenses for damage from natural disasters of €79.8 million (previous year: €65.0 million), the claims development of Württembergische Versicherung AG was again good in the financial year 2016. The underwriting income before allocation to the claims equalisation provisions increased from €105.0 million to €134.9 million. After the allocation to the claims equalisation provisions, the underwriting income amounted to €91.7 million (previous year: €43.1 million).

Net investment income without special effects of the previous year

Current investment income dropped to €99.9 million (previous year: €137.7 million). The previous year was marked by special distributions in the areas of participations and shares in investment assets. Furthermore, the extremely low capital market interest rates for new investments and reinvestments were effective. The write-up/write-down balance improved from – €25.6 million to – €12.9 million. The previous-year figure had been greatly affected by write-downs on security funds that invest in emerging markets. The balance of disposal gains and losses amounted to €5.0 million (previous year: – €1.5 million). Though the disposal gains increased, the losses from the currency forwards taken out as hedges were much lower.

Against this backdrop, the net interest on investments declined to 3.1% (previous year: 4.2%).

Profit transfer to W&W AG

Especially due to the excellent actuarial development throughout the year, the net income from operations surged from €73.7 million to €142.4 million. Owing to a statutory amendment, the net income from operations was not affected by the high-interest related burden from the pension provision, which is usually expected. However, a pending voluntary premature allocation to the pension provision according the German Accounting Law Modernisation Act (BilMoG) caused significantly higher expenses totalling €32.1 million. Thus, the entire remaining amount was already allocated in 2016, forestalling future expense instalments. Württembergische Versicherung AG transferred income of €113.5 million (previous year: €70.8 million) to the sole shareholder W&W AG.

Financial performance

New business and premium income

Measured in terms of the annual contribution to the portfolio, new business amounted to €207.9 million, a level close to that of the previous year (€209.8 million). With a decline of – 0.1%, the cancellation in the portfolio of Württembergische Versicherung AG also remained stable.

In 2016, Württembergische Versicherung AG again achieved premium growth. Gross premium income went up 2.4% to €1,678.1 million (previous year: €1,638.3 million). Württembergische Versicherung AG's premium income for own account increased 2.5% to €1,361.0 million (previous year: €1,327.2 million).

The deductible increased slightly to 81.1% (previous year: 81.0%).

The gross premiums written in motor insurance were up 1.5% from €722.6 million to €733.5 million. In the private customer business, the premium income amounted to €589.6 million (previous year: €571.7 million), a year-on-year increase of 3.1%. In the corporate customer business, Württembergische Versicherung AG's gross premium income written grew 3.2% to €355.1 million (previous year: €344.0 million). No significant premiums are generated overseas anymore.

Claims development in the financial year

Compared to the already excellent claims development in the previous year, the gross loss ratio of the financial year for the domestic business dropped further from 73.9% to 71.6%. The gross claims expenses for damage from natural disasters increased to €79.8 million (previous year: €65.0 million).

The claims expenses for own account in Germany receded from €869.9 million to €866.3 million. The net loss ratio declined to 63.7% (previous year: 65.7%). An amount of €43.2 million (previous year: €62.0 million) was allocated to the claims equalisation provisions.

Continued robust reserves

In 2016, net technical provisions increased from €2,240.9 million to €2,299.2 million. The reasons for this development include the strengthening of the claims equalisation provisions as well as the increase in the provision for outstanding insurance claims.

Technical provisions f. o. a.

	2016	2015	Change
			in %
Provisions for claims			
in € million	1,751.5	1,738.2	0.8
In % of premiums written	128.7	131.0	
In % of the claims payments	205.4	201.8	
Claims equalisation provisions			
in € million	407.2	364.0	11.9
In % of premiums written	29.9	27.4	
Technical provisions			
Total in € million	2,299.2	2,240.9	2.6
In % of premiums written	168.9	168.8	

Expense ratio

The expense ratio (gross) in Germany again dropped slightly to 26.9% (previous year: 27.1%). The remuneration paid to the mobile sales force increased 3.9%. Total expenses for the insurance business grew 2.0% from €442.7 million to €451.5 million, an increase below the growth rate of the premiums.

Combined ratio better than strategic goal

In the domestic business, the good claims trend and the positive cost development also affected the combined ratio of Württembergische Versicherung AG. In the financial year 2016, the gross combined ratio receded from an already excellent level of 92.3% in the previous year to 90.2% in the year under review, significantly below the strategic goal of 96%.

The business segments of Württembergische Versicherung AG

Gross premium income by business segment

	2016	
	in € million	in %
Motor	733.5	43.7
Private customers	589.6	35.1
Corporate customers	355.1	21.2
Overseas	– 0.1	0.0
Total	**1,678.1**	**100.0**

Motor

The business segment motor comprises the business lines motor liability, motor comprehensive insurance, motor personal accident insurance and traffic service insurance of Württembergische Versicherung AG. In 2016, premiums written increased 1.5% to €733.5 million (previous year: €722.6 million).

As expected, the broker sales channel underwent a decline in new business. The exclusive sales force of Württembergische recorded an increase. Measured against the annual contribution to the portfolio, the new business in motor insurance underwent a year-on-year decrease of 1.9% to €155.5 million (previous year: €158.5 million).

The loss ratio of the financial year increased slightly to 84.1% (previous year: 83.6%). The income from claims of the previous year amounted to €43.4 million (previous year: €37.1 million). The net underwriting income in the business segment motor grew from €18.7 million to €20.2 million.

The underwriting income of the previous year, which was positive for the first time since 2009, was thus reached again and even slightly improved.

Private customers

The business segment private customers mainly comprises the business lines residential buildings, household, general personal accident insurance, legal expenses and liability of private households. The gross premiums written amounted to €589.6 million (previous year: €571.7 million), 3.1% more than in the previous year.

The net income in the private customer segment reached €83.3 million, significantly outperforming the already very good level of the previous year (€72.0 million). The general personal accident insurance delivered the highest income contribution in the private customer segment and exhibited a good premium performance. All business lines recorded positive results in the financial year 2016.

In the field of residential building insurance, the measures to enhance profitability were highly successful. While a small loss of – €3.0 million had been reported in the previous year, a positive net income of €1.7 million was achieved in 2016. The combined ratio (net) was again below 100%; in the year under review, it amounted to 96.1% (previous year: 99.8%). Gross premiums written increased 5.1%, especially due to the higher average premium.

Corporate customers

The business segment corporate customers includes the commercial and industrial property and liability insurance business lines. The gross premium income in this segment went up 3.2% from €344.0 million to €355.1 million.

Due to the significantly lower claims burden in the financial year and the higher income from claims of previous years, the gross loss ratio in the corporate customer business dropped from 62.7% to 54.0% in the reporting year 2016. The net income increased from €16.8 million to €34.0 million.

Overseas

Since 2008, no more active underwriting takes place in the foreign subsidiaries.

Business line reports

This report presents the results described in the segment report in a different way. Depending on the individual business line, the results are consolidated across all business segments – motor, private customers, corporate customers and overseas.

Direct business

- Personal accident insurance

Personal accident insurance comprises the business lines general personal accident insurance, aviation casualty insurance and motor casualty insurance. In the year under review, the gross premiums increased 1.7% from €131.3 million to €133.4 million. Year on year, the number of claims decreased to 14,246 (previous year: 14,401). Despite the lower income from claims from the previous year, the loss ratio improved to 34.2% (previous year: 45.7%). In the technical account, personal accident insurance generated net income of €39.6 million (previous year: €24.5 million).

- Liability insurance

The business line liability insurance consists of the general liability business of private and corporate customers as well as the aviation liability business. The gross premium income in this business line went up 2.2% from €190.3 million to €194.5 million. The loss ratio of the financial year improved from 59.5% to 57.2%. In the liability line, the net underwriting income after claims equalisation went up from €45.0 million in the previous year to €48.8 million in the year under review.

- Motor insurance

In the reporting period, the gross premium income increased 1.5% to €722.7 million (previous year: €712.0 million). Motor insurance recorded positive net underwriting income before claims equalisation provisions of €20.5 million (previous year: €19.4 million). An amount of €15.6 million (previous year: €45.8 million) was added to the claims equalisation reserves.

- Motor liability insurance

In 2016, the motor liability insurance of Württembergische Versicherung AG had 1,675,876 insured risks (previous year: 1,665,500). This corresponds to an increase of 0.6%. Year on year, the number of reported claims declined to 89,949 (previous year: 91,678). In 2016, gross premiums written increased 1.4% from €412.9 million to €418.6 million. The average claim went up 2.7% to €3,527 (previous year: €3,435). The loss ratio of the financial year remained steady at 88.3%. The run-off gain in the motor liability insurance amounted to €33.5 million, slightly more than in the previous year. The net underwriting income was €11.2 million (previous year: €10.0 million).

An amount of €4.9 million (previous year: €26.8 million) was allocated to the claims equalisation reserves.

- Other motor insurance

Other motor insurances include comprehensive and partial cover insurance. The gross premium income in this business line grew 1.7% from €299.1 million to €304.1 million. The loss ratio of the financial year increased slightly to 79.3% (previous year: 77.9%). In total, Württembergische Versicherung AG generated net income of €9.3 million (previous year: €9.4 million) in other motor insurances. In the financial year 2016, an amount of €10.8 million (previous year: €19.0 million) was allocated to the claims equalisation reserves.

- Fire insurance

This insurance business line comprises the industrial fire insurance, the general fire insurance and the agricultural fire insurance. After the good previous year, the gross premium income increased by another 1.5% from €64.6 million to €65.6 million. The gross loss ratio of the financial year improved significantly to 71.8% (previous year 110.1%). One of the reasons for this development was the greatly reduced burden from individual major claims. The underwriting income before claims equalisation provisions thus improved from – €13.1 million to – €0.1 million. In the financial year, an amount of €1.6 million was allocated to the claims equalisation reserves (previous year: withdrawal of €10.3 million).

- Household insurance

In 2016, the gross premium income in household insurance increased 2.3% to €89.3 million (previous year: €87.3 million). The claims situation deteriorated only slightly. The loss ratio of the financial year increased from 40.4% to 42.2%. The net underwriting income remained stable, reaching €18.3 million (previous year: €18.0 million).

- Residential building insurance

Especially due to our new rates and the determined restructuring of the portfolio, significant premium growth was achieved in the field of residential building insurance. In 2016, gross premiums climbed by a remarkable 5.1% to €162.7 million (previous year: €154.8 million) despite the fact that the number of policies underwent a year-on-year decline of 1.9% to 448,646. Despite the higher burden from natural disasters, the number of reported claims slumped 27.7% from 51,268 to 37,086. However, the average claim increased 49.6% from €1,995 to €2,985. All in all, the loss ratio of the year under review remained at an almost unchanged level of 70.4% (previous year: 69.7%). The net underwriting income amounted to €1.7 million (previous year: loss of €3.0 million).

- Other property insurance

The business line other property insurances comprises the burglary, water damage, glass, storm and natural disaster insurances as well as technical insurances, extended coverage and products that span multiple business lines from the commercial and industrial area. The entire business line achieved a gross premium increase of 2.7% to €156.8 million (previous year: €152.7 million). The loss ratio of the financial year deteriorated slightly to 67.3% (previous year: 64.8%). At the bottom line, the net underwriting income before claims equalisation provisions amounted to €6.3 million (previous year: €3.7 million). An amount of €4.0 million (previous year: €2.1 million) was allocated to the claims equalisation reserves.

- Transport and aviation insurance

The gross premiums written in transport and aviation insurance climbed 5.2% to €18.5 million (previous year: €17.6 million). In the year under review, the loss ratio improved from 67.9% to 64.0%. Following the underwriting loss of €0.9 million in the previous year, a slightly positive income of €0.2 million was generated in the reporting period. An amount of €0.4 million was allocated to the claims equalisation reserves (previous year: withdrawal of €0.2 million).

- Legal expenses insurance

The gross premium income in legal insurance increased 5.6% to €111.5 million (previous year: €105.6 million). The number of reported claims went up 1.6% from 103,763 to 105,414. The average claim increased from €668 to €687. The loss ratio deteriorated from 61.0% to 64.8%. The underwriting income before claims equalisation provisions amounted to €2.6 million (previous year: €5.0 million). An amount of €0.5 million was withdrawn from the claims equalisation reserves (previous year: allocation of €2.3 million).

- Other insurance

The fire business interruption insurance and other products that pertain to multiple business lines are summarised under other insurances. In the financial year 2016, the gross premiums in this area grew 4.7% to €23.2 million (previous year: €22.2 million). Year on year, the loss ratio deteriorated to 57.3% (previous year: 49.7%). Other insurances incurred a net underwriting loss before claims equalisation provisions of – €3.7 million (previous year: – €0.7 million).

Assumed reinsurance business

Until the end of 2007, the assumed reinsurance business had been underwritten almost exclusively by the London branch of Württembergische Versicherung AG. It mainly comprises the processing of the contracts from the insurance lines technical insurance, transport insurance, liability insurance, fire insurance and other insurances. The assumed reinsurance business resulted in a net underwriting loss of – €0.7 million (previous year: net gain of €1.8 million).

Net assets

Investments

Low interest rates: an ongoing challenge to the investment policy
In the second half of 2016, the long-term capital market interest rates rebounded after a further interest rate decline. Nevertheless, the low interest rates remain the dominating influencing factor and a persistent challenge to investments. Economic and geopolitical risks continued to impact the financial market in 2016, making the search for investment options with a reasonable opportunity/risk profile difficult.

With its "prudent person principle", the new regulatory directive Solvency II, which has been in force since 1 January 2016, introduces new regulatory framework conditions for investments. The close coordination of the investment policy with the risk management is vital. We continued to make our investment decisions along the lines of quality and maximum security without neglecting the opportunities that arose on the financial markets.

In the financial year, the total carrying amount of the investments increased 6.7% to €2,655.2 million (previous year: €2,489.2 million).

Development of the bearer bonds in the direct portfolio
New investments in the amount of €192.3 million were made mainly in bearer bonds in the direct portfolio. Taking repayments and sales into consideration, the carrying amount of these securities increased from €322.4 million to €448.0 million. Their total share in the investments went up to 16.9% (previous year: 13.0%).

In the financial year ended, the portfolio of registered bonds, promissory notes, loans and other loans increased slightly. Their carrying amount went up from €635.4 million to €642.7 million. Their share in the total investment portfolio receded from 25.5% to 24.2%.

Following the major investments in the previous year in shares in investment assets, the carrying amount of this item underwent only a slight change to €900.3 million in 2016 (previous year: €898.2 million). While shares in equity funds were reduced, the exposure in pension funds was expanded. The ratio of the shares in investment assets dropped to 33.9% (previous year: 36.1%).

Decline of the share ratio towards the end of the year
Despite the existing volume of equity funds, the physical share exposure was largely neutralised towards the end of the year, as in the previous year, by means of short futures under risk considerations in view of the uncertainties on the stock markets, as the share exposure was significantly higher in the course of the year. Taking the futures and the market value of the option positions into account, the share ratio thus amounted to 2.6% (previous year: 2.1%). As of the end of the year, 82.8% of the remaining share exposure was hedged.

Participations continue to grow
Taking disposals into consideration, the carrying amount of the participations and interests in affiliated companies nevertheless underwent a further increase from €324.6 million to €360.6 million. Participations were allocated in the fields of renewable energies, private equity, private debt, infrastructure and real estate.

Real estate
In the financial year 2016, the carrying amount of the real estate directly held by Württembergische Versicherung AG declined to €84.1 million (previous year: €86.4 million, mainly due to scheduled depreciation of €2.0 million.

An investment in the "serviced apartments" segment in Vienna, Austria, was signed via the subsidiary Württembergische Immobilien AG. On 31 December 2016, a down-payment of €3.0 million was made on the purchase price.

Based on the market value, the share of directly and indirectly held real estate in the total investments remained steady at 10.2%.

Slightly higher valuation reserves
Though the long-term capital market interest rates went up significantly in the second half of 2016, they were still below the previous-year level as at the end of the year due to the preceding major interest rate slump. However, due to the relatively short duration, the valuation reserves of Württembergische Versicherung AG only benefited from this development to a limited extent. The net valuation reserves, i.e. the balance of reserves and burdens, increased slightly to €242.2 million (previous year: €240.4 million). As in previous years, the valuation option pursuant to Section 341b (2) of the German Commercial Code (HGB) was not exercised.

Derivative financial instruments
As in previous years, Württembergische Versicherung AG made use of derivative financial instruments to manage and hedge the share exposure as well as interest rate and currency risks. In this context, the regulatory provisions and internal regulations were complied with. The required organisational structures, especially the strict separation of trading and settlement, were present at all times.

Financial position

Capital structure

Due to the business model of the property and personal accident insurance, the liabilities side is dominated by the technical provisions.

These amounted to €2,299.2 million (previous year: €2,240.9 million) and thus accounted for 77.6% (previous year: 79.1%) of the liabilities. Of this amount, the provision for outstanding insurance claims accounted for €1,751.5 million (previous year: €1,738.2 million), the claims equalisation reserve and similar provisions for €407.2 million (previous year: €364.0 million), the provision for unearned premiums for €112.8 million (previous year: €112.2 million) and the provision for future policy benefits and miscellaneous provisions for €27.8 million (previous year: €26.5 million).

As in the previous year, the equity amounted to €262.6 million. Subordinated liabilities again amounted to €30.0 million.

Details of the structure of the liabilities side and of the residual terms to maturity are provided in the notes to the annual financial statements.

Liquidity

We manage our liquidity in such a way as to enable us to meet our financial obligations at all times and on a sustained basis. In 2016, our liquidity was always sufficient. For further information about the liquidity position, please refer to the opportunity and risk report.

Overall view

The net assets, financial position and financial performance of Württembergische Versicherung AG are stable and orderly. Following the successful year 2015, the actuarial performance of 2016 was also marked by excellent claims development. The net income from investments was below the previous year, which had been marked by special effects. We are highly satisfied with the results achieved.

Comparison of the business performance with the forecast

The following comparison of the current business performance with the forecast made in last year's annual report indicates a generally positive performance of Württembergische Versicherung AG.

