Annual report 2021

Württembergische Versicherung AG

This is a translation of the German Annual Report. In case of any divergences, the German original is legally binding.

württembergische

Ihr Fels in der Brandung.

Württembergische Versicherung AG
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Supervisory Board

Jürgen A. Junker Chairman
Chairman of the Executive Board
Wüstenrot & Württembergische AG

Hartmut Bader[1]
Deputy Chairman as of 9 July 2021
Deputy Chairman of the Works Council of Württembergische Versicherung AG/ Württembergische Lebensversicherung AG, Stuttgart Main Office

Hubert Sebold[1]
Deputy Chairman
(until 30 June 2021)
Former member of the Works Council of Württembergische Versicherung AG/ Württembergische Lebensversicherung AG, Karlsruhe location

Nicolé Benzinger-Henzler[1]
Head of DSD Processes & Automation Württembergische Versicherung AG Union Member
DHV – Die Berufsgewerkschaft e. V.

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Member of the Executive Board
Baden-Württembergische Bank

Gisbert Hasenfuss[1]
Senior executive
Sales strategic tasks
Württembergische Versicherung AG
Fränzi Kühne
Autorin, Investorin und selbstständige
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Ulrich Kraft
Partner
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Fränzi Kühne
Author, investor and self-employed
digital business consultant

Hans Peter Lang
Self-employed management consultant
Former member of the Executive Board
W&W Asset Management GmbH

Holger Mardfeldt
(as of 3 February 2021)
Partner
Martens & Prahl Versicherungskontor GmbH & Co. KG
(Holding company)

Gabriele Paccanini[1]
(as of 1 July 2021)
Insurance employee
Chairwoman of the Works Council
Württembergische Versicherung AG, Würzburg location

Richard Peters[1]
Head of the Regional Office in Cologne
Württembergische Versicherung AG
Chairman of the Works Council
Württembergische Versicherung AG, Cologne location
Deputy Chairman of the General Works Council of Württembergische Versicherung AG/ Württembergische Lebensversicherung AG

Petra Sadowski[1]
Secretary of the Trade Union
ver.di United Services Union
Stuttgart region

1 Employee representatives

Württembergische Versicherung AG
Management report

Fundamentals

Business model

Overview of Württembergische Versicherung AG

Württembergische Versicherung AG, headquartered in Stuttgart, is one of Germany's most storied insurance companies and was established in 1828 as "Württembergische Privat-Feuer-Versicherungs-Gesellschaft". Today, the company offers a wide range of products in property and casualty insurance. This broad product and service range makes Württembergische Versicherung AG one of the largest property and casualty insurers in Germany. Its core market is Germany.

Wüstenrot & Württembergische AG (W&W AG) holds 100% of the share capital in Württembergische Versicherung AG. Since the merger of the two storied companies Wüstenrot and Württembergische in 1999, Württembergische Versicherung AG has been part of the W&W Group in the Insurance division. The W&W Group combines the Housing and Insurance divisions with the digital initiatives of W&W brandpool GmbH, thus providing customers with the pension solution that best meets their needs. The new digital initiatives were reorganised in the W&W Group in September 2021. Following Adam Riese's successful development and establishment in the market as an independent digital brand, the brand was integrated more visibly into Württembergische Versicherung AG's sales organisation and the Insurance division. The Group's other digital initiatives remain bundled at W&W brandpool GmbH.

The Management Board is the central steering body of the W&W Group. Among other things, it deals with Group management and setting and further developing business strategy. On 31 December 2021, it comprised not only the members of the Executive Board of W&W AG but also division heads Bernd Hertweck (Housing), Zeliha Hanning (Property/Casualty Insurance) and Jacques Wasserfall (Life and Health Insurance). The individual companies' operational and company-specific issues are handled at the division level.