The value-oriented net sales performance reached a solid level, but remained under the figure of the previous year. We have thus narrowly missed our forecast. This was especially caused by the fact that though the new business remained solid, the replacement business was lower.

Thanks to the good claims trend and moderate development of expenses, the strategic goal of 96% for the combined ratio (net) was underrun more significantly than expected.

The excellent underwriting income reflects the outstandingly good claims trend in 2016. Despite the higher-than-planned increase of the claims equalisation reserves, the underwriting income was better than expected. The risk-conscious subscription policy pursued in recent years also contributed to this success. By contrast, the investment income was below the anticipated figure. Owing to a statutory change of the valuation basis, the expected high interest-related burden from the pension provision did not affect the income from operations. However, a pending voluntary premature allocation to the pension provision according the German Accounting Law Modernisation Act (BilMoG) caused significantly higher expenses totalling €32.1 million. Thus, the entire remaining amount was already allocated in 2016, forestalling future expense instalments. Achieving net income before taxes of €110.3 million, we significantly outperformed the previous year in accordance with our forecast.

Opportunity and risk report

Opportunity report

Recognising and exploiting opportunities is a fundamental requirement for the successful further development of Württembergische Versicherung AG. Thus, Württembergische Versicherung AG pursues the goal of systematically identifying, analysing and evaluating opportunities and implementing suitable measures to utilise them.

Our tried-and-tested strategy, planning and control processes represent the starting point. Among other things, we evaluate market and environment scenarios and examine the orientation of our product portfolio, cost drivers and other critical success factors. The market opportunities derived from this are discussed with the management within the framework of closed-door strategy meetings and incorporated into strategic planning.

We have sound governance and control structures in place to ensure that we evaluate and stringently pursue opportunities on the basis of their potential, the required investments and the risk profile. For further information, please refer to the risk report of this management report.

Below, we zoom in on the key opportunities and distinguish between opportunities that arise from developments outside the company ("external influences") and opportunities that result from our specific strengths as part of the W&W Group ("internal influences").

External influences

Company and customers

Opportunities through changed customer needs and changed values

Württembergische Versicherung AG wants to make financial planning from one source an everyday reality. The focus is on the customer's needs. To ascertain customer needs and gain constant customer feedback, we engage in intensive market research. The Net Promoter Score (NPS) is used to gauge the willingness of customers to recommend us and their satisfaction. Our sales organisations and partners also provide valuable impetus for changes in customer needs and trends.

Our customers increasingly demand simple, transparent, individualised and flexible products, as well as networking across all interaction channels. Hence, the growing need for financial security offers huge business opportunities for Württembergische Versicherung AG. With its sustainable, integrated advisory approach and its target group concepts and solutions, Württembergische Versicherung AG adapts strategically to the changed financial planning market.

Especially in times of uncertainty, there is great demand for a stable financial provider with a high degree of credibility. This represents a special opportunity for the Württembergische Versicherung Group with its long-standing tradition and insurance expertise. We combine this outstanding foundation with our personal advisory approach and the new digital possibilities. The dissemination and use of digital media enables intensive and targeted customer contact along with corresponding sales potential.

Digital advances have materially changed the expectations of many existing and potential customers. The communication between customers, sales and back office is increasingly taking place on the basis of digital technology. In the age of the Internet and social media and the intensified use of diverse devices such as smartphones, speed is an indicator for customer satisfaction and is thus increasingly becoming a critical success factor.

Customers want to be able to contact us regardless of office hours or distance via their preferred medium and manage their affairs independently via self-service. For us, the new mobility and networking of customers through digital lifestyles opens up new possibilities for approaching and managing our customers and for the innovation processes that we need to roll out.

Opportunities due to demographic changes and the dynamics of change

Demographic change and a changed society offer new growth opportunities.

People are living longer and are remaining active until a higher age. In the long run, a government pension alone will not be sufficient to finance this self-determined, independent lifestyle. Independence, mobility, changed lifestyles and an active life until old age come at a cost. Society is demanding more flexibility in regard to products, consulting and communication due to a change in lifestyle habits.

In view of the expertise of Württembergische Versicherung AG in the field of insurance, this points to significant market potential for its solutions. By continuously developing new products and using various communication channels, we are quick to adapt to these changes.

Economy

Opportunities through interest rate trends and capital markets

The low interest rate policy in Europe continues to pose challenges for financial services providers, but also offers opportunities.

On the one hand, the importance of effective investments is on the rise. As a traditionally large investor, we have long-standing capital market expertise and a comprehensive risk management system. Our investments are based on a strategic asset allocation that we align with opportunities and risks in the course of our consistent value and risk-oriented investment strategy. At the same time, we maintain the flexibility needed to make use of opportunities at short notice.

Politics

Opportunities through regulation and consumer protection

Satisfying the growing regulatory requirements, such as for a consultation meeting, can be used to intensify the customer meeting and the customer relationship. Data protection regulations will strengthen trust in the industry as a whole and therefore in us as a provider.

Technology

Opportunities through digitisation and technical progress

Digital progress will enable us to develop completely new, faster and more intensive customer interactions, meaning that we can approach customers' needs more directly and digital consulting can be expanded. Moreover, faster service and new kinds of products can be created.

Technical advances will, for example, enable increasing automation of processes and the acquisition of standardised and certified processes. The resultant productivity advances and therefore cost-cutting potential can be used to increase returns, but also to free up capital for investments in topics of relevance for the future.

The targeted use of customer data (in compliance with digital ethics) means that we can create personalised offers. This also makes it possible to extend the business model.

Internal influencing factors

Opportunities through market position

Through our efficient sales channels with their different strengths and thanks to our good brand awareness, we are able to address a large, broad customer potential of about 40 million people in Germany.

The multi-channel sales via the exclusive sales force of Württembergische, the exclusive sales force of Wüstenrot and numerous cooperation arrangements with banks and brokers give Württembergische Versicherung AG stability and a good market position. The great trust that Württembergische Versicherung AG enjoys among its customers is based on the service quality, the competence and customer proximity of our back office and mobile sales force as well as the cooperation and partner sales.

By approaching customers via multiple sales channels, we are able to systematically place our financial planning products. Our strategic aim is to meet the needs of customers. When designing our products, we always focus on what our customers want. Accordingly, our products regularly receive the highest rating.

In particular, the consistent digitisation of the customer contact points offers opportunities for the optimisation of sales channels. Württembergische Versicherung AG has identified this potential and accommodates it by means of the strategy programme W&W@2020.

Opportunities through our employees

As a sound and attractive employer, we are able to retain highly qualified employees and executives on a long-term basis. By recruiting new employees, we constantly expand our know-how.

The W&W Group is the largest independent employer among the financial service providers in Baden-Württemberg, guaranteeing security even in times of economic turbulence thanks to its high stability. As a financial conglomerate, it offers varied and challenging working conditions. We secure and retain the best brains and most talented people through flexible working time models, the compatibility of work and private life, diverse development opportunities and adaptable career paths. Our business strategy explicitly provides for the promotion of female junior executives. For further information, refer to the chapter "Employees" of this management report.

Risk report

Risk management system of Württembergische Versicherung AG

The systematic and controlled assumption of risk for the purpose of achieving defined return targets is an integral part of our corporate governance. As an insurance company, the management of risks is one of our core competencies. Thus, our risk management system is an element of our business organisation.

It comprises all internal and external regulations that ensure the structured handling of risks. In accordance with the principle of proportionality, we determine the scope and intensity of our risk management activities according to the risk level of the business engaged in. As part of the W&W Group, we consistently derive our risk management system from the Group requirements and are integrated in the risk management system of the W&W Group.

Tasks and goals

The tasks and goals of risk management are aligned with the following core functions:

- **Legal:** To ensure compliance with relevant risk-related internal and external requirements.
- **Protection of the going concern:** Avoidance of risks that endanger the going concern – protecting the company as a whole and preserving the capital base as a key precondition for the going concern.
- **Quality assurance:** Establishment of a joint risk understanding, pronounced risk awareness, a risk culture and transparent risk communication.
- **Value creation:** Governance and action impulses in the case of deviations from the risk profile, impulses for risk hedging and conservation of value, promotion and assurance of effective value creation for shareholders, perception of opportunities.

In addition, the risk management pursues the aim of protecting the reputation of Württembergische Versicherung AG as part of the financial planning specialists Wüstenrot & Württembergische AG. The reputation of the company as a solid, reliable, trustworthy partner for our customers is a material factor for our lasting success.

The principles and configuration elements of our risk management system as well as our general handling of material risks are described below.

Risk management framework

The risk strategy establishes minimum requirements for the direction and framework of the risk policy. It is derived from the business strategy and the integrated risk strategy of the W&W Group and describes the type and scope of the material risks at Württembergische Versicherung AG. It defines goals, risk tolerance, limits, measures and instruments to handle assumed or future risks. The risk strategy is adopted by the Executive Board and is discussed in the Supervisory Board at least once a year.

As a matter of principle, we strive to balance business opportunities with the associated risks. We always endeavour to secure the company's continued existence as a going concern. The objective is to avoid taking risks that endanger existence or that are incalculable.

In our Group Risk Policy, we translate the risk strategy requirements into an organisational framework of the risk management system that considers both the specific needs of Württembergische Versicherung AG and those of the W&W Group. In this way, we establish the preconditions for effective, holistic risk governance.

Capital management

Württembergische Versicherung AG keeps risk capital. This risk capital serves the coverage of losses if assumed risks occur. The risk management controls and monitors the capital adequacy and the risk-bearing capacity. This indicator represents the ratio of the risk capital to the risk capital requirement. It is controlled in parallel from two perspectives:

1. **Regulatory capital adequacy**
   The regulatory capital adequacy examines the ratio of eligible own funds to the solvency capital requirements. To assess the risk, we use the standard formula of the European Insurance and Occupational Pensions Authority (EIOPA). Based on this indicator, we also present our risk position to the public.

2. **Economic capital adequacy**
   Within the scope of the company's internal risk and solvency assessment, the economic risk capital requirement is determined on the basis of an economic risk-bearing capacity model and compared with the available economic capital. The available risk capital is allocated on the basis of the calculations of this economic risk-bearing capacity model, and suitable limits are derived. We use the economic model for our risk governance.

These perspectives furnish evidence of our creditworthiness ("gone-concern perspective").

Responsibilities in the risk management system/ risk governance

The duties and responsibilities of all persons and committees involved in risk management issues are clearly defined.

The **Executive Board** bears the overall responsibility for the proper organisation of the business of Württembergische Versicherung AG and thus also for an appropriate, effective risk management system. Accordingly, the Executive Board ensures that the risk management system is effectively implemented, maintained and enhanced. This also includes developing, promoting and integrating an appropriate risk culture.

Under the standing agenda item "risk management", the **Supervisory Board** of Württembergische Versicherung AG regularly examines the current risk situation. In its role as the control body overseeing the Executive Board, the Supervisory Board also monitors the appropriateness and effectiveness of the risk management system.

As the central body for the coordination of the risk management of the Insurance division, the **Risk Board Insurance** supports the Executive Board in risk issues. The Executive Board members and the managers responsible for the risk management and related areas in the Insurance division as well as representatives of risk controlling are permanent members of the Risk Board Insurance. The body meets once a month and, where necessary, on an ad-hoc basis. The Risk Board Insurance monitors the risk profile of the Insurance division, its appropriate capitalisation and its liquidity. Moreover, solution proposals are elaborated, recommendations are submitted to the Executive Board and the further development of the entire risk management system is advanced under the supervision of the Chief Risk Officer (CRO).

The **Controlling/Risk Management** department of Württembergische Versicherung AG provides advice and support to the Risk Board Insurance in determining risk management standards. In collaboration with Group Risk Management/Controlling, it develops risk identification, evaluation, management, monitoring and reporting methods and processes. Moreover, the department creates qualitative and quantitative risk analyses.

The **operational business units** responsible for the decentralised risk governance make informed decisions as to whether to take or avoid risks. In this context, they observe centrally determined standards, risk limits and investment lines as well as the adopted risk strategy.

We ensure compliance with the internal governance by means of our internal bodies. The **Group Board Risk** is a key element of the structure of our internal bodies. This central body coordinates the risk management and monitors the risk profile in the W&W Group. Moreover, it deliberates on Group-wide risk organisation standards and the use of risk management methods and instruments throughout the Group. Other central bodies are the Group Liquidity Committee, the Group Compliance Committee and the Group Credit Committee.

In addition to these bodies, our business organisation has certain key functions for particular subjects. These are structured in the form of three lines of defence.

- The operational business units (e.g. sales, application processing, investments) form our first line of defence. These units are responsible for individual risks and are permitted to assume risks in line with their competencies. In this context, they observe centrally determined standards, risk limits and risk lines. Compliance with these competencies and standards is monitored by means of internal controls.

- The following functions are associated with the second line of defence:
  The risk management function coordinates all risk management activities.
  The actuarial function ensures correct calculation of the technical provisions and assists the risk management function in the risk assessment.
  The compliance function monitors the compliance with all internal and external regulations. It thus assists the risk management function with respect to compliance issues and legal risks.

- The Internal Audits department represents our third line of defence, independently reviewing the adequacy and efficiency of the Group's internal control system as well as the effectiveness of the corporate processes.

In our structural and procedural organisation, the individual duties of all aforementioned bodies, committees and key functions as well as their connections and reporting lines among each other are clearly defined. This guarantees a regular, timely information flow both in Württembergische Versicherung AG and across all levels of the W&W Group. Necessary decisions on risk governance measures can thus be taken comprehensively and efficiently.

In its capacity as the risk management function, the Controlling/Risk Management department is in charge of the operational risk management for Württembergische Versicherung AG. To ensure objective, independent risk management, the risk management function is strictly separated from the risk-taking business units (functional separation to avoid conflicts of interests). We already observe this principle at the Executive Board level by means of stringent bylaws and assignment of responsibilities. The department head serves as the responsible owner of the key function. The risk management function is involved in all risk-relevant decisions. To fulfil its tasks, it has a right to complete, unlimited information at all levels Württembergische Versicherung AG, which is ensured by means of due information and reporting routes as well as escalation and decision processes.

Risk management process

The risk management process has been implemented in the form of an iterative control loop with five process steps.

Risk identification

Within the scope of the risk inventory, we regularly record, update and document assumed or potential risks. On the basis of an initial assessment by the responsible business units, we use threshold values to classify our risks as material or immaterial risks. In connection with this assessment, we also evaluate the extent to which individual risks can take on a material character through interaction or accumulation (risk concentrations). The risks that we classify as material are actively managed in the following four steps of the risk management process. By contrast, risks that are classified as immaterial are reviewed at least once a year by the individual business units. We depict the results of risk identification in our risk inventory.

Risk assessment

To assess the material risks, we use various risk measurement procedures. The economic capital adequacy is largely determined with the help of stochastic procedures and the risk measure value at risk (VaR) with a confidence level of 99.5% and a time horizon of one year. Where this procedure cannot be applied for certain risk area, we use analytical computing procedures and qualitative instruments (e.g. expert estimates). Additionally, we regularly conduct stress scenarios as well as sensitivity and scenario analyses for the material risks.

Risk taking and risk governance

In our risk strategy, we define how assumed and future risks are to be handled. On this basis, the operational business units decide whether a risk is in accordance with these requirements and should be assumed (risk taking). During the year, we manage the risk positions we assume with the help of the methods determined in the risk strategy. This includes thresholds, signal systems and limit and line systems (risk governance). The regulatory and economic risk-bearing capacity as well as division-specific indicators are used as key management parameters. These perspectives examine our ability to comply with our obligations towards all claimants ("gone-concern perspective").

Risk monitoring

We constantly monitor the compliance with the framework requirements of the risk strategy and risk organisation and the appropriateness of the quality and grade of the risk governance. The compliance with the limits and lines determined within the scope of the risk governance forms the key basis for the monitoring of the risk profile and the capitalisation.

Risk reporting

We duly and regularly report about the risk position of Württembergische Versicherung AG to the Risk Board, the Executive Board and the Supervisory Board. Among other things, these reports present the amount of available capital, the risk capital requirement, the compliance with limits and lines and the risk governance measures that have already been taken and that still need to be taken. Ad-hoc risk communication takes place when material events occur.

Risk profile and material risks

To present our risks transparently, we uniformly group similar risks throughout the Group into risk areas. For the Insurance division, we have identified the following risk areas as material:

- Market price risks
- Counterparty credit risks
- Insurance risks
- Operational risks
- Business risks
- Liquidity risks

The risk areas are quantified according to our economic model. The market price risks accounted for 42.0% (previous year: 37.1%), the counterparty credit risks for 12.6% (previous year: 11.5%), the insurance risks for 39.0% (previous year: 46.4%) and the operational risks for 6.4% (previous year: 5.0%). We take business risks into consideration in our calculation of the risk-bearing capacity by applying a discount when determining the capital available for risk coverage. For Württembergische Versicherung AG, the main liquidity risk pertains to the inability to settle claims after unusually great losses. As these are already included in the insurance risk, no separate risk capital requirement is presented. The material individual risk areas and – where relevant to the overall assessment – individual risk types are described in the following sections.

Market price risks

We define market price risks as potential losses resulting from the uncertainty concerning the future development (size, volatility and structure) of market risk factors. Such market risk factors are, for example, interest rates, share prices, exchange rates and commodities prices, real estate prices or corporate values, as well as risk premiums (credit spreads) for a given credit risk.

The strategic asset allocation forms the basis of our investment policy and thus of one of the most significant factors that influence our risk situation in the risk area market price risks. In this context, we place emphasis on an appropriate mix and spread of asset classes as well as on broad diversification by industries, regions and investment styles. In our investments, we pursue a security-oriented investment policy. Since 1 January 2016, the "prudent person principle", which is codified in the German Act on the Supervision of Insurance Undertakings (VAG) and represents a principle-based approach, has formed the regulatory framework for our investment policy. When making investments, the security, quality, liquidity and profitability of the portfolio as a whole must be ensured.

Interest rate risk

Continually low interest rates are associated with income risks, as new investments and reinvestments are only possible at lower interest rates. To assess the market price risks, we regularly conduct simulations for our fixed-interest investments (including interest-based derivatives), which show us the market fluctuation-dependent value change of our portfolio. In the case of a change of the respective interest structure curve by +/– 50 or +/– 100 basis points, all securities would undergo the following market value changes:

Interest rate change	Change in market value of all securities
	in € million
Increase by 50 basis points	– 52.6
Increase by 100 basis points	– 105.1
Decrease by 100 basis points	+ 103.4
Decrease by 50 basis points	+ 51.9

Share risk

Sudden and severe price slumps on the stock markets could impair the risk-bearing capacity in the form of write-downs through profit or loss. Share risks are reduced with suitable hedging strategies by means of derivatives (e.g. put options, short futures). The high hedging level of our share portfolio was retained in 2016. Further disclosures concerning hedges are presented in the chapter "Notes concerning assets". To assess the market price risks, we regularly conduct simulations for our share portfolios (including share-based derivatives). The market values of all shares would change as follows in the case of a price fluctuation of +/– 10% or +/– 20%:

Change in share prices	Change in market value of all shares
	in € million
Increase by 20%	+ 6.8
Increase by 10%	+ 3.7
Decrease by 10%	– 5.2
Decrease by 20%	– 9.3

Real estate risk

Sudden and severe real estate price slumps could impair the income situation and the risk-bearing capacity. Our diversified real estate portfolio supplements our investment portfolio. As we mainly invest in prime locations, we consider the risk to be generally low.

Foreign currency risk

Foreign exchange risks can result from open net FX positions in globally aligned investment funds as well as from foreign currency bonds or equity instruments. In accordance with our strategic orientation, we concentrate our foreign exchange exposure on US dollars and Danish kroner. Furthermore, we have a minor exposure in other currencies. So far, the open foreign currency investments have merely been of secondary significance to our overall investment portfolio.

Credit spread risk

The credit spread risk comprises the risk of value changes of the receivables through change of the applicable credit spread for the respective issuer or counterparty – despite unchanged credit ratings over time. The credit spread refers to the risk premium in the form of higher interest on a security subject to credit risk in relation to a comparable security without risk. Thus, clear distinction is made between the credit spread risk, migration risk and expected default risk. Accordingly, only credit spread changes that do not result in a change (migration including default) of the rating are considered for securities.

The core elements of our risk management methods and our risk controlling for the risk area market price risk are as follows: Asset liability management, limit system and economic risk-bearing capacity model, risk line system, participation controlling, congruent coverage, new products process and market monitoring.

Counterparty credit risks

Counterparty credit risks are potential losses arising from the default or deterioration of the credit rating of borrowers, investments or other debtors (e.g. reinsurers, brokers).

We limit counterparty credit risks through the careful selection of issuers and reinsurance partners as well as broadly diversified investments. In this context, we observe the regulations for handling counterparty credit risks, which are applicable to insurances. The contracting partners and securities are mainly limited to top credit ratings in the investment grade range. The counterparty credit risks are strategically and structurally managed by the risk bodies at Württembergische Versicherung AG on the basis of the specifications adopted in the risk strategy.

Apart from reviewing counterparty credit risks at an individual level, we assess them at the portfolio level with our Group-wide credit portfolio model. In the economic risk-bearing capacity model, the securities held are evaluated by means of a credit-value-at-risk model that is common in the industry. The loss distribution is generated with Monte Carlo simulations. The stochastic model is based on market data and takes default probabilities as well as the probability of migrations between different credit rating classes into consideration. The risk capital requirements are calculated as value at risk with a confidence level of 99.5% on the basis of one-year default/ migration probabilities and delta spread scenarios. As a governance toolkit, our continually developed credit portfolio model enables us to dynamically adapt credit lines to rating changes.

Counterparty credit risk of investments

Pursuant to our strategic orientation, the credit rating structure of our bond portfolio is conservative, with 95.0% (previous year: 95.2%) of investments being in the investment grade area. Our bond exposure generally has a good collateralisation structure. Most of the investments with financial institutions are secured by government liability or lien.

Among the government bonds of the peripheral EEA countries, Portugal, Italy and Spain are subject to special monitoring. Württembergische Versicherung AG does not hold any investments in Greece. As at 31 December 2016, the carrying amount of the exposure in Portugal, Italy and Spain totalled €64.0 million (previous year: €7.5 million). Of this amount, Spain accounted for €17.7 million (previous year: —), Italy for €31.2 million (previous year: €7.5 million) and Portugal for €15.1 million (previous year: —). Compared to the end of 2015, the exposure was thus expanded within the scope of the usual market activities, as the situation in this market segment had relaxed for the time being due to the extensive bond purchases by the ECB. Though a sustainable solution of the debt crisis is not yet in sight, the yield opportunities on the market allow further exposures in a clearly limited framework. The exposure in the three aforementioned countries represents 2.4% of our investment portfolio.

Other counterparty credit risk

The risks of receivables default in reinsurance business have consistently remained at a low level. Currently, no material risks are foreseeable. Also, our retrocessionaires have good credit ratings. As at the end of the reporting period, the recognised receivables from reinsurance business amounted to €42.8 million (previous year: €35.2 million. Of these, 12.0% (previous year: €13.3%) concerned companies with an "A–" or better rating and 88.0% (previous year: 86.7%) concerned companies with a "BBB" rating as classified by Standard & Poor's. Disclosures on receivables from policyholders, insurance agents or others are presented in the chapter "Notes concerning assets".

Insurance risks

In property and personal accident insurance, insurance risks arise from the premium and reserve risks. We define these as possible losses that result from uncertain future developments of claims, benefits and costs from concluded insurance contracts in connection with premiums calculated in advance.

Württembergische Versicherung AG engages in primary insurance business in the property and personal accident insurance segment for private and commercial customers with a key focus on Germany. The discontinuation of new underwriting in the UK subsidiary of Württembergische Versicherung AG as of the end of 2007 has greatly reduced the international risk exposure of our company. In accordance with internal provisions, we only enter into insurance transactions for amounts whose risks do not endanger the going concern. This is supported by means of optimisations in cost and claims management. Incidental risks that cannot be influenced are limited with suitable and adequate protective instruments (e.g. reinsurance).

As industrial risks are only underwritten in a limited and clearly defined scope, we do not endanger our portfolio with large individual risks.

Württembergische Versicherung AG no longer actively engages in the active reinsurance business. Terror risks have been largely excluded from the policies or forwarded to the special insurer Extremus.

Risk-relevant facts and analysis results are presented in the quarterly risk report and discussed in the Executive Board as well as in bodies that meet regularly and diverse workgroups and projects. To measure insurance risks in the economic model, we use a stochastic model. For the simulation of natural disaster events, we collaborate with specialised reinsurance companies and brokers. The risk is presented as value at risk with a confidence level of 99.5%.

The loss from insurance risks is limited by means of defined risk limits. The limit utilisation is monitored continually. The principles and objectives of the underwriting policy and the definition of permissible transactions and the associated responsibilities are documented in strategies and underwriting guidelines and are reviewed at least once a year. Our pricing and underwriting policy is risk and income-oriented. Risks are underwritten according to defined guidelines and under consideration of business line-specific maximum underwriting amounts. For example, the natural disaster risk is countered with risk-oriented prices, adjusted contract terms and conditions for critical disaster zones and risk exclusions. Apart from risk balancing through our sector and product mix, efficient loss management and a cautious loss reserve policy limit the gross insurance risk. Adequate reinsurance protection for individual risks and for accumulation risks across business lines significantly reduces the insurance risks in property and personal accident insurance. The reinsurance programme is adjusted on a yearly basis under consideration of the risk-bearing capacity.

For claims that occur, Württembergische Versicherung AG duly recognises adequate specific and general provisions, which are checked by actuaries. The risk limit was consistently complied with.

Premium risk

If costs and claims remain stable or increase, sinking premiums or premiums not duly calculated can result in inadequate premiums. A material portion of the premium risk results from natural disasters, accumulation risks and catastrophes. Accumulation risks mainly result from natural disasters like storms, hail or flooding.

The long-term development of the net loss ratios (ratio of net expenses for insurance claims to earned net premiums) and the net run-off ratios (ratio of net run-off results of provisions for outstanding insurance claims to initial loss provisions) AG is as follows:

	Loss ratios	Run-off ratios
in %		
2006	66.8	5.5
2007	68.1	7.9
2008	72.0	5.9
2009	63.3	9.7
2010	69.5	7.8
2011	64.4	8.7
2012	67.2	7.5
2013	74.1	6.8
2014	68.5	4.9
2015	65.8	6.8
2016	63.8	6.7

The effects of natural disasters or accumulation events are hardly noticeable in our net loss ratios or net run-off ratios.

Reserve risk

A reserve risk exists in the event of inadequate claims reserves. The settlement of claims can fluctuate with respect to time and amount; thus, the reserves set up may not be sufficient in the case of a significant increase in claims benefits for past claims. Moreover, despite the discontinuation of new underwriting for the UK subsidiary, Württembergische Versicherung AG is liable for the business underwritten until and including 2007. The settlement of the run-off risks again followed a positive trend in 2016. The resulting reserve risk is declining but still significant due to the volume of claims reserves to be settled of €88.3 million (previous year: €103.0 million).

The core elements of our risk management methods and our risk controlling for the risk area market price risk are as follows: Asset liability management, limit system and economic risk-bearing capacity model, risk line system, participation controlling, congruent coverage, new products process and market monitoring.

Operational risks

We define operational risks as potential losses incurred as a result of the unsuitability or failure of internal processes, people and systems or externally driven events. They also include legal and tax risks. In order to understand operational risks, experts regularly assess them within the scope of the materiality inventory. In the economic model, these risks are evaluated by means of a factor approach.

Operational risks are inevitable when companies do business.

The core elements of our risk management methods and of our risk controlling for the risk area operational risks mainly include risk assessments, claims database, information security management, business continuity management, internal control system, personnel management, compliance management system, limit system and economic risk-bearing capacity model.

Business risks

We define business risks as potential losses incurred as a result of management decisions concerning the business strategy and its execution or the failure to achieve strategic targets. This also includes the risks on the sales and procurement markets as well as cost and income risks. Apart from these business risks, we consider the dangers that could arise from a changed legal, political or social environment and from reputation.

Business risks are inevitable in general business operations and in the event of changes in the industry environment. We regularly analyse all business risks within the scope of the materiality inventory.

If the company's reputation or brand is damaged, there is a risk of losing business volume immediately or in the future. This could lower the enterprise value. As experts for financial provisions, we greatly depend on our reputation among customers and business partners as a sound, secure company. We continuously monitor the Württembergische Versicherung AG's public image; when critical events occur, we strive to maintain our reputation through transparent communication policies.

The strategic goals of Württembergische Versicherung AG are operationalised and advanced by means of strategic measures. By means of the W&W@2020 programme, Württembergische Versicherung AG addresses the challenge of effectively ensuring the income targets in an increasingly dynamic market environment and the growing effect of digitisation on customer behaviour. The principles and objectives of business policies and the sales and revenue goals derived from them are contained in the business strategy and the sales forecasts. The Executive Board is responsible for managing business risks. Depending on the reach of a decision, coordination with the W&W Group and with the Supervisory Board may be necessary.

Liquidity risks

Liquidity risks refer to the danger that liquid resources are not sufficient, that they can only be obtained at higher cost (refinancing risk) or that they can only be realised with discounts (market liquidity risk) in order to fulfil payment obligations that reach maturity (avoidance of insolvency risk).

Market liquidity risks mainly arise due to inadequate market depth or market disruptions in crisis situations. When crises occur, selling investments may be impossible or may only be possible in small volumes or subject to discounts. The current situation on the capital markets does not reveal any acute, material market liquidity risks for the investments.

Our liquidity management is geared towards being able to meet our financial commitments at all times and on a sustained basis. Our investment policy focuses, among other things, on ensuring liquidity at all times. In this context, we observe existing statutory, supervisory and internal provisions and always comply with such. Through forward-looking planning and operational cash management, the established systems are designed to identify liquidity shortages and respond to expected liquidity shortages with suitable measures at an early stage.

Assessment of the overall risk profile

As in the previous year, the economic and regulatory risk-bearing capacity was sufficient in the year under review.

According to our economic risk-bearing capacity model, we had sufficient financial resources in the financial year ended to cover the risks assumed. Likewise, the scenario calculations do not reveal any indications of any impending threat to Württembergische Versicherung AG. Moreover, we fulfilled the regulatory solvency requirements at all times.

Württembergische Versicherung AG has a risk management and risk controlling system that, within the limits examined, enables due identification, appropriate evaluation, management and communication of existing and foreseeable future risks.

As of the reporting date, no risks were evident that would endanger the going concern of Württembergische Versicherung AG.

Developments and outlook

By constantly enhancing and improving our systems, procedures and processes, we account for the changing internal and external parameters and their effects on the risk position of our company. In this regard, we focus on the following issues:

- Further development of the risk assessment models
- Further optimisation and acceleration of risk governance processes and methods
- Alignment of the risk management with regulatory requirements (reporting obligations according to Solvency II, minimum requirements for the business organisation)
- Optimisation of an integrated approach for the risk governance and controlling processes of operational risks

All told, Württembergische Versicherung AG is well equipped to successfully implement the internal and external requirements for risk management.

Forecast report

The macroeconomic developments and relevant framework conditions are based on estimates of the company, which are derived from relevant analyses and publications of various well-respected business research institutes, Germany's federal government, the Bundesbank, Bloomberg consensus and industry and business associations.

Macroeconomic outlook

The economic outlook for Germany in 2017 remains generally favourable. A moderate slowdown in economic momentum is possible, since on the one hand political uncertainty in the European Union and Germany is likely to remain very high in 2017 and adversely affect investment and consumption propensity. The factors fuelling this are the elections in Germany and France, the negotiations between the EU and the UK on the Brexit and a potentially unstable political situation in Italy following the unsuccessful constitutional referendum.

On the other hand, somewhat weaker consumption dynamics should have a moderately dampening effect on the European economic outlook for 2017 due to the rise in energy prices, which will hamper spending power. Nevertheless, private consumption demand will continue to remain the key driver of economic growth in Europe. The prospects for corporate investment in Germany will improve in 2017. Capacities are now increasingly being utilised. In 2017, foreign trade will benefit from higher US demand and the recent euro devaluation. In terms of German exports, there is a risk that trade restrictions could lead to a slump in global trade. The economic climate should, however, remain friendly for the W&W Group in 2017 in view of the persisting positive growth, the robust income trends for private households and the continuing positive development of the German residential property market, though there will continue to be a large number of political uncertainties and risks.

Capital markets

Bond markets

Despite the generally favourable economic outlook for Europe and Germany, we do not expect an end to the phase of low interest rates on European bond markets in 2017. The reasons for this are the moderate economic growth in Europe and the continuing low inflation and expansionary monetary policy of the ECB. From the second half of 2017, speculation surrounding a future reduction in the bond purchase volume of the ECB could lead to a somewhat increased price slide on the bond market.

Equity markets

The favourable environment with positive economic prospects and a lack of appealing investment alternatives persists on the equity markets. The climate regarding monetary policy is likely to become less expansionary in 2017, as the market is now expecting two further key rate hikes by the Fed. Moreover, renewed speculation about a reduction in the ECB's bond purchases could resurface towards the middle of the year. All in all, these factors suggest moderate share price gains. However, political risks remain very high in the form of a possibly detrimental (trade) policy by the new US government, unfavourable election results in the major EMU countries or difficult EU exit negotiations with the UK, with the result that temporary prices losses could occur on the stock markets at any time.

Industry outlook

In the coming year, the ongoing positive economic situation of private households as well as real purchasing power increases will continue to contribute to a sound economic development in Germany despite the curbed economic environment, high global uncertainty and looming impairments from the Brexit decision and the surprising outcome of the US presidential elections. The moderate economic growth of the previous year will continue in 2017 despite slightly weaker basic dynamics.[1]

Further growth is limited by the high degree of market penetration that has already been achieved in many branches of the property and personal accident insurance. Moreover, the current challenges (e.g. lower investment income, need for investments in digitisation) could impact the development of business. Premium growth of about 2.1% is expected on the property/personal accident insurance market.

The growth rates in private property insurance are expected to reach high levels similar to those of the previous year. An increase of 5.2% is considered to be possible especially due to increasing insurance amounts. GDV also expects legal insurance to continue to achieve high premium growth of 4.5% in 2017. The growth dynamics in the business line motor insurance are likely to continue to slow down. For 2017, GDV predicts premium growth of only 1.5%. Little premium growth is expected in general liability insurance (+ 1.0%). Moderate premium growth is anticipated in all other business lines.

1) All figures of this section are from "Business outlook for the insurance industry 2017" of November 2016.

Future performance

The following outlooks relate to the coming financial year and are based on estimates made in the chapter "Macroeconomic outlook". In our planning premises for the company forecasts, we assumed moderately increasing interest rates and share prices.

In property and personal accident insurance, we continue to strive for profitable portfolio growth. This growth will be supported by additional strategic measures within the scope of W&W@2020. Currently, preparations are under way
to establish a second business model. The aim of these investments is to reach new customer and market segments, thereby actively contributing to the Group's growth strategy. Therefore, we expect an appreciable rise in value-oriented net sales performance in 2017 compared to the previous year's level.

The claims development in the financial year 2016 was extraordinarily good. We expect the claims trend in 2017 to continue to be good, but normalised. A combined ratio (net) of less than the strategic goal of 96% is anticipated.

Due to the expected decline in underwriting income, the net income before taxes and profit transfer is to decrease moderately but remain at a high level in 2017.

For our forecasts, we assume a normal claims development and no extraordinary events on the capital markets. Opportunities and risks will result from the further development of claims, interest rates and capital markets, the economy or the political climate. The strategic alignment, e.g. in relation to additional sales channels or cost optimisation, represents an additional opportunity. Other risks will arise from counterparty defaults and increased regulatory or statutory requirements.