There have been changes in the Executive Boards of Württembergische Group. Zeliha Hanning took over as Chairwoman of the Executive Board of Württembergische Versicherung AG as of 1 January 2021. At the same time, she became a member of the Executive Board of Württembergische Lebensversicherung AG. After some very significant increases in new business and gains in market share, the company created a new executive portfolio that combines the retail customer and motor business. Dr Per-Johan Horgby assumed responsibility for the new portfolio as of 1 January 2022. Jens Lison will continue to be responsible for the equally fast-growing corporate customers business as well as the claims line.

W&W AG is investing in the future of the entire group by building a new W&W campus at its approximately six-hectare Kornwestheim site. The first construction phase was occupied as planned at the end of 2017; construction of the second phase began in 2018. The entire project is scheduled to be completed by 2023. The campus will then offer a total of around 4,000 modern and flexible workplaces for the employees of the W&W Group in seven interconnected office buildings.

"W&W Better!"

As a member of the W&W Vorsorge Group, Württembergische Versicherung AG aims to achieve very solid finances and a sustainable increase in its enterprise value.

The four thrusts formulated in 2020 continued to be pursued in 2021:

- Service – inspiring customers and employees
- Doubling market growth in profitable lines
- Sales – tapping into new customer groups and providing even better service to existing customers
- Lowering costs to at least the market level

"W&W Better!" should be seen not as a rigid programme, but as an attitude that informs everything that employees do.

The digital transformation of the W&W Group – and thus of Württembergische Versicherung AG – continues to make progress. The development accelerated by the coronavirus pandemic continued in 2021. Our

Employees have adapted readily to the new requirements.

“W&W Besser” enabled us to achieve further implementation wins in the past financial year:

- We launched the “Komposit.Besser!” project in 2019 to further develop the property/casualty insurance business. The change programme moved to the implementation phase in 2020.

- For its digital presence and consistent brand management, the W&W Group’s digital brand, Adam Riese, was awarded “Digital Brand of the Year” in the “Best of Best Excellent Brands” category. The brand identity has been evolving vigorously for four years and reflects Adam Riese’s growth trajectory with more than 236,000 customers, six insurance products and a growing number of employees. Adam Riese also won gold in the “Excellent Brands – Insurance” category for excellent performance.

- Digital claims management remained in focus in 2021. The goal is to reduce the workload in the back office and free up space for customer service. More than 14,000 digital claims reports were received this year in the motor, property, liability and legal expenses insurance lines on the Württembergische Versicherung homepage. Every fifth property damage event that occurred during the June storms was reported online. The efficiency measures have had a positive effect, particularly in processing storm claims.

We will continue the “W&W Besser!” initiative in 2022 in order to continue proactively gearing products, services and processes throughout the W&W Group for maximum customer benefit.

Product mix

Württembergische Versicherung AG offers a broad product portfolio in virtually all property and casualty insurance lines so that we can offer customers the high-quality products that they need. These products include:

- Personal accident insurance
- Liability insurance
- Motor insurance
- Fire insurance
- Household insurance
- Residential building insurance
- Other property insurance (including technical insurance)
- Marine and aviation insurance
- Cyber insurance
- Suretyship insurance
- Legal expenses insurance
- Assistance insurance

The auto premium rate schedule made up a huge share of the motor segment in the 2021 financial year. Both product lines – Premium and Compact – in the auto rate schedule were refined and their benefits optimised in the past business year. In addition, our “Schutzbrief” roadside assistance customers benefited from digital services in the event of a breakdown.

The corporate customers segment continued to grow at above-market rates despite another challenging year affected by coronavirus pandemic. The number of contracts taken out for our core commercial product, the corporate policy (“Firmen-Police”), continued to rise. Commercial legal expenses insurance was revised, as were the five top-selling target group products in the corporate customers business. Our core commercial product (“Firmen-Police”) has continued to expand. There was a significant increase in the large commercial/industrial segments, which ranged across all lines offered. In industrial property insurance, we were also able to benefit from the high market pressure to restructure.

We updated the personal legal expenses and personal accident insurance in the 2021 financial year. For example, we added cover for the assertion of competition claims. A new module in personal legal expenses insurance is PremiumPlus, which includes exclusive benefits rarely found in the market such as legal expenses cover for construction claims or extended legal expenses cover for mediation.

The premium line (“PremiumSchutz”) in both personal legal expenses and personal accident insurance was rated “outstanding” (FFF) by Franke & Bornberg, a rating agency. The premium line of Württembergische’s personal liability insurance (“PremiumSchutz”) was once again rated “very good” by Stiftung Warentest, a consumer organisation.

Franke & Bornberg awarded Württembergische Versicherung AG the 2021 German Insurance Award for its electric motor insurance in the past financial year. "Best for Cars" special insurance for collector's and classic cars was also named the best insurance for classic cars in "Best Brand 2021", a readers' poll conducted by Motor-Klassik, a magazine for classic car enthusiasts.

For the sixth year in a row, FOCUS-MONEY recognised Württembergische Versicherung AG as the "fairest insurer" for its residential building insurance. In the 2021 KUBUS study conducted by MSR Consulting, Württembergische Versicherung AG placed first in the "customer support" category and was rated "very good" in the "customer satisfaction" and "value for money" categories. In addition, Württembergische Versicherung AG received an "outstanding" in the "service" category.

Mix of sales channels

When selling our products, we primarily rely on the competence and reliability of personal advisory services. Württembergische depends primarily on a system of tied agents who operate throughout Germany. This sales force is supported by Wüstenrot's advisors. In addition, we are offering more and more of our products online so that our customers also have digital access to the Württembergische Versicherung AG product portfolio. Our products are also distributed under the online Adam Riese brand. In addition, broker sales and numerous partners from the banking and insurance sector contribute significantly to our business success.

Sustained commitment

Responsible actions and social commitment have a long tradition in the W&W Group and are integral parts of the corporate culture. They have been enshrined in the group-wide W&W sustainability strategy and are based on the ESG criteria. They include the following fields of action:

- Customers and products
- Capital investment and funding
- Employees
- Our company operations
- Society and organisation

We want to conduct our business activities in an environmentally compatible, socially responsible and economically successful manner – for current and future generations to whom we feel responsible.

We have voluntarily joined initiatives such as the Principles for Sustainable Insurance (PSI) or the Principles for Responsible Investment (PRI) and are committed to increasingly implementing and continuously developing sustainable principles in our business activities. Signing the "Charta der Vielfalt" complements the measures we take at the W&W Group to promote diversity.

The W&W Group has further sharpened its investment focus to embed sustainability aspects even deeper in its core business. We work with an external service provider (ISS ESG) to analyse our investment portfolios (especially for corporates and sovereigns). Environmental, social and governance (ESG) risks of investment are thus specifically considered wherever they are related to the investment portfolio and its management. Exclusion criteria have been established for our portfolios based on this analysis. The exclusions pertain to

- Manufacturers that violate UN conventions banning controversial weapons such as biological and chemical weapons, anti-personnel mines and cluster munitions;
- companies that generate more than one per cent of their revenue from arms production or dealing;
- companies where coal is involved in ten percent or more of their operations;
- companies that can be shown to have labour law controversies regarding forced labour; and
- companies that can be shown to have labour law controversies regarding the employment of children.

In 2021, a new exclusionary rule was defined and implemented in the direct portfolio and in most indirect investments (funds) for investments in countries. It excludes states that are governed by an authoritarian regime or are considered not free (Freedom House classification).

Furthermore, the strategic asset allocation does not include investments in agricultural commodities.

There are various European regulatory initiatives on transparency and disclosure of sustainability information. The W&W Group has already adopted the first set of related requirements. The next steps are enshrined in sustainability projects.

Württembergische Versicherung AG is required under the CSR Directive Implementation Act to publish a non-financial statement or non-financial report. However, since it is included in the combined, separate non-financial report of Wüstenrot & Württembergische AG and the W&W Group, Württembergische Versicherung AG is exempt from the obligation to prepare its own non-financial report pursuant to Section 289b (2) sentence 1 no. 1 of the German Commercial Code (HGB).