Overall view

In terms of future performance, persistently low interest rates, increasing expenses for implementing additional statutory and regulatory requirements as well as rising capital requirements continue to pose a great challenge to the entire financial services industry and thus also to Württembergische Versicherung AG.

With the W&W@2020 programme, we are adopting an ambitious product and growth strategy. Above all, we intend to invest in new techniques and improved market alignment. In the coming years, the focus will be on the strengthening of sales in connection with a revised product offer, as well as on the systematic introduction of digital customer access. Further central elements include investments in modern infrastructure and increased productivity, in digital orientation and in the skills of our employees.

With respect to the new business, we benefit from our efficient exclusive sales force and the collaboration with brokers. In the W&W Group, we can reach a potential of more than 40 million customers with our attractive products. We want to further expand the profitable private and corporate customer business and keep the motor portfolio at a steady level.

In view of the normalised claims trend that we anticipate for 2017, we expect a moderate decline in net income before taxes and a profit transfer income at a persistently high level.

Apart from the said challenges, further risks such as extreme losses, special capital market events or political uncertainty can have a significant impact on our net income.

Provision concerning forward-looking statements

This Annual Report and, in particular, the outlook contain forward-looking statements and information.

These forward-looking statements represent estimates based on information that is available at the present time and is considered to be material. They can be associated with known and unknown risks and uncertainties, but also with opportunities. Because of the number of factors that influence the company's business operations, the actual results may differ from those currently anticipated.

Therefore the company can assume no liability for the forward-looking statements. There is no obligation to adjust forward-looking statements to conform to actual events or to update them.

Other disclosures

Relationships with affiliated companies

W&W AG, Stuttgart, Germany, holds 100% of our share capital.

Since 17 August 2016, the non-profit Wüstenrot Stiftung e.V. has held its indirect stake in W&W AG of 66.31% in two holding companies rather than one company as previously. The number of voting rights remains unchanged. Wüstenrot Holding AG holds 39.91% and the newly formed WS Holding AG holds 26.40%, in each case with respect to the total number of issued shares. 0.29% of the issued shares are non-voting treasury shares. Both holding companies are wholly owned by Wüstenrot Stiftung. The purpose of this move is to simplify the corporate governance against the background of recently introduced sector-wide regulatory requirements.

Wüstenrot Holding AG, Ludwigsburg, Germany, subsequently confirmed on 18 August 2016 that W&W AG is no longer a subsidiary of Wüstenrot Holding AG within the meaning of Section 17 of the German Stock Corporation Act (AktG). Pursuant to Section 16 (4) of the German Stock Corporation Act (AktG), the interests in Württembergische Versicherung AG that W&W AG holds directly and indirectly are therefore no longer deemed to be interests of Wüstenrot Holding AG. Pursuant to Section 16 (1) of the German Stock Corporation Act (AktG), Württembergische Versicherung AG is thus no longer a company controlled by the Wüstenrot Holding. On 18 August 2016, Wüstenrot Holding AG also confirmed pursuant to Section 20 (4) of the German Stock Corporation Act (AktG) that it no longer holds more than one quarter of the interests in the company.

Since 1 January 2009, a control and profit transfer agreement has been in place between Württembergische Vertriebspartner GmbH (WVVP) – formerly Württembergische Vertriebsservice GmbH für Makler und freie Vermittler (WVMV) – and Württembergische Versicherung AG, under which WVVP undertakes to transfer its profits to Württembergische Versicherung AG.

On 5 November 2014, WürttVers Alternative Investments GmbH (WVAI) was established for the purpose of alternative investments, especially in the fields of private equity, renewable energies and infrastructure. On 10 December 2014, a control agreement was concluded between Württembergische Versicherung AG and WVAI.

Since 1999, Württembergische Versicherung AG has had a control agreement with W&W AG, which was supplemented with a profit transfer agreement with W&W AG in 2005.

Under service and outsourcing agreements, close relationships exist with W&W AG, Württembergische Lebensversicherung AG, Württembergische Krankenversicherung AG, Allgemeine Rentenanstalt Pensionskasse AG, Karlsruher Lebensversicherung AG, Wüstenrot Bausparkasse AG, Wüstenrot Bank AG Pfandbriefbank, W&W Informatik GmbH, W&W Service GmbH, Württembergische Vertriebspartner GmbH, Altmark Versicherungsmakler GmbH, Altmark Versicherungsvermittlung GmbH, Württfeuer Beteiligungs-GmbH, Württembergische Immobilien AG, Württembergische KÖ 43 GmbH, Asset Management GmbH, W&W Gesellschaft für Finanzbeteiligungen mbH, W&W Digital GmbH, W&W Advisory Dublin Ltd, W&W Produktion GmbH, Wüstenrot Immobilien Gesellschaft mbH, Wüstenrot Grundstücksverwertungs-Gesellschaft mbH, Miethaus und Wohnheim GmbH i.L. and Nord-Deutsche AG Versicherungs-Beteiligungsgesellschaft. These agreements regulate the fully or partially transferred services including the due allocation of the costs. By contrast, the remuneration paid to Asset Management GmbH is volume-dependent.

The settlement of claims in the field of the legal expenses insurance has been transferred to Württembergische Rechtsschutz Schaden-Service-GmbH under a service agreement that regulates the services and the billing according to the full cost principle.

Our company belongs to the W&W Group, whose parent company is Wüstenrot & Württembergische AG, Stuttgart, Germany. Therefore, the conditions for the exemption of the company from the group accounting obligation pursuant to Section 291 (2) no. 4 of the German Commercial Code (HGB) are met.

The domestic reinsurance business is largely reinsured by W&W AG, which in turn passes on some of the assumed risks to external reinsurers via retrocession. Some of the insurance transactions underwritten overseas, small portions of the domestic insurance business and the business reinsured via the German market pool are excluded from this arrangement.

Corporate governance statement

In September 2015, the company's Supervisory Board determined a target ratio of 25% for the proportion of women in the Supervisory Board and 20% for the Executive Board. The company's Executive Board has determined that women are to make up 25% of the first senior management level below the Executive Board and 30% of the second senior management level.

Württembergische Versicherung AG
Annual financial statements

Balance sheet as at 31 December 2016

Assets

in € thousand	See notes no.[1]	31.12.2016	31.12.2016	31.12.2016	31.12.2015
A. Intangible assets					
Licenses acquired against payment, industrial property rights and similar rights as well as licenses for such rights and assets	1			45	19
B. Investments					
I. Land, land-type rights and buildings, including buildings on third-party land	2		84,146		86,409
II. Investments in affiliated companies and participations	3				
1. Interests in affiliated companies		183,921			171,852
2. Loans to affiliated companies		29,879			29,101
3. Participations		176,654			152,771
			390,454		353,724
III. Other investments					
1. Shares, interests or shares in investment assets and other variable-yield securities		901,629			898,202
2. Bearer bonds and other fixed-income securities	4	448,036			322,447
3. Mortgage, land charge and annuity claims	5	78,335			53,034
4. Other loans	6	642,719			635,370
5. Deposits with credit institutions		109,851			137,044
6. Other investments	7	2			3,002
			2,180,572		2,049,099
				2,655,172	2,489,232
C. Receivables					
I. Receivables from direct insurance business to:	8				
1. Policyholders		18,794			22,936
2. Insurance brokers		28,376			28,813
			47,170		51,749
II. Amounts receivable on reinsurance business			42,834		35,246
thereof from affiliated companies €37,685 thousand (previous year: €30,537 thousand)					
III. Other receivables	9		138,804		145,390
thereof from affiliated companies €108,646 thousand (previous year: €118,603 thousand)				228,808	232,385
Carryover				**2,884,025**	**2,721,636**

1 See numbered explanation in the notes starting from "Notes concerning assets"

Assets

in € thousand		31.12.2016	31.12.2016	31.12.2016	31.12.2015
Carryover				**2,884,025**	**2,721,636**
D. Other assets					
I. Property, plant and equipment and inventories	10		12,032		12,662
II. Current accounts with banks, cheques and cash			42,141		73,216
thereof with affiliated companies €10,949 thousand (previous year: €18,096thousand)				54,173	85,878
E. Deferred assets					
I. Deferred interest and rent			20,147		20,591
II. Other deferred assets	11		1,670		628
				21,817	21,219
F. Excess of plan assets over pension liabilities	12			3,152	5,684
Total assets				**2,963,167**	**2,834,417**

Liabilities

in € thousand		31.12.2016	31.12.2016	31.12.2016	31.12.2015
A. Equity					
I. Called-up capital					
Share capital	13		109,312		109,312
II. Capital reserve	14		76,694		76,694
III. Retained earnings					
Other retained earnings			76,557		76,557
				262,563	262,563
B. Subordinated liabilities	15			30,000	30,000
C. Technical provisions	16				
I. Provision for unearned premiums					
1. Gross amount		129,869			129,067
2. Thereof less: portion for ceded reinsurance business		17,062			16,865
			112,807		112,202
II. Provision for future policy benefits					
1. Gross amount		68			75
2. Thereof less: portion for ceded reinsurance business		10			11
			58		64
III. Provision for outstanding insurance claims					
1. Gross amount		2,249,031			2,250,594
2. Thereof less: portion for ceded reinsurance business		497,532			512,430
			1,751,499		1,738,164
IV. Claims equalisation and similar provisions			407,150		363,987
V. Other technical provisions					
1. Gross amount		33,638			32,118
2. Thereof less: portion for ceded reinsurance business		5,915			5,635
			27,723		26,483
				2,299,237	2,240,900
Carryover				**2,591,800**	**2,533,463**

Liabilities

in € thousand		31.12.2016	31.12.2016	31.12.2016	31.12.2015
Carryover				**2,591,800**	**2,533,463**
D. Other provisions					
I. Tax provisions			3,544		6,803
II. Other provisions	17		62,850		55,216
				66,394	62,019
E. Deposits retained from ceded reinsurance business				125	124
F. Other liabilities					
I. Liabilities from direct insurance business to:	18				
1. Policyholders		60,281			64,101
2. Insurance brokers		33,822			33,458
			94,103		97,559
II. Accounts payable on reinsurance business			9,443		3,602
thereof to affiliated companies €9,236 thousand (previous year: €3,032 thousand)					
III. Miscellaneous liabilities	19		201,302		137,649
thereof: for taxes €19,169 thousand (previous year: €17,519 thousand) for social security €7 thousand (previous year: €6 thousand) to affiliated companies €160,632 thousand (previous year: €80,953 thousand)				304,848	238,810
G. Deferred liabilities	20			–	1
Total liabilities				**2,963,167**	**2,834,417**

Casualty and liability insurance

We confirm that the provision for future policy benefits as presented in the balance sheet under the liability items C. II. 1. and C. III. 1. in the amount of €145,657 thousand was recognised pursuant to Section 341f of the German Commercial Code (HGB) and on the basis of the legal regulations issued on the basis of Section 88 (3) of the German Insurance Supervision Act (VAG) (actuarial confirmation). For the legacy portfolio in the meaning of Section 336 of the German Insurance Supervision Act (VAG), the provision for future policy benefits was calculated according to the business plan last approved on 10 July 1992 and supplemented on 21 January 1997.

Stuttgart, 27 January 2017

Responsible actuary
Daniel Männle

Income statement
for the period from 1 January to 31 December 2016

in € thousand		1.1.2016 to 31.12.2016	1.1.2016 to 31.12.2016	1.1.2016 to 31.12.2016	1.1.2015 to 31.12.2015
I. Technical account					
1. Premiums earned for own account	21				
a) Gross premiums written		1,678,101			1,638,278
b) Premiums ceded to reinsurers		317,111			311,097
			1,360,990		1,327,181
c) Change in the gross provision for unearned premiums		– 802			– 1,992
d) Change in the reinsurers' portion of the gross provision for unearned premiums		197			– 383
			– 605		– 2,375
				1,360,385	1,324,806
2. Technical interest income for own account	22			1,237	1,586
3. Other underwriting income for own account				2,523	2,742
4. Expenses for insurance claims for own account					
a) Payments for insurance claims					
aa) Gross amount		1,056,884			1,073,154
bb) Reinsurer's portion		207,041			211,897
			849,843		861,257
b) b) Change in the provision for outstanding insurance claims	23				
aa) Gross amount		3,296			– 8,386
bb) Reinsurer's portion		– 15,077			– 19,405
			18,373		11,019
				868,216	872,276
5. Change in other net technical provisions					
a) Net provision for future policy benefits			6		– 8
b) Other net technical provisions			– 1,239		– 329
				– 1,233	– 337
6. Expenses for insurance business for own account					
a) Gross expenses for insurance business	24		451,580		442,938
b) Thereof less: received commission and profit participations from ceded reinsurance business			98,660		98,153
				352,920	344,785
7. Other technical expenses for own account				6,909	6,729
8. Subtotal				134,867	105,007
9. Change in claims equalisation reserve and similar provisions				– 43,164	– 61,952
10. Underwriting income for own account				91,703	43,055
Carryover				**91,703**	**43,055**

in € thousand	Notes	1.1.2016 to 31.12.2016	1.1.2016 to 31.12.2016	1.1.2016 to 31.12.2016	1.1.2015 to 31.12.2015
Carryover				**91,703**	**43,055**
II. Non-technical account					
1. Income from investments					
a) Income from participations thereof from affiliated companies €3,173 thousand (previous year: €5,056 thousand)			20,668		53,674
b) Income from other investments thereof from affiliated companies €8,507 thousand (previous year: €8,477 thousand)					
aa) Income from land, land-type rights and buildings, including buildings on third-party land		10,022			10,073
bb) Income from other investments		68,753			73,937
			78,775		84,010
c) Income from write-ups	25		13,677		4,927
d) Gains from the disposal of investments	26		13,395		18,985
e) Income from profit pools, profit transfer agreements and partial profit transfer agreements			467		9
			126,982		161,605
2. Expenses for investments					
a) Investment management expenses, interest expenses and other expenses for investments		11,156			6,593
b) Write-downs on investments	27	26,543			30,498
c) Losses from the disposal of investments	28	8,439			20,508
d) Expenses from loss assumption		–			37
			46,138		57,636
			80,844		103,969
3. Technical interest income			1,237		1,586
				79,607	102,383
4. Other income	29		203,009		228,156
5. Other expenses	30		231,927		299,851
				– 28,918	– 71,695
6. Net income from operations				142,392	73,743
7. Extraordinary expenses	31		32,108		3,568
8. Net extraordinary income				– 32,108	– 3,568
9. Income taxes	32		365		453
10. Other taxes			– 3,627		– 1,052
				– 3,262	– 599
11. Profits transferred under a profit transfer agreement				113,546	70,774
12. Annual profit				–	–

Notes

Notes concerning the annual financial statements

Accounting and valuation methods for assets

Intangible assets

Purchased intangible assets (primarily standard software) are measured at cost less scheduled straight-line amortisation.

Self-created intangible fixed assets are not capitalised pursuant to Section 248 (2) sentence 1 of the German Commercial Code (HGB).

Land, land-type rights and buildings, including buildings on third-party land

Assets recognised under the item "Land, land-type rights and buildings, including buildings on third-party land" are measured at the lower of cost less permissible straight-line or declining-balance depreciation or fair value. Unscheduled depreciation takes place only in the event of expected permanent impairment, and the lower fair value is recognised. If the reasons for a lower carrying amount no longer exist, the asset is written up to a maximum of its historical depreciated cost.

Interests in affiliated companies and participations

Interests in affiliated companies are measured at cost. Pursuant to Section 341b (1) in conjunction with Section 253 (3) sentence 5 of the German Commercial Code (HGB), unscheduled write-downs to the lower fair value are applied only in the event of expected permanent impairment (moderate lower-value principle). If the reasons for a lower carrying amount no longer exist, the asset is written up to a maximum of its historical cost.

Loans to affiliated companies

The item "Loans to affiliated companies" comprises bearer bonds. For recognition and measurement, please see the comments on the items below.

Participations

Participations are measured at cost. Pursuant to Section 341b (1) in conjunction with Section 253 (3) sentence 5 of the German Commercial Code (HGB), unscheduled write-downs to the lower fair value take place only in the event of expected permanent impairment (moderate lower-value principle). If the reasons for a lower carrying amount no longer exist, the asset is written up to a maximum of its historical cost.

Shares, interests or shares in investment assets and other variable-yield securities

Pursuant to Section 341b (2) in conjunction with Section 253 (4) of the German Commercial Code (HGB), shares, interests or shares in investment assets and other variable-yield securities are recognised at average cost less unscheduled write-downs in accordance with the strict lower-value principle. If the reasons for a lower carrying amount no longer exist, the asset is written up to a maximum of its historical cost.

Bearer bonds and other fixed-income securities

Pursuant to Section 341b (2) in conjunction with Section 253 (4) of the German Commercial Code (HGB), bearer bonds and other fixed-income securities are recognised at average cost less unscheduled write-downs in accordance with the strict lower-value principle and are measured taking into account the requirement to reverse impairment losses.

Mortgage, land charge and annuity claims

The item "Mortgage, land charge and annuity claims" especially serves the recognition of receivables for which mortgage deeds have been furnished. These receivables are measured according to the rules applicable to fixed assets. In departure from this, these receivables are measured pursuant to Section 341c (3) of the German Commercial Code (HGB) at amortised cost by spreading the difference between cost and the repayment amount over the remaining term using the effective interest method.

Individual and collective impairment provisions are created for discernible risks and are deducted directly from the carrying amount. Current default risks are taken into consideration for mortgage, land charge and annuity claims by means of individual impairment provisions. Furthermore, collective impairment provisions are recognised on a portfolio basis in accordance with the experience gained in recent years.

Individual and collective impairment provisions are duly deducted from the assets.

Other loans

The item "Other loans" comprises registered bonds, promissory notes, loans receivable and miscellaneous loans. These receivables are measured according to the rules applicable to fixed assets.

In departure from this, pursuant to Section 341c (1) of the German Commercial Code (HGB), registered bonds are recognised at their nominal value less repayments made. Premiums and discounts are spread on a straight-line basis over the term.

Pursuant to Section 341c (3) of the German Commercial Code (HGB), promissory notes, loans receivable and miscellaneous loans are measured at amortised cost by spreading the difference between cost and the repayment amount over the remaining term using the effective interest method.

In order to determine whether registered bonds, promissory notes, or loans receivable are permanently impaired, ratings analyses are performed for issuers whose rating has deteriorated by two or more notches or whose securities are over-valued by at least 10%. If on the basis of the ratings analyses it can no longer be expected that the securities will be repaid in conformity with the contract, they are written down to the lower fair value. In addition, collective impairment is applied to registered bonds on a portfolio basis in accordance with experience in recent years.

Deposits with credit institutions

Deposits with credit institutions are generally recognised at their nominal amounts.

Other investments

Other investments are measured at cost.

Other assets

Property, plant and equipment are measured at cost less scheduled straight-line depreciation over their normal useful life. Assets with a net cost of up to €150 are depreciated in full in the year of acquisition. In accordance with tax regulations, assets of a net cost of more than €150 and up to €1,000 are recognised in full in the year of acquisition and depreciated on a straight-line basis over a period of five years.

Receivables and other assets are measured at cost or nominal amounts. Individual and collective impairment provisions are recognised for discernible risks and deducted from the assets.

The excess of plan assets over pension liabilities relates to a surplus that results from the offsetting of reinsurance claims measured at fair value against liabilities under phased-in early retirement agreements. Insolvency-proof reinsurance claims are measured at the coverage capital specified in the business plan, which, under compliance with the strict lower-value principle, corresponds to the amortised cost in accordance with Section 253 (4) of the German Commercial Code (HGB) and thus, in the absence of other measurement methods, to the fair value within the meaning of Section 255 (4) sentence 4 of the German Commercial Code (HGB).

No use was made of the option to recognise deferred tax assets on the basis of the tax relief resulting under Section 274 (1) sentence 2 of the German Commercial Code (HGB).

Reversals

For assets that were written down in previous years to a lower fair value, the impairment loss must be reversed if the reasons for taking the impairment no longer exist. In conformity with the principles in Section 253 (5) of the German Commercial Code (HGB), impairment losses are reversed to a maximum of amortised cost.

Derivatives

Currency futures were used as economic hedges of participations and interests in investment assets and securities. They are measured on a transaction-specific basis. Provisions are recognised for contingent losses from these transactions.

Valuation units

Interest rate swaps are exclusively consolidated with the underlying receivables and securities to valuation units pursuant to Section 254 of the German Commercial Code (HGB).

In the accounts, these valuation units are presented according to the "freeze method" pursuant to Section 254 of the German Commercial Code (HGB). According to this method, the values of the individual components of the valuation unit are "frozen" as of the institution of the valuation unit. Subsequent effective value changes with respect to the hedged risk are not accounted for. Value changes resulting from ineffectiveness are accounted for pursuant to Section 252 ff of the German Commercial Code (HGB).

Determination of fair value

The fair value of land, land-type rights and buildings, including buildings on third-party land, is continuously verified using the discounted cash flow method. Property newly acquired during the financial year is measured on the basis on external appraisals.

We base the fair value of affiliated companies and participations on their capitalised income value or on the fair value determined using the net asset value method, in some cases also on cost or the liquidation value.

The most recently available exchange price or a market value determined on the basis of recognised mathematical models that are customary on the market are recognised as the fair value of the other investments.

Interests in investment assets are recognised at the most recently available redemption price.

Accounting and valuation methods for liabilities

Subordinated liabilities

Subordinated liabilities are recognised at their settlement value.

Technical provisions

The provision for unearned premiums is calculated per insurance policy subject to deduction of external expenses. In the business line transport, the provision is included in the provision for outstanding insurance claims. The reinsurers' share is calculated analogously on the basis of the individual insurance policy under consideration of the allocable external expenses.

The premium reserves for the premium-exempt children's personal accident insurance recognised in the provision for future policy benefits for the direct insurance business are calculated per individual policy according to actuarial principles.

The provisions for outstanding insurance claims for the direct business are measured according to the prospective expenses for each claim. In the assumed business, the claims reserves largely correspond to the information provided by the prior insurer. For the London branch of Württembergische Versicherung AG, the provisions are recognised according to actuarial methods plus a security margin. The reinsurers' share is calculated on the basis of the individual reinsurance policies.

For still unknown incidents, a collective provision for late outstanding claims was recognised according to the empirical values of previous years.

For transport including secondary business lines, a collective reserve is recognised in the direct German business on the basis of mathematically determined empirical values for the first four run-off years of an underwriting year under consideration of supplementary premiums. From the fifth run-off year, the claims reserve is determined on the basis of the individual claim reserves under consideration of subsequent premiums and subsequent claims.

The pension reserves are calculated on a per policy basis according to actuarial principles. The provisions for outstanding redemptions, refunds and exit compensations are recognised at the repayment amounts. The reinsurers' share is calculated on the basis of the individual reinsurance policies.

Claims from recourse, salvages and distribution agreements are accounted for at the expected values and are deducted from the provision for outstanding insurance claims of the insurance branch.

We take the expenses to be expected for the settlement of outstanding claims into consideration by means of a provision pursuant to the BMF letter dated 2 February 1973. In the business line transport, lump-sum procedures are applied for the first four years of an underwriting year. The portion of the reinsurer is determined in accordance with the quota share.

The claims equalisation reserve contained in item C. IV. is created according to the Annex to Section 29 of the German Insurance Enterprises Accounting Regulation (RechVersV).

We recognise the amounts presented in the other technical provisions as follows:
The provision for unused premiums from dormant motor insurances is determined per policy, and the cancellation provision is calculated on the basis of statistical surveys. The provision for the "Unfall 60" rate plus the claims requirement that increases with age is determined actuarially per policyholder. For obligations from the membership in Verkehrsopferhilfe e. V., a provision for outstanding claims is recognised according to the association's mandate. The reinsurers' portions are deducted from the aforementioned provisions as contractually agreed.

Other provisions

A provision is created for the legal obligations under phased-in early retirement contracts existing on the reporting date, taking into account employer expenses for social insurance, in the amount of the present value of future top-up benefits (salary and supplemental contributions towards pension insurance) and compensation payments due to reduced pension insurance claims and the outstanding settlement amounts from advance work performed by the employee. The provision is discounted in accordance with the specific maturities using the corresponding interest rates published by the German Bundesbank in accordance with the German Regulation on the Discounting of Provisions (RückAbzinsV). Biometric factors are taken into account when calculating the provision via a flat-rate discount of 2%. In addition, pursuant to
Section 285 no. 25 of the German Commercial Code (HGB), pledged reinsurance policies are taken into account at fair value, which corresponds to the acquisition costs, and netted against phased-in early retirement obligations as coverage assets. The fair value is composed of the coverage capital plus irrevocable participation contracts.

In accordance with Section 253 (1) sentence 2 of the German Commercial Code (HGB), the provisions for social affairs and for long-term service emoluments are determined in the required satisfaction amount by applying the Heubeck mortality tables 2005 G and an interest rate of 2.28% under the projected benefit obligation method. Fluctuation and future salary increases are taken into account.

Other miscellaneous provisions and tax provisions are recognised in the required settlement amount. In accordance with Section 253 (1) sentence 2 of the German Commercial Code (HGB), provisions with a term of more than one year are generally determined in the required settlement amount, taking into account future price and cost increases. Price and cost increases are in line with the inflation rate and are taken into account over the respective term of the provision at rates of 0.5 to 1.5%. The rate used to discount miscellaneous provisions corresponds to the average rate of the past seven years published by the German Bundesbank pursuant to the German Regulation on the Discounting of Provisions (RückAbzinsV) for the respective assumed remaining term to maturity. Results from discounting and compounding, from changes in the discounting rate, and from the interest rate effects of a changed estimate of remaining maturity are recognised as interest income or interest expenses under "Other income" or "Other expenses", as the case may be. Tax interest accrued as at the reporting date is recognised under "Miscellaneous provisions". The terms of the tax provisions are usually less than one year and are not discounted (pursuant to the German Tax Code (AO), interest starts to apply after 14 months).

Retained deposits and other liabilities

The deposits retained from ceded reinsurance business concern the passive reinsurance business of the London branch.

The accounts payable on reinsurance business, the liabilities from direct insurance business and the miscellaneous liabilities are recognised at the settlement amounts.

Currency translation

All business transactions are recognised in their original currency and translated into euros at the ECB's average spot exchange rate in effect on the relevant date.

We translate items associated with foreign insurance business at the ECB's average spot exchange rate in effect on the reporting date. The corresponding income and expenses are recognised in the income statement at the relevant ECB average spot exchange rate in effect on the settlement date.

We generally measure capital investments denominated in foreign currency in accordance with the rules of individual measurement in accordance with the lower-value principle. They are subsequently measured at the ECB's average spot exchange rate. We economically comply with the principle of congruent coverage per currency.

Bank balances denominated in foreign currencies are measured at the ECB's average spot exchange rate in effect on the reporting date.

Pursuant to Section 256a of the German Commercial Code (HGB), translation gains and losses are recognised in the income statement in the case of residual terms to maturity of one year or less.

Currency gains and losses from underwriting are recognised in the general section of the income statement under "Other income" or "Other expenses", as the case may be.

Exchange rate gains and losses on investments in foreign currency are recognised under "Income from write-ups" and "Gains from the disposal of investments", while the corresponding losses are recognised under "Write-downs on investments" and "Losses from the disposal of investments".

Currency exchange rate gains and losses from current bank account balances denominated in foreign currency are recognised under "Other income" and "Other expenses".

Recording of income and expenses on an accrual basis

To a minor extent, part of the transport insurances of the German business is not included in the year under review, as we only received the required accounting documents after the preparation of the annual financial statements.

Due to the deferred posting, we recorded premium income for 2015 amounting to €942 thousand in the year under review.

Notes concerning assets

A. Intangible assets (1)[1]

The acquisition costs of data-processing software are recognised under this item.

The development of the intangible assets is shown in the notes under "Individual disclosures concerning assets".

B. Investments

The development of the investments is shown in the notes under "Individual disclosures concerning assets".

I. Land, land-type rights and buildings, including buildings on third-party land (2)

As at the reporting date, we owned 20 (previous year: 21) plots of land with a carrying amount of €84,146 thousand (previous year: €86,409 thousand). The fair value of our land and buildings amounted to €120,716 thousand (previous year: €121,487 thousand).

No properties were acquired in the year under review. One property was sold.

Of our property, shared ownership interests accounted for €3,866 thousand (previous year: €4,218 thousand).

Of our real estate portfolio, land and buildings with a carrying amount of €70,961 thousand (previous year: €72,652 thousand) are used by the group and those with a carrying amount of €0 (previous year: €238 thousand) are used by ourselves.

II. Investments in affiliated companies and participations (3)

Pursuant to Section 285 no. 11 in conjunction with Section 271 (1) of the German Commercial Code (HGB), disclosures concerning participations are presented in the "Annex to the notes" in the notes.

III. Other investments

2. Bearer bonds and other fixed-income securities (4)
We have invested in securities denominated in foreign currency that serve as congruent cover of our obligations for the congruent cover of the direct insurance business that we do overseas.

In the year under review, the exchange rate gains from currency translation as specified in the notes under "Individual disclosures concerning assets" does not contain any exchange rate gains from bearer bonds and other fixed-income securities. In the previous year, the exchange rate gains had amounted to €673 thousand.

3. Mortgage, land charge and annuity claims (5)
At the end of the year under review, a compulsory auction case was pending in the mortgage field.

4. Other loans (6)

in € thousand	31.12.2016	31.12.2015
Registered bonds	334,928	309,948
Promissory notes and loans receivable	285,786	303,417
Miscellaneous loans	22,005	22,005
Total	**642,719**	**635,370**

The miscellaneous loans include a non-negotiable profit participation certificate in the amount of €10,005 thousand (previous year: €10,005 thousand).

1 See balance sheet and income statement chapters.

6. Other investments (7)

in € thousand	31.12.2016	31.12.2015
Silent participations in other companies[1]	–	3,000
Cooperative interests	2	2
Total	**2**	**3,002**

1 The interest in Deutsche Schiffsbank AG (now: Commerzbank AG) in the amount of €3,000 thousand has been reclassified to the measurement category of promissory notes.

Fair value of investments

This item includes:

Valuation reserves

	Carrying amount	Fair value	Valuation reserves by liabilities[1]	Carrying amount	Fair value	Valuation reserves by liabilities[1]
in € thousand	2016	2016	2016	2015	2015	2015
Land, land-type rights and buildings, including buildings on third-party land	84,146	120,716	36,570	86,409	121,487	35,078
Interests in affiliated companies	183,921	196,069	12,148	171,852	180,240	8,388
Loans to affiliated companies	29,879	29,879	–	29,101	29,101	–
Participations	176,654	218,286	41,632	152,771	200,329	47,558
Shares, interests or shares in investment assets and other variable-yield securities	901,629	920,998	19,369	898,202	916,614	18,412
Bearer bonds and other fixed-income securities	448,036	461,961	13,925	322,447	330,309	7,862
Mortgage, land charge and annuity claims	78,335	81,590	3,255	53,034	54,704	1,670
Other loans						
Registered bonds	334,927	385,097	50,170	309,949	363,240	53,291
Promissory notes and loans receivable	285,786	351,302	65,516	303,417	369,781	66,364
Miscellaneous loans	22,006	21,623	– 383	22,004	23,795	1,791
Deposits with credit institutions	109,851	109,860	9	137,044	137,050	6
Other investments	2	2	–	3,002	2,942	– 60
Total	**2,655,172**	**2,897,383**	**242,211**	**2,489,232**	**2,729,592**	**240,360**
in % of the carrying amount of all investments			**9.12**			**9.66**

1 Net perspective, balance of valuation reserves and hidden liabilities

Section 285 no. 18 HGB – disclosures concerning investments recognised at greater than fair value:

Among the other loans in the form of registered bonds and promissory notes, the market value of positions with a carrying amount of €48,000 thousand is €1,473 thousand below the carrying amount. No write-down was performed, as the impairment is expected to be merely temporary. The interest and amortisation payments are expected according to schedule.

Among the other investments with a carrying amount of €12,000, the market value was €1,140 thousand below the carrying amount. No write-down was performed, as the impairment is expected to be merely temporary.

Section 285 no. 19 HGB – disclosures concerning derivative instruments not recognised at fair value

Derivative financial instrument/grouping	Type	Nominal value	Fair value	Applied measurement method	Carrying amount and item[1]
		in € thousand	in € thousand		in € thousand
Share/index-related transactions	Option OTC	61	647	Mathematical option price model	637
Currency-related transactions	Currency future	146,194	– 5,330	Discounted cash flow method	– 5,362

1 The carrying amounts of the currency forwards are contained in the liabilities item D.II (Miscellaneous provisions). Negative items correspond to the loss provision created.

This table focuses on derivatives whose carrying amount does not correspond to fair value on the reporting date. Derivatives have to do with transactions to be settled in the future, whose value is based on the change in the value of an underlying asset pursuant to the agreed contractual terms. Normally, there are no or only minor acquisition costs for these.

If, on the reporting date, the carrying amount of a derivative corresponds to the fair value, it is nevertheless taken into account in the table if the recognised value is based on the imparity principle or results from the creation of a loss provision.

Section 285 no. 23 HGB – disclosures concerning valuation units recognised pursuant to Section 254

1. Disclosures concerning hedged items and securities

Type of valuation unit formed	Type of risk hedged	Type of included assets, liabilities and pending transactions not accounted for	Carrying amount of the included hedged items	Amount of risks hedged[1] (nominal)
			in € thousand	in € thousand
Macro hedge	Currency risk	Currency futures (HE)	180,048	– 115
Micro hedge	Risk of changes in interest rates	Securities (HI), swaps (HE)	9,155	– 3,199

1 Corresponds to the total of omitted write-downs of assets and omitted recognition of provisions for impending losses resulting from hedges.

2. Disclosures concerning the effectiveness of valuation units

Cash flows in opposite directions offset each other – reasons why the hedged item and the hedge are exposed to the same risk	To what extent do the cash flows in opposite directions offset each other	In what period do the cash flows in opposite directions offset each other	Disclosure concerning the method for determining the effectiveness of the valuation unit
CTM: Currency of the HI identical to the hedge currency	Largely	Until maturity of the HI (rolling)	Quantitative sensitivities
HI + HE: Ident. nominal, term, interest payment date and fixed interest rate	Largely	Until maturity of the HI	Prospective: Critical term match (CTM)/ Retrospective: Cumulative dollar offset method

Abbreviations:

HE = hedge
HI = hedged item
CTM = critical term match method

Definition of the critical term match method:
If, in the case of perfect micro hedges, all value-determining factors between the hedged portion of the hedged item and the hedging portion of the hedge correspond (e.g. currency, nominal, term to maturity, identical fixed interest rate for swaps) and all value components of the hedged item and the hedge that do not correspond (e.g. credit risk-related value changes of hedged item and/or hedge) are allocated to the value components not included in the valuation unit, a comparison of these parameters is sufficient for the prospective and retroactive evaluation of the effectiveness of the valuation unit (CTM). The assumption that future value changes will effectively offset each other based on these conditions is implicit to the CTM.

Definition micro hedge:
A "micro hedge" refers to the hedging of an individual item by means of a single hedge.

Definition macro hedge:
A "macro hedge" refers to the hedging of one or several similar items by means of one or several hedges.

Disclosures pursuant to Section 285 no. 26 HGB: Shares, interests or shares in investment assets

Fund name	Investment objective	Certificate value pursuant to Section 36 InvG	Carrying amount	Difference from the carry-ing amount	Distributions made for the financial year
in € thousand					
LBBW AM-USD Corporate Bond fund 2	Pension fund	212,431	212,431	–	3,767
LBBW AM-EMB2	Pension fund	180,358	180,358	–	6,527
LBBW AM-WV Corp Bonds fund	Pension fund	182,424	170,179	12,245	2,864
LBBW AM-WV P&F	Mixed fund (up to 70%)	106,543	106,543	–	1,555
W&W Flexible Premium II Fund	Mixed fund (up to 70%)	69,538	69,538	–	1,139
LBBW AM-567	Mixed fund (up to 70%)	67,569	67,569	–	2,739
LBBW AM Cove Call USA Fund	Equity fund	57,462	48,453	9,009	1,137
JB Multibd-Local Emerging Bd	Pension fund	30,293	30,293	–	1,587
W&W South East Asian Equity Fund	Equity fund	14,447	14,447	–	230

All funds are unlimited with respect to the daily sell option or three-month notice period in the case of the sale of all units.

C. Receivables

I. Receivables from direct insurance business to (8):

1. Policyholders
A collective impairment provision of €2,092 thousand (previous year: €1,877 thousand) was recognised on the basis of statistical surveys.

2. Insurance brokers
The receivables from the direct insurance business from insurance brokers amounted to €28,376 thousand (previous year: €28,813 thousand).

III. Other receivables (9)

in € thousand	31.12.2016	31.12.2015
Loans and advances to employees and agents	526	253
Submission of claims settled for the account of foreign companies	1,270	1,224
Receivables from coinsurance business for third-party account	3,612	6,716
Current tax assets	3,197	6,244
Interest and rent arrears	263	198
Miscellaneous other receivables	21,290	12,152
Receivables from affiliated companies and participations	108,646	118,603
Total	**138,804**	**145,390**

The remaining other receivables contain accrued, unbilled, allocable operating expenses of €315 thousand (previous year: €304 thousand).

D. Other assets

I. Property, plant and equipment and inventories (10)

Depreciation of €781 thousand (previous year: €703 thousand) was applied to durable assets in accordance with the rates permissible under tax regulations. A compound item that is depreciated over five years was recognised for medium-value assets. In the financial year, depreciation of this item amounted to €201 thousand.

E. Deferred assets

II. Other deferred assets (11)

The premium from the purchase of registered bonds is presented here with an amount of €1,550 thousand (previous year: €507 thousand).

F. Excess of plan assets over pension liabilities (12)

Assets that serve to cover liabilities under pension obligations or similar long-term obligations and that are inaccessible to all other creditors are required to be netted against the provisions for such obligations. If, in the process, the fair value of such assets exceeds the carrying amount of the provisions, the item "Excess of plan assets over pension liabilities" is to be created on the assets side of the balance sheet. The offsetting pursuant to Section 246 (2) sentence 3 of the German Commercial Code (HGB) of claims under reinsurance policies in the amount of €12,174 thousand (previous year: €17,360 thousand) with partial amounts of the phased-in early retirement provisions for outstanding settlement amounts totalling €9,022 thousand (previous year: €11,677 thousand) results in an excess of €3,152 thousand (previous year: €5,683 thousand).

Notes concerning liabilities

A. Equity

I. Share capital (13)
As at 31 December 2016, the company's share capital amounted to €109,312 thousand. It is divided into 4,270,000 fully paid-up registered no-par-value shares, each representing a calculated share of €25.60 of the share capital.

II. Capital reserve (14)

This item concerns the premium from the capital contribution.

B. Subordinated liabilities (15)

On 7 July 2010, a subordinated fixed-interest promissory note was issued for €30 million with a term of 10 years. The loan is subject to a yearly interest rate of 5.869% on the nominal amount.

C. Technical provisions (16)

Disclosures concerning these provisions are presented in the notes under "Individual disclosures concerning liabilities".

D. Other provisions

II. Other provisions (17)

in € thousand	31.12.2016	31.12.2015
Phased-in early retirement	9,027	7,346
Restructuring measures	4,806	5,302
Expenses for the annual financial statements	1,025	646
Holiday obligations and flex-time credit	9,915	9,377
Bonuses and performance incentives	12,234	14,074
Profit shares and merchandising compensation	14,787	11,955
Expenses for land development costs	74	47
Expenses for omitted land maintenance	159	143
Employee anniversary obligations and sales agent compensation obligations	2,630	2,867
Provision for impending losses from derivatives	5,374	236
Interest expense pursuant to Section 233a AO	188	188
Contributions to the employers' liability insurance scheme, compensatory levy for disabled persons, etc.	2,631	3,035
Total	**62,850**	**55,216**

Since 2010, the provision for phased-in early retirement has contained the portion that is not outsourced in an insolvency-proof manner in the form of reinsurance.

Pledged reinsurance for the phased-in early retirement assets that are inaccessible to all other creditors and serve solely to satisfy liabilities from these phased-in early retirement obligations, or similar obligations that become due in the long run, are netted with these pursuant to Section 246 (2) sentence 2 of the German Commercial Code (HGB). Expenses from compounding and income from discounting and from the assets to be offset are treated in the same way. The reinsurance is recognised at the coverage capital.

The "Phased-in early retirement" item is determined as follows:

in € thousand	31.12.2016	31.12.2015
Amount needed to satisfy vested claims	18,049	19,023
thereof capable of being netted with the coverage capital of reinsurance [1]	9,022	11,677
Carrying amount	**9,027**	**7,346**

1 The fair value of the coverage capital corresponds to cost.

The total carrying amount of the reinsurance policies pledged for the insolvency protection of phased-in early retirement assets amounted to €12.2 million (previous year: €17.4 million).

F. Other liabilities

I. Liabilities from insurance business to (18):

1. Policyholders

Among other things, this item includes advance payments for newly requested contracts and premiums not yet due.

2. Insurance brokers[1]

Liabilities from direct insurance business to insurance brokers amounted to €33,822 thousand (previous year: €33,458 thousand).

III. Miscellaneous liabilities (19)

in € thousand	31.12.2016	31.12.2015
Taxes	19,169	17,520
Trade payables	532	254
Coinsurance business for third-party account	38	309
Other miscellaneous liabilities[1]	20,931	35,102
Miscellaneous liabilities to affiliated companies	160,632	84,464
Total	**201,302**	**137,649**

In the financial year, advance payments on operating expenses accrued in the amount of €470 thousand (previous year: €471 thousand) and were recognised under the item "Miscellaneous liabilities".

Residual term to maturity of the liabilities

Most of these liabilities have a residual term to maturity of up to one year. Liabilities with a residual term to maturity of more than five years amounted to €279 thousand (previous year: €279 thousand). They pertain to the balance-sheet item "Miscellaneous liabilities".

G. Deferred liabilities (20)

The amount presented in the previous year concerned the discount of registered bonds.

1 Due to a reclassification from "Miscellaneous liabilities" to "Liabilities from direct insurance business to insurance brokers" for the previous year, the figure for the previous year has been adjusted.

Notes concerning the income statement

I. Technical account

1. Premiums earned for own account (21)

The premiums are shown under "Individual disclosures concerning the income statement" pursuant to Section 51 of the German Insurance Enterprises Accounting Regulation (RechVersV). The domestic gross premiums written amounted to €1,678,171 thousand (previous year: €1,638,259). The premiums of the indirect business amounted to – €85 thousand (previous year: €3 thousand). The number of at least one-year insurance policies is shown in the notes under "Annex to the notes".

2. Technical interest income for own account (22)

Pursuant to Section 38 of the German Insurance Enterprises Accounting Regulation (RechVersV), the interest on pension and premium reserves after deducting the pro-rata costs of the asset management and of the reinsurer is posted to this item.

4. Expenses for insurance claims for own account

The gross expenses for insurance claims are presented in the notes under "Individual disclosures concerning the income statement" pursuant to Section 51 of the German Insurance Enterprises Accounting Regulation (RechVersV).

b) Change in the provision for outstanding insurance claims (23)
Run-off gains for own account in the amount of €116,417 thousand (previous year: €115,762 thousand) resulted from the run-off of the provision for outstanding insurance claims due to their uncertainty.

6. Expenses for insurance business for own account

a) Gross expenses for insurance business (24)
The breakdown of this item is shown in the notes under "Individual disclosures concerning the income statement". The expenses for the annual financial statements amounted to €142,626 thousand (previous year: €139,200 thousand), and administrative expenses to €308,954 thousand (previous year: €303,738 thousand).

II. Non-technical account

1. Income from investments

c) Income from write-ups (25)
Income from write-ups includes exchange rate gains of €326 thousand (previous year: €28 thousand). The breakdown of this item is depicted in the notes under "Individual disclosures concerning assets".

d) Gains from the disposal of investments (26)

in € thousand	2016	2015
Land, land-type rights and buildings, including buildings on third-party land	162	427
Interests in affiliated companies	–	273
Participations	3,230	4,958
Bearer bonds and other fixed-income securities[1]	2,879	5,105
Registered bonds and promissory notes	1,876	4,439
Shares, interests or shares in investment assets and other variable-yield securities	5,248	3,783
Total	**13,395**	**18,985**

1 Thereof exchange rate gains of €1,840 thousand (previous year: €64 thousand).

2. Expenses for investments

b) Write-downs on investments (27)
This item also contains unscheduled write-downs in the amount of €24,351 thousand pursuant to Section 253 (3) sentences 5 and 6 in conjunction with Section 277 (3) sentence 1 of the German Commercial Code (HGB) and pursuant to

Section 253 (4) of the German Commercial Code (HGB). Of this amount, affiliated companies and participations account for €3,516 thousand, and securities and interests or shares in investment assets account for €20,835 thousand.

The write-downs on affiliated companies and participations involve balance-sheet items that are measured like fixed assets, while the write-downs on securities and interests or shares in investment assets concern balance-sheet items classified as current assets. Exchange rate losses amounted to €21 thousand.

c) Losses from the disposal of investments (28)

in € thousand	2016	2015
Affiliated companies	61	–
Participations	1,590	4,626
Shares and variable-yield securities	6,020	14,849
Bearer bonds and fixed-income securities[1]	768	1,033
Total	**8,439**	**20,508**

1 Thereof exchange rate losses €2 thousand (previous year: €119 thousand)

4. Other income (29)

Material items are:

Commission from brokering of insurances and home loan and savings contracts for other companies €15,487 thousand (previous year: €13,962 thousand), other cost refunds (management tasks etc.) €148,510 thousand (previous year: €153,197 thousand), exchange rate gains €10,715 thousand (previous year: €20,127 thousand), income from pension scheme €14,389 thousand (previous year: €16,823 thousand), income from the reversal of the miscellaneous provisions €1,425 thousand (previous year: €3,188 thousand).

Due to the change of the discount from a seven-year average to a ten-year average for the provision for pensions and similar obligations, interest income of €8,822 thousand accrued in the financial year. Netted against the other interest income from the provision for pensions and similar obligations, the remaining other income from interest amounted to €3,930 thousand (previous year: expenses of €51,291 thousand).

5. Other expenses (30)

Material items:

in € thousand	2016	2015
Commission payments, merchandising compensation and sales expenses from the brokering of insurances and home loan and savings contracts for other companies	25,675	23,169
Expenses for other services (e.g. management tasks)	147,016	151,696
Interest expenses from compounding of long-term provisions	157	392
Addition of interest to the pension provision[1]	–	51,291
Exchange rate losses	12,143	19,424
Interest on subordinated liabilities	1,763	3,713
Expenses for pension scheme	16,985	11,504
Other expenses that affect the company as a whole:		
Costs of preparing the annual financial statements	1,450	1,282
Contributions to professional associations, chambers of industry and trade and insurance supervision fees	1,754	1,667
Legal and tax consulting expenses	515	484
Projects	5,433	4,267

1 See notes concerning the effects of changes in interest rates on the other income (4).

With respect to phased-in early retirement agreements, expenses from compounding and income from discounting and from the assets to be offset in the amount of €166 thousand (previous year: €325 thousand) were offset against each other pursuant to Section 246 (2) sentence 2 of the German Commercial Code (HGB).

7. Extraordinary expenses (31)

As a result of the transition to the German Accounting Law Modernisation Act (BilMoG) as of 1 January 2010, the following amounts for employees concerning Württembergische Versicherung AG are recognised as extraordinary expenses:

in € thousand	2016	2015
Pension obligation expenses passed on from service cost allocation	35,037	3,568

An option was available to distribute the conversion expenses of €58.4 million for the first-time application of the German Account Law Modernisation Act (BilMoG) over up to 15 years. In the years up to and including 2015, this distribution option was made use of, and one fifteenth of this amount was recognised as an extraordinary expense. The nine outstanding instalments in the amount of €35.0 million were fully recognised as an extraordinary expense in 2016, so that no under-coverage existed any more in the financial year 2016.

9. Income taxes (32)

The taxes of €365 thousand (previous year: €453 thousand) included foreign income and withholding taxes amounting to €577 thousand as well as tax income of €212 thousand from the compounding of the corporation tax balance.

The different carrying amounts of land, land-type rights and buildings, participations, shares, interests in investment assets and other variable-yield securities, bearer bonds, provisions for outstanding insurance claims as well as provisions for pensions under commercial law and tax law resulted in deferred tax assets that were offset, i.e. netted against deferred tax liabilities (e.g. from interests in affiliated companies). A tax rate of 30.6% was used for the deferred taxes. Since, after netting, deferred tax assets exceeded deferred tax liabilities, the option in Section 274 (1) sentence 2 of the German Commercial Code (HGB) was exercised and the deferred tax assets were not capitalised.

Other mandatory disclosures

Mandates

The members of the Executive Board and of the Supervisory Board are listed on pages 3 and 4. These pages are part of the notes.

Legal basis

Württembergische Versicherung Aktiengesellschaft has its registered office in Stuttgart, Germany, and is registered in the Commercial Register of the Stuttgart District Court under number HRB 14327.

Events after the reporting date

After the end of the financial year until the preparation of the management report, no events of special significance to the net assets, financial position and financial performance of Württembergische Versicherung AG occurred.

Supplementary disclosures

Commission and other remuneration paid to insurance agents, personnel expenses

in € thousand	2016	2015
Any kind of commission of insurance agents in the meaning of Section 92 HGB for direct business	263,739	253,550
Other remuneration paid to insurance agents in the meaning of Section 92 HGB	29,629	35,259
Wages and salaries	175,094	176,810
Social remittances and expenses for support	33,391	33,420
Expenses for pension scheme	25,245	11,701
Total	**527,098**	**510,740**

Employees

Number [1]	2016	2015
Back office	2,338	2,347
Mobile sales force	863	920
Blue-collar	–	–
Trainees	132	147
Total	**3,333**	**3,414**

1 Represents the average number of employees in the year pursuant to Section 285 no. 7 of the German Commercial Code (HGB).

Total remuneration paid to Supervisory Board, Executive Board and former Executive Board members as well as advances and loans granted to these persons

The remuneration paid to the members of the Supervisory Board amounted to €227 thousand (previous year: €248 thousand), and the remuneration paid to the members of the Executive Board to €1,353 thousand (previous year: €1,077 thousand). Former members of the Executive Board were paid €1,272 thousand (previous year: €1,173 thousand). In the financial year, the pension obligations for former members of the Executive Board amounted to €16,972 thousand (previous year: €17,737 thousand). As at the reporting date, no loan claims existed against members of the Executive Board. As at the reporting date, no loan claims existed against members of the Supervisory Board.

Related party disclosures

Transactions with related parties are concluded at arm's length terms and conditions. Where employees are involved, preferential terms customary in the industry are used.

Expenses for the auditor

The disclosures pursuant to Section 285 no. 17 of the German Commercial Code (HGB) are included in the disclosures in the consolidated financial statements of the W&W Group.

Contingent liabilities and other financial obligations

As a member of Verkehrsopferhilfe e. V., an association that assists road accident victims through a guarantee fund established by German motor liability insurers, we are under the obligation to provide the association with the resources required for carrying out its purpose, namely in accordance with our share in the premium income that the member companies generated from the direct motor liability insurance business in the calendar year before last.

As at the reporting date, the remaining payment obligation on shares and limited shares not fully paid up amounted to €106,312 thousand.

Irrevocable loan commitments in the amount of €24.0 million (previous year: €53.0 million) consist of remaining obligations from loans that have been granted but not yet drawn down or fully drawn down. The risk of a change in interest rates is low for irrevocable loan commitments due to their short terms.

Another liability relationship exists in connection with the corporate pension plan. Employees who joined one of the two sponsoring companies, Württembergische Versicherung AG or Württembergische Lebensversicherung AG, prior to 1 January 2002 could be accepted as members of the pension fund of Württembergische VVaG (WürttPK). Being a legally independent, regulated pension fund, WürttPK is subject to supervision by the German Federal Financial Supervisory Authority (BaFin). WürttPK benefits are financed through contributions by members and subsidies by the sponsoring undertakings. According to the Articles of Association, the sponsoring undertakings are under the obligation to make contributions. In accordance with the business plan, the sponsoring undertakings perform the administration at no cost. In addition, there is secondary liability in some cases under the German Occupational Pensions Act (BetrAVG).

Under the contract of December 1991, the pension obligations were transferred to Württembergische AG Versicherungs-Beteiligungsgesellschaft (predecessor company of W&W AG) against a one-time compensation payment in the amount of the partial value at the time, which thus assumed joint liability and responsibility for the fulfilment. Württembergische Versicherung AG settles the income and expenses from the change in the pension obligations annually in cash with W&W AG. The pension obligation that existed toward employees of Württembergische Versicherung AG in the amount of €481,370 thousand is offset by an indemnification claim against W&W AG in the same amount.

Pursuant to Section 253 (2) sentence 1 of the German Commercial Code (HGB), the actuarial interest rate applied in the 2016 financial year in accordance with the revised law was the average market interest rate over the past 10 years (previous year: average interest rate over the past seven years). The discount rates published by the German Bundesbank on 31 October 2016 with a 10-year average interest rate were modified by taking the average monthly decline in interest rates from 1 January to 31 October 2016 and extrapolating it for the months of November and December 2016.

The difference between measurement of the provision for pensions and similar obligations using the 10-year average interest rate and that using the 7-year average interest rate pursuant to Section 253 (6) of the German Commercial Code (HGB) amounted to €63.9 million. The total amount of the effect of the change in interest rates is the result of the change in the 7-year average interest rate between 2015 and 2016 (expense of €55.1 million) and the switch from the 7-year average interest rate to the 10-year average interest rate in 2016 (income of €63.9 million). The resulting effect of the change in interest rates amounting to €8.8 million is offset against the other interest income from the provision for pensions and similar obligations in the other income.

The conversion expense of €58.4 million from the first-time application of the German Account Law Modernisation Act (BilMoG) in 2010 can be distributed over up to 15 years. In the years up to and including 2015, this distribution option was made use of, and one fifteenth of this amount was recognised as an extraordinary expense every year. The nine outstanding instalments in the amount of €35.0 million were fully recognised as an extraordinary expense in 2016, so that no under-coverage existed any more in the financial year 2016.

The other financial obligations from real estate leases currently amount to about €73 thousand a month. Moreover, minor obligations exist from various leases for property, plant and equipment.

In 2017, expenses amounting to €160.5 million are expected for Group-internal intercompany services.

In connection with the sale of Württembergische U.K. Limited in 2008, we assumed financial obligations in the usual scope.

WV indemnifies WBP with respect to the liability for faulty product presentations of WV products on the WBP online platform.

Pursuant to the waiver of recourse and indemnification agreement that exists in the W&W Group, in the event of faulty advice by an agent in connection with the brokering of an insurance product marketed by the company, the company has agreed to waive potential recourse claims against the agent, unless the agent acted wilfully and the damage is covered by liability insurance.

With respect to the agent's own liability in connection with the brokering of insurance or financial services products offered by an insurance company within the W&W Group, by a collaboration partner or in the course of further advice, the company has also agreed to grant indemnity in case faulty advice was provided. The minimum insurance cover is limited to €200 thousand per claim and a total of €300 thousand per year and, for damages in connection with faulty advice provided in insurance brokering, to €1.23 million per claim and €1.85 million per year.

Within the scope of the motor loyalty campaign 2017, long-standing motor customers received personal vouchers in 2016 for reduction of the deductible by €100 for partial and comprehensive insurance claims that arise from 1 January 2017 to 31 December 2017. The delivery of 234,627 vouchers represents a maximum financial obligation of €23.5 million, with potential extra expenses of €0.3 million.

Apart from these liability and collateral arrangements, there are no other liability arrangements, pledges, collateral or bill-of-exchange liabilities that are not shown in the balance sheet or the above notes.

Group affiliation

Württembergische Versicherung AG, Stuttgart, Germany, belongs to the W&W Group, whose parent company is Wüstenrot & Württembergische AG, Stuttgart, Germany (W&W AG). The consolidated financial statements of the W&W Group are published in the German Federal Gazette (Bundesanzeiger).

Since 17 August 2016, the non-profit Wüstenrot Stiftung e. V. has held its indirect stake in W&W AG of 66.31% in two holding companies rather than only one company as previously. The number of voting rights remains unchanged. Wüstenrot Holding AG holds 39.91% and the newly formed WS Holding AG holds 26.40% of the interests, in each case in terms of the total number of issued shares. 0.29% of the issued shares are non-voting treasury shares. Both holding companies are wholly owned by the non-profit Wüstenrot Stiftung e. V.

Wüstenrot Holding AG, Ludwigsburg, Germany, subsequently confirmed on 18 August 2016 that W&W AG is no longer a subsidiary of Wüstenrot Holding AG within the meaning of Section 17 of the German Stock Corporation Act (AktG). Pursuant to Section 16 (4) of the German Stock Corporation Act (AktG), the interests in Württembergische Versicherung AG that W&W AG holds directly and indirectly are therefore no longer deemed to be interests of Wüstenrot Holding AG. Pursuant to Section 16 (1) of the German Stock Corporation Act (AktG), Württembergische Versicherung AG is thus no longer a company controlled by the Wüstenrot Holding. On 18 August 2016, Wüstenrot Holding AG also confirmed pursuant to Section 20 (4) of the German Stock Corporation Act (AktG) that it no longer holds more than one quarter of the interests in the company.

Therefore, the conditions for the exemption of the company from the group accounting obligation pursuant to Section 291 (2) no. 4 of the German Commercial Code (HGB) are met.

The accounting and valuation methods applied in deviation from German law in the exempting consolidated financial statements especially include the prohibition of recognising a claims equalisation reserve and the recognition of certain financial assets at fair value, while the German Commercial Code (HGB) provides for uniform valuation at amortised cost. As a matter of principle, the valuation of the financial assets in the category "Financial assets held for sale" takes place outside profit or loss.

Stuttgart, 8 February 2017

The Executive Board

Norbert Heinen | Franz Bergmüller | Dr. Michael Gutjahr

Dirk Hendrik Lehner | Dr. Susanne Pauser | Jens Wieland

Individual disclosures concerning assets

Notes concerning assets

in € thousand	Balance sheet figures 2015	Additions	Reclassifications	Disposals	Write-up[1]	Write-down[1]	Balance sheet figures 2016
A. Intangible assets							
Licenses acquired against payment, industrial property rights and similar rights as well as licenses for such rights and assets	19	44	–	–	–	18	45
B.I. Land, land-type rights and buildings, including buildings on third-party land	86,409	2	–	224	–	2,041	84,146
B.II. Investments in affiliated companies and participations							
1. Interests in affiliated companies	171,852	8,641	–	–	3,602	174	183,921
2. Loans to affiliated companies	29,101	–	–	–	778	–	29,879
3. Participations	152,771	42,024	–	15,363	563	3,341	176,654
4. Total B.II.	**353,724**	**50,665**	**–**	**15,363**	**4,943**	**3,515**	**390,454**
B.III. Other investments							
1. Shares, interests or shares in investment assets and other variable-yield securities	898,202	108,296	–	91,537	4,319	17,651	901,629
2. Bearer bonds and other fixed-income securities	322,447	192,324	–	67,833	4,282	3,184	448,036
3. Mortgage, land charge and annuity claims	53,034	29,643	–	4,342	–	–	78,335
4. Other loans							
a) Registered bonds	309,948	75,000	–	50,000	131	152	334,927
b) Promissory notes and loans receivable	303,417	6,035	–	23,666	–	–	285,786
c) Loans and advance payments on insurance policies	–	–	–	–	–	–	–
d) Miscellaneous loans	22,005	1	–	–	–	–	22,006
5. Deposits with credit institutions	137,044	–	–	28,202	1,273	264	109,851
6. Other investments	3,002	–	–	3,000	–	–	2
7. Total B.III.	**2,049,099**	**411,299**	–	**268,580**	**10,005**	**21,251**	**2,180,572**
Total	**2,489,251**	**462,010**	–	**284,167**	**14,948**	**26,825**	**2,655,217**

1 "Other net income/expenses" include write-up from currency translation in the amount of €1,273 thousand and write-downs from currency translation in the amount of €264 thousand.

Individual disclosures concerning liabilities

C. Technical provisions[1]

in € thousand	Provisions (gross) for outstanding insurance claims 31.12.2016	Provisions (gross) for outstanding insurance claims 31.12.2015	Claims equalisation and similar provisions 31.12.2016	Claims equalisation and similar provisions 31.12.2015	Total technical provisions (gross) 31.12.2016	Total technical provisions (gross) 31.12.2015
1. Direct insurance business						
Personal accident insurance	175,522	181,051	–	–	195,485	200,756
Liability insurance	463,788	477,567	65,245	63,881	557,261	570,102
Motor liability insurance	1,048,548	1,046,813	112,524	107,657	1,177,925	1,171,088
Other motor insurance	48,560	48,096	77,099	66,326	136,571	124,943
Fire and property insurance						
Fire insurance	70,120	69,852	15,060	13,422	92,863	90,808
Combined household insurance	17,337	15,474	–	–	31,588	29,836
Combined building insurance	72,042	62,590	59,440	38,745	159,273	128,355
Other property insurance	71,528	67,177	52,107	48,116	144,729	135,999
	231,027	215,093	126,607	100,283	428,453	384,998
Transport and aviation insurance	23,990	22,884	6,436	6,031	32,155	30,465
Legal expenses insurances	161,748	154,146	12,710	13,250	188,359	180,987
Other insurances	42,269	43,917	6,529	6,559	49,968	51,475
Total	**2,195,452**	**2,189,567**	**407,150**	**363,987**	**2,766,177**	**2,714,814**
2. Assumed insurance business	53,579	61,027	–	–	53,578	61,027
3. Total insurance business	2,249,031	2,250,594	407,150	363,987	2,819,755	2,775,841

1 See "Notes concerning liabilities" in the notes

Individual disclosures concerning the income statement[1]

in € thousand	Gross premiums written 2016	Gross premiums written 2015	Earned gross premiums 2016	Earned gross premiums 2015	Earned net premiums 2016	Earned net premiums 2015
1. Direct insurance business						
Personal accident insurance	133,428	131,256	133,422	131,058	113,303	111,180
Liability insurance	194,520	190,261	195,014	190,283	164,235	160,344
Motor liability insurance	418,615	412,896	418,569	412,865	354,183	349,240
Other motor insurance	304,094	299,107	304,086	299,136	253,123	248,573
Fire and property insurance						
Fire insurance	65,596	64,620	65,563	64,541	38,062	36,918
Combined household insurance	89,261	87,264	89,380	87,397	75,444	73,698
Combined building insurance	162,706	154,843	161,946	153,581	130,917	123,744
Other property insurance	156,761	152,699	156,632	152,330	106,213	102,690
	474,324	459,426	473,521	457,849	350,636	337,050
Transport and aviation insurance	18,466	17,552	18,466	17,552	15,429	14,522
Legal expenses insurances	111,512	105,598	111,221	105,396	94,529	89,494
Other insurances	23,226	22,179	23,084	22,144	15,143	14,376
Total	**1,678,185**	**1,638,275**	**1,677,383**	**1,636,283**	**1,360,581**	**1,324,779**
2. Assumed insurance business	– 84	3	– 84	3	– 196	27
3. Total insurance business	1,678,101	1,638,278	1,677,299	1,636,286	1,360,385	1,324,806

1 See "Notes concerning the income statement" in the notes

in € thousand	Gross expenses for insurance claims 2016	2015	Gross expenses for insurance business 2016	2015	Reinsurance balance[1] 2016	2015
1. Direct insurance business						
Personal accident insurance	45,620	59,930	43,523	44,285	– 5,206	– 2,892
Liability insurance	69,235	67,592	66,322	64,518	– 9,543	– 8,742
Motor liability insurance	335,965	333,649	75,288	73,238	2,935	2,729
Other motor insurance	231,333	226,671	62,259	61,132	– 1,344	– 1,973
Fire and property insurance						
Fire insurance	41,552	67,642	18,409	18,460		
Combined household insurance	34,723	32,365	32,149	31,670		
Combined building insurance	113,948	107,068	44,073	43,447		
Other property insurance	91,462	87,375	55,471	54,006		
	281,685	294,450	150,102	147,583	– 9,450	– 4,681
Transport and aviation insurance	11,818	11,915	6,857	6,285	560	– 194
Legal expenses insurances	72,018	64,262	37,718	36,614	970	312
Other insurances	13,222	10,996	9,531	9,173	– 3,879	– 2,618
Total	**1,060,896**	**1,069,465**	**451,600**	**442,828**	**– 24,957**	**– 18,059**
2. Assumed insurance business	– 716	– 4,697	– 20	110	– 1,333	– 2,775
3. Total insurance business	1,060,180	1,064,768	451,580	442,938	– 26,290	– 20,834

1 From the perspective of Württembergische Versicherung AG

in € thousand	Underwriting income f. o. a. (before claims equalisation reserve) 2016	2015	Change in claims equalisation reserve and similar provisions 2016	2015	Underwriting income f. o. a. (after claims equalisation reserve) 2016	2015
1. Direct insurance business						
Personal accident insurance	39,570	24,456	–	–	39,570	24,456
Liability insurance	50,195	50,387	–1,365	– 5,381	48,830	45,006
Motor liability insurance	11,234	10,043	–4,867	– 26,810	6,367	– 16,767
Other motor insurance	9,281	9,351	–10,774	– 19,029	–1,493	– 9,678
Fire and property insurance						
Fire insurance	– 134	– 13,126	–1,637	10,273	–1,771	– 2,853
Combined household insurance	18,301	18,012	–	–	18,301	18,012
Combined building insurance	1,659	– 3,033	– 20,694	– 16,636	–19,035	– 19,669
Other property insurance	6,275	3,732	– 3,991	– 2,104	2,284	1,628
	26,101	5,585	– 26,322	– 8,467	– 221	– 2,882
Transport and aviation insurance	229	– 885	– 405	202	– 176	– 683
Legal expenses insurances	2,606	5,000	540	– 2,313	3,146	2,687
Other insurances	– 3,668	– 745	29	– 154	– 3,639	– 899
Total	**135,548**	**103,192**	**– 43,164**	**– 61,952**	**92,384**	**41,240**
2. Assumed insurance business	– 681	1,815	–	–	– 681	1,815
3. Total insurance business	134,867	105,007	– 43,164	– 61,952	91,703	43,055

Annex to the notes

Number of at least one-year insurance policies

in units	31.12.2016	31.12.2015
Personal accident insurance	708,373	711,959
Liability insurance	1,181,380	1,183,823
Motor liability insurance	1,675,876	1,665,500
Other motor insurance	1,206,529	1,190,029
Fire and property insurance		
Fire insurance	172,099	169,433
Combined household insurance	735,029	741,162
Combined building insurance	448,646	457,324
Other property insurance	921,492	903,633
	2,277,266	2,271,552
Transport and aviation insurance	25,059	24,011
Legal expenses insurances	689,951	682,725
Other insurances	694,981	689,434
Total	**8,459,415**	**8,419,033**

List of ownership interests

Name and registered office of the company	Direct interest in equity	Indirect interest in equity	Currency	Reporting date	Equity[1]	Net income after taxes[1]
	in %	in %				
Germany						
Altmark Versicherungsmakler GmbH, Stuttgart	100.00		€	31.12.2016	1,508,570	224,829
Altmark Versicherungsvermittlung GmbH, Stuttgart	100.00		€	31.12.2016	196,140	36,196
BPE2 Private Equity GmbH & Co. KG, Hamburg	2.00		€	31.12.2015	12,141,581	29,749,559
BWK GmbH Unternehmensbeteiligungs-gesellschaft, Stuttgart	17.50		€	31.12.2016	260,692,860	18,107,166
BWK Holding GmbH Unternehmens-gesellschaft, Stuttgart	17.50		€	31.12.2015	8,868,480	745,631
Capiton IV GmbH & Co. Beteiligungs KG, Berlin	0.30		€	31.12.2016	203,405,635	– 10,343,311
DBAG Fund VI Feeder GmbH & Co. KG, Frankfurt am Main	4.15		€	31.12.2015	38,507,064	718,452
EquiVest II GmbH & Co. Zweite Beteiligungs KG Nr. 1 für Vermögensanlagen, Munich	1.17		€	31.12.2015	33,819,481	– 5,205,186
European Sustainable Power Fund Nr. 2 GmbH & Co. KG, Grünwald	1.00		€	30.9.2016	469,323,885	22,306,271
GDV Dienstleistungs-GmbH & Co. KG, Hamburg	2.86		€	31.12.2015	19,892,506	– 67,733
Nord-Deutsche AG Versicherungs-Beteiligungsgesellschaft, Stuttgart	100.00		€	31.12.2016	10,145,776	– 67,339
Odewald & Compagnie GmbH & Co. Dritte Beteiligungsgesellschaft für Vermögensanlagen KG, Berlin	0.40		€	31.12.2015	118,307,940	– 23,733,697
Onshore Wind Portfolio 2012 GmbH & Co. KG, Frankfurt am Main	4.41		€	31.10.2015	118,617,327	5,345,708
VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart	25.00		€	31.12.2015	919,288	235,505
Württembergische Immobilien AG, Stuttgart, Stuttgart	100.00		€	31.12.2016	107,470,464	1,027,787
Württembergische Kö 43 GmbH, Stuttgart		94.00	€	31.12.2016	23,458,809	1,162,344
Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart	100.00		€	31.12.2016	94,429	17,736
Württembergische Vertriebspartner GmbH, Stuttgart[2, 3]	100.00		€	31.12.2016	74,481	–
WürttVers. Alternative Investments GmbH, Stuttgart[2]	100.00		€	31.12.2016	10,025,000	–
YIELCO Special Situations GmbH & Co. KG, Munich		5.05	€	New investment 3.6.2016		
France						
ASTORG IV FCPR, Paris	0.25		€	31.12.2015	696,058,934	– 9,079,763
ASTORG V FCPR, Paris	0.10		€	31.12.2015	862,716,503	– 29,461,339
Middle Market Fund III FCPR, Paris	0.38		€	31.12.2015	65,022,433	– 1,094,124
Württembergische France Immobiliere SARL, Strasbourg[4]		100.00	€	30.9.2016	15,683,241	1,851,206
Württembergische France Strasbourg SARL, Strasbourg	100.00		€	30.9.2016	45,478,802	2,213,656

List of ownership interests

Name and registered office of the company	Direct interest in equity	Indirect interest in equity	Currency	Reporting date	Equity[1]	Net income after taxes[1]
	in %	in %				
Ireland						
BlackRock NTR Renewable Power Fund plc, Dublin	22.39		US$	31.12.2015	332,154,681	10,365,371
Crown Global Secondaries II plc, Dublin	0.66		US$	31.12.2015	475,394,846	59,015,937
Crown Global Secondaries III plc, Dublin	0.42		US$	31.12.2015	1,044,506,814	195,254,392
White Oak Summit Fund ILP, Dublin	6.02		US$	31.12.2015	59,675,525	– 248,631
Luxembourg						
ARDIAN Private Debt III S.C.A., SICAR, Luxembourg	0.97		€	31.12.2015	454,953,818	17,346,016
Astorg VI SLP, Luxembourg		0.10		New investment 13.7.2016		
DB Secondary Opportunities SICAV-SIF – Sub Fund DB SOF II Feeder USD, Luxembourg	7.63		US$	31.12.2015	83,477,093	7,557,641
First State European Diversified Infrastructure Feeder Fund II SCA, SICAV-SIF, Luxembourg	2.80		€	31.12.2015	231,051,870	7,250,738
Idinvest Lux Fund, SICAV-SIF SCA – Idinvest Private Debt III, Luxembourg	6.11		€	31.12.2015	103,507,618	5,976,175
IKAV SICAV-FIS SCA – Ecoprime Energy, Luxembourg	0.82		€	30.9.2016	44,522,644	1,966,574
IKAV SICAV-FIS SCA – ecoprime TK I, Luxembourg	10.86		€	30.9.2016	47,805,309	2,638,484
IKAV SICAV-FIS SCA – Global Energy (Ecoprime III), Luxembourg	15.12		€	30.9.2016	62,833,107	– 179,633
InfraVia European Fund III SCSp, Senningerberg	7.48			New investment 28.1.2016		
Secondary Opportunities SICAV-SIF – Sub-fund SOF III Feeder USD, Luxembourg	16.77		US$	31.12.2015	14,852,260	2,802,649
StepStone European Fund SCS, SICAV-FIS – StepStone Capital Partners III, Luxembourg		10.21	US$	31.12.2015	149,200,969	20,849,265
Netherlands						
Parcom Buy-Out Fund V C.V., Schiphol		0.62		New investment 17.6.2016		
Austria						
G6 Zeta Einrichtungs- und VerwertungsGmbH & Co OG, Vienna		99.90	€	31.12.2015	25,451,994	1,525,920
United Kingdom of Great Britain and Northern Ireland						
3i Europartners IV c L.P., London	1.00		€	31.3.2016	13,661,503	576,890
3i Europartners Vb L.P., London	0.17		€	31.3.2016	876,612,718	268,275,351
Argan Capital L.P., St. Helier	0.43		€	31.12.2015	343,198,000	65,419,000
ASF VI Infrastructure L.P., Edinburgh	1.60		US$	31.12.2015	102,870,859	– 4,509,353
ASF VII Infrastructure L.P., Edinburgh	6.11			New investment 30.12.2016		

List of ownership interests

Name and registered office of the company	Direct interest in equity	Indirect interest in equity	Currency	Reporting date	Equity[1]	Net income after taxes[1]
	in %	in %				
Baring Asia Private Equity Fund L.P., Grand Cayman	0.08		US$	31.12.2015	2,639,292,570	444,706,534
BlackRock Global Renewable Power Fund II (C) L.P., London	5.18			New investment 1.12.2016		
Brookfield Capital Partners Fund III (NR A) L.P., George Town	2.44		US$	31.12.2015	800,343,000	– 138,969,000
Capital Dynamics Clean Energy and Infrastructure Feeder L.P., Edinburgh	8.47		US$	31.12.2015	160,644,666	– 42
Capital Dynamics US Solar Energy Feeder L.P., Edinburgh	10.45		US$	31.12.2015	2,597,765	613,548
Carlyle Cardinal Ireland Fund L.P., George Town		0.69	€	31.12.2015	93,546,000	1,288,000
CBPE Capital Fund VIII A L.P., Edinburgh	0.55		£	31.12.2015	313,675,624	2,406,994
CBPE Capital Fund IX A L.P., London		2.20		New investment 14.1.2016		
Doughty Hanson & Co. IV Limited Partnership Number Two, London	0.40		€	31.12.2015	306,136,301	60,204,635
Doughty Hanson & Co. V Limited Partnership Number One, London	0.07		€	31.12.2015	1,055,115,988	292,152,129
EIG Global Private Debt (Europe UL) L.P., Houston	21.43			New investment 31.8.2016		
Glennmont Clean Energy Fund Europe II 'A' L.P., London	2.62		€	31.12.2015	175,900,968	14,729,536
Global Infrastructure Partners III-C2 L.P., London	14.27			New investment 26.7.2016		
Herkules Private Equity III (Jersey II) L.P., St. Helier	0.37		NOK	31.12.2015	1,455,487,569	32,037,333
HgCapital Renewable Power Partners 2 LP, London	4.22		€	31.12.2015	50,016,825	2,794,093
H.I.G. Bayside Loan Opportunity Cayman Fund II L.P., Grand Cayman	0.43		€	31.12.2015	458,831,387	40,359,092
Kennet III A L.P., St. Peter Port	0.61		€	31.12.2015	151,277,912	– 2,714,141
Kennet IV L.P., St. Peter Port	2.22		€	31.12.2015	40,203,896	– 2,227,056
New Enterprise Associates 13 L.P., Grand Cayman	0.20		US$	31.12.2015	3,571,531,456	328,636,200
Partners Group Emerging Markets 2007 L.P., Edinburgh	1.09		US$	31.12.2015	126,974,000	– 7,882,000
The Candover 2005 Fund UK No.1 L.P., St. Peter Port	0.39		€	31.12.2015	164,207,698	– 30,221,852
The Fourth Cinven Fund L.P. No 1, London	0.11		€	31.12.2015	370,395,833	134,333,785
Triton Fund III L.P., St. Helier	0.03		€	31.12.2015	950,878,845	178,148,166
Triton Fund IV L.P., St. Helier	0.03		€	31.12.2015	1,336,285,146	282,005,333
Ventizz Capital Fund IV L.P., St. Helier	0.23		€	31.12.2015	94,567,615	282,112
Wellington Partners Ventures III Technology Fund L.P., St. Helier	0.33		€	31.12.2015	78,943,096	228,162
Wellington Partners Ventures IV Technology Fund L.P., St. Helier	0.38		€	31.12.2015	364,757,121	2,153,587

List of ownership interests

Name and registered office of the company	Direct interest in equity	Indirect interest in equity	Currency	Reporting date	Equity[1]	Net income after taxes[1]
	in %	in %				
United States of America						
H.I.G. Growth Buyouts & Equity Fund II L.P., Wilmington	0.40		US$	31.12.2015	211,038,981	41,534,260
ISQ Global Infrastructure Fund (EU) L.P., Delaware	1.73		US$	31.12.2015	31,140,463	446,824
New Enterprise Associates 15 L.P., Wilmington	0.18		US$	31.12.2015	819,674,863	– 37,032
Partners Group Asia-Pacific 2005 L.P., Wilmington	0.53		US$	31.12.2015	291,421,000	46,077,000
Trilantic Capital Partners IV L.P., Wilmington	0.08		US$	31.12.2015	573,857,643	204,681,980

1 The disclosures refer to the most recent annual financial statements as specified under "Reporting date".
2 Profit and loss transfer agreement in place.
3 Formerly "Württembergische Vertriebsservice GmbH für Makler und freie Vermittler".
4 The direct interest amounted to less than 0.01%.

Württembergische Versicherung AG
Auditor's report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Württembergische Versicherung AG, Stuttgart, for the financial year from 1 January to 31 December 2016. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the Articles of Association are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code [HGB] and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Executive Board/management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and the provisions of the Articles of Association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with the German statutory requirements, and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development

Stuttgart, 8 March 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Hasenburg German Public Auditor	Stratmann German Public Auditor

Württembergische Versicherung AG
Report of the Supervisory Board

The Supervisory Board fulfilled its duties in accordance with statutory requirements, the Articles of Association and the bylaws in the financial year 2016. The Supervisory Board monitored the management of business and was directly involved in all matters of fundamental importance for the company.

In accordance with the Articles of Association, the Supervisory Board of Württembergische Versicherung AG is composed of 12 members. Pursuant to Section 111 (5) of the German Stock Corporation Act (AktG), the Supervisory Board, as the organ of a company subject to co-determination, has planned to reach a female proportion of at least 25% in the Supervisory Board by 30 June 2017. Currently, three women serve on the Supervisory Board.

In the financial year 2016, the Supervisory Board had two committees: the personnel committee and the conciliation committee. They prepared the resolutions of the Supervisory Board for discussion in the plenary session and took care of the subjects assigned to them. Furthermore, the Supervisory Board's authority to make decisions had been delegated to committees insofar as this is permissible by law. In a subsequent meeting, the committee chairs reported to the Supervisory Board about the work of the committees.

In 2016, the personnel committee held two ordinary meetings and one extraordinary meeting. There was no need to convene the conciliation committee. The subjects for which the respective committees are responsible were discussed in detail in committee meetings.

In the previous year, the Supervisory Board held two ordinary meetings in which it thoroughly considered the development of the company based on reports of the Executive Board, written presentations and documentation, which were submitted to it in timely fashion. The Supervisory Board regularly, duly and comprehensively obtained written and oral information from the Executive Board concerning all issues of the strategy, planning, business performance, investment management and risk position that are relevant to the company. In addition, the subject of risk management was addressed at length. To this end, detailed risk reports were prepared and then presented to the Supervisory Board. The business, risk and IT strategies were submitted to and discussed with the Supervisory Board. The Executive Board discussed the report of the Internal Audits department and the report of the Compliance Officer with the Supervisory Board. Furthermore, the strategic asset allocation and the changed internal investment guidelines were submitted for decision, and the amendments to the special internal investment guidelines were submitted for acknowledgement. The Executive Board continually and duly informed the Chairman of the Supervisory Board of all material measures related to the company policy.

In the course of the year, the Supervisory Board launched a circular resolution concerning the adoption of a new plan for the distribution of tasks from 1 September 2016 for the purpose of optimising the business organisation.

In this financial year, the discussions concerning the growth programme W&W@2020 were a major aspect of the Supervisory Board meetings of Württembergische Versicherung AG. The discussions focused on the strategic orientation of the company and of the Insurance division to ensure sustainable earning power. In particular, the persistently low interest rates, the increasing regulation and the changed customer behaviour in the "new digital reality" were addressed. Moreover, the development of the investments in the previous year was a key subject in the Supervisory Board. In this context, the development of the valuation reserves and the risk-bearing capacity were discussed in detail. In this connection, the Executive Board presented detailed information on the equity ratios and equity planning.

All measures requiring approval by law or under the company's regulations were submitted to the Supervisory Board. In particular, the Supervisory Board discussed the operational planning for 2017 and other medium-term planning as well as the digitisation roadmap with respect to the growth programme W&W@2020 in detail.

In addition, the Supervisory Board concerned itself with central issues of corporate governance. It discussed all relevant amendments to the law and their implementation. Based on its guidelines on "Fit and proper requirements for managers and members of the Supervisory Board", it examined the professional qualifications and aptitude of the members of the Executive Board and of the Supervisory Board. The bylaws for the Supervisory Board and for the Executive Board were modified to conform to regulatory changes. The Supervisory Board addressed the remuneration system for the Executive Board. The Supervisory Board acknowledged the report of the Executive Board on the details of the remuneration system for the employees.

Furthermore, the reporting of the Executive Board addressed current HR issues.

The Supervisory Board thoroughly examined the annual financial statements and the management report for the financial year 2016. The annual financial statements and the management report are complete and in conformity with the evaluation of the Executive Board in the reports to be issued pursuant to Section 90 of the German Stock Corporation Act (AktG).

KPMG AG Wirtschaftsprüfungsgesellschaft, Stuttgart, which the Supervisory Board had appointed as auditors, duly audited the annual financial statements for the financial year 2016 and the management report and granted an unqualified audit opinion.

The auditor reported the material results of its audit to the Supervisory Board orally and in writing. The audit report was sent to each member of the Supervisory Board. Furthermore, the auditors were available to answer questions at the meeting of the Supervisory Board on 29 March 2017 at which the accounts were reviewed. The submitted audit report meets the statutory requirements of Section 321 of the German Commercial Code (HGB) and was taken into account by the Supervisory Board in connection with its own audit. The auditor provided the following unqualified audit opinion:

"Having audited the report in accordance with our professional duties, we confirm that
1. the factual details contained in the report are correct,
2. in the case of the transactions detailed in the report, the company's expenditures were not unreasonably high."

Following the final result of the audit of the annual financial statements and of the management report, the Supervisory Board did not raise any objections and approved the annual financial statements prepared by the Executive Board in its meeting on 29 March 2017. Accordingly, the annual financial statements are deemed approved pursuant to Section 172 sentence 1 of the German Stock Corporation Act (AktG).

In the course of the financial year 2016, the Supervisory Board underwent the following changes on the employee side:

As of 1 June 2016, Mr Werner Roth replaced the departing Mr Wolfgang Dahlen as a substitute member. By resolution of 16 August 2016, Mr Hubert Sebold was elected to the conciliation committee in the place of Mr Wolfgang Dahlen.

Ms Hülya Grünefeld laid down her mandate as of 30 September 2016. By resolution of the Stuttgart district court, Ms Petra Sadowski was appointed as a member of the Supervisory Board as of 14 November 2016.

Mr Uwe Ilzhöfer's membership in the Supervisory Board ended on 31 December 2016. By resolution of the Stuttgart district court, Mr Gerold Zimmermann was appointed as a new member of the Supervisory Board as of 16 January 2017.

Dr. Alexander Erdland departed from the Supervisory Board and from various committees of the Supervisory Board as of 9 February 2017. By resolution of the extraordinary General Meeting on 10 February 2017, Mr Jürgen A. Junker was appointed as a member of the Supervisory Board with immediate effect. By resolution of the Supervisory Board of 22 February 2017, he was elected as Chairman of the Supervisory Board. Thus he is also chairman of the personnel committee and of the conciliation committee.

The Supervisory Board members Werner Roth, Petra Sadowski, Gerold Zimmermann and Jürgen A. Junker are appointed until the end of the Annual General Meeting 2018.

By resolution of the Supervisory Board of 22 February 2017, Mr Hubert Sebold was appointed Deputy Chairman of the Supervisory Board. Thus he is also a member of the personnel committee.

Mr Gerold Zimmermann was elected to the conciliation committee effective from 22 February 2017.

The Supervisory Board would like to thank the departing members for their commitment and the constructive collaboration.

The staffing of the Supervisory Board and of the Executive Board did not undergo any other changes in the financial year 2016.

In 2016, there were no reportable conflicts of interests.

The year 2016 placed high demands on management and the workforce. The Supervisory Board is grateful to the Executive Board, the senior management, the Works Council and the employees for their personal commitment and the contributions they made towards achieving our common objectives.

Stuttgart, 29 March 2017

The Supervisory Board

Jürgen A. Junker
Chairman

Württembergische Versicherung AG
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Typesetting
W&W Service GmbH, Stuttgart

Production
W&W Service GmbH, Stuttgart

Investor Relations

The financial reports of the W&W Group are available at www.ww-ag.com/publikationen.
In case of any divergences, the German original is legally binding.

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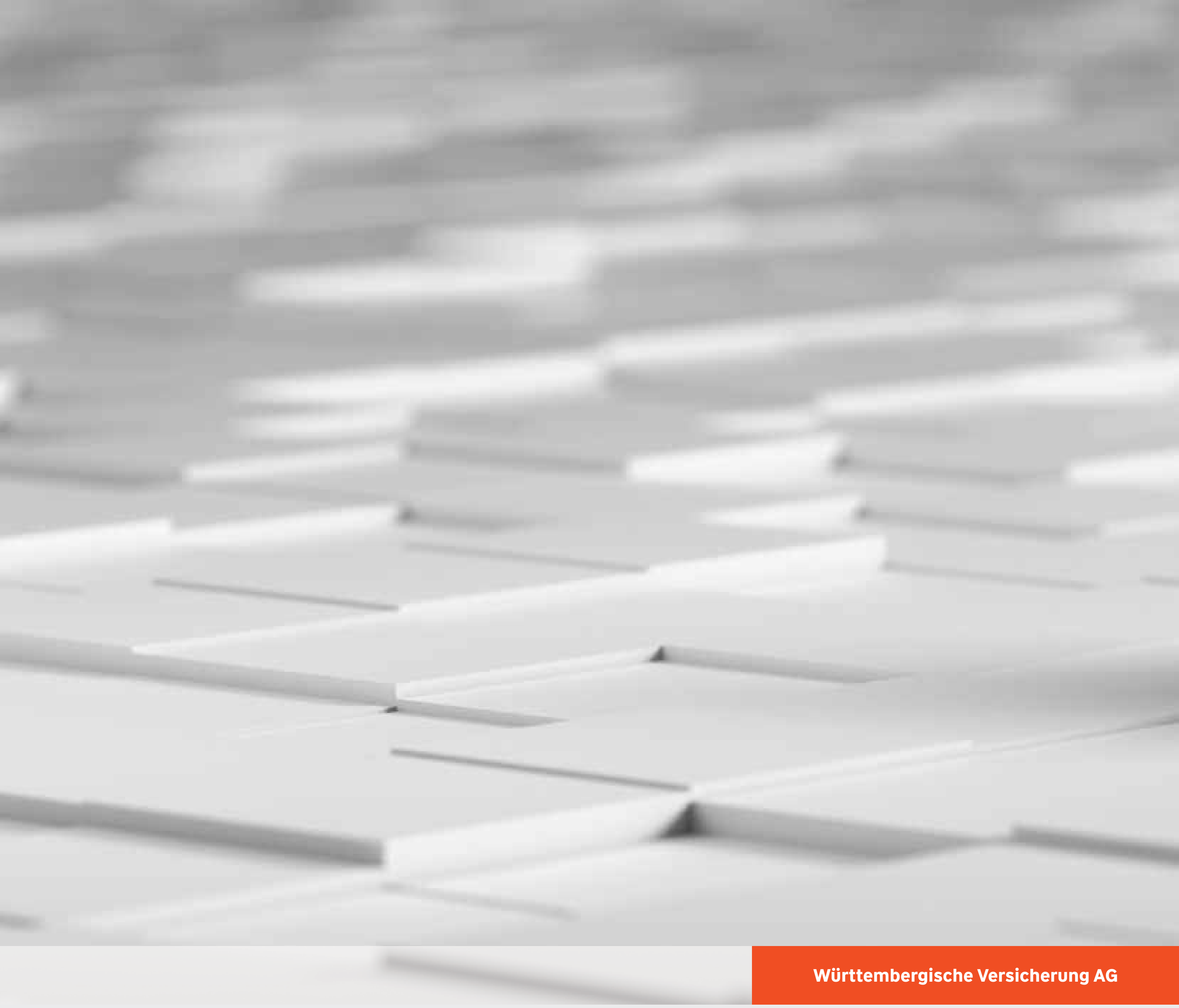

Württembergische Versicherung AG

württembergische

Der Fels in der Brandung.