The combined, separate non-financial report of Wüstenrot & Württembergische AG and the W&W Group is prepared in accordance with Sections 289c HGB and 315c HGB and made publicly available on the website of Wüstenrot & Württembergische AG at www.ww-ag.com/en/about-us/sustainability.

Regulatory requirements

As a W&W Group company, Württembergische Versicherung AG is included in two regulatory scopes of consolidation: the financial conglomerate and the Solvency II group.

The annual 2020 Solvency II report of Württembergische Versicherung AG was punctually submitted to the German Federal Financial Supervisory Authority (BaFin). The Solvency II capital-solvency margin relation is expected to be significantly above 100% on 31 December 2021, the cut-off date.

The European Insurance and Occupational Pensions Authority (EIOPA) and the European Commission conducted a number of consultations and impact studies in connection with the review of the Solvency II reporting requirements ("Solvency II review").
The amendments under discussion involve far-reaching modifications to the qualitative and quantitative requirements for insurance companies. Subsequently, EIOPA published a consultation on the amendment of the quantitative requirements in July 2021. It is expected to be first applied by 31 December 2023. The EU Commission also published a legislative proposal to amend the Solvency II directive. The European Parliament and the Council will discuss these proposed amendments at a future date. In addition, the EU Commission will draft an amendment proposal for the Delegated Regulation. It is not yet completely clear when the resulting requirements will first be applied.

The consequences of the increasing digitalisation of the industry are also reflected in additional regulatory requirements for IT.

Business management system

The W&W Group's integrated business management system is designed to ensure the retention of 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 then used to establish the main management parameters in the form of quantitative targets. These are then used to derive the key performance indicators.

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. Countermeasures are taken as necessary whenever actual performance departs from the targets.

The following key performance indicators were defined for the management of Württembergische Versicherung AG.

For the financial years of 2021 and 2022, they are earnings before taxes, the profit transfer in accordance with HGB and the combined ratio (net). The combined ratio (net) describes the ratio of operating expenses and claims incurred to premiums earned, net of reinsurance.

As a further performance indicator, we report on new and replacement business by annual portfolio contributions under business development and in the outlook. The replacement business covers additional or reduced premiums that come about as a result of contract changes (without changes to the terms and conditions).

Employees

Württembergische Versicherung AG had 2,563 (previous year: 2,666) permanent employees on 31 December 2021, calculated based on work capacity and not including trainees. It is a service provider within the W&W Group and receives compensation for its services that is governed by contracts governing the outsourcing of services and functions. It also procures services from other group companies.

Ratings

Standard & Poor's (S&P) reaffirmed the ratings of the core companies of the W&W Group with a stable outlook in the year under review. Württembergische Versicherung AG has thus retained its "A-" rating.

Economic report

Macroeconomic environment

Preliminary calculations indicate that the German economy expanded 2.7% in the 2021 calendar year. Continuing restrictions to contain the coronavirus pandemic depressed economic activity at the beginning of the year. However, these restrictions were then lifted in the spring, kicking off a dynamic economic recovery. The central driver of the recovery was private consumer demand. The industrial sector, on the other hand, suffered from ongoing disruptions in global supply chains. This resulted in a shortage of numerous intermediate products. Another COVID surge slowed the business cycle again towards the end of the year. The German labour market recovered in the course of 2021. Unemployment fell from 6.0% at the beginning of the year to 5.2% at the end of the year. Inflation picked up strongly in 2021. While the rate of inflation was still low at 1% in January, its peak of 5.3% in December marked not only an annual high but also the highest level since the beginning of the 1990s.

Capital markets

Bond markets

Yields on German government bonds showed moderate changes in the 2021 calendar year. In the short-term maturity range, for example, the yield on two-year German government bonds rose only slightly from - 0.70% at the end of 2020 to - 0.62 % at the end of 2021. Short-term interest rates also fluctuated very little during the year. This calm development can be explained by the ECB's dovish key interest rate policy and its announcement that it will not make any major changes in the foreseeable future. The annual changes in longer-term interest rates were also manageable. For example, the yield on ten-year German government bonds rise from - 0.57% at the end of 2020 to - 0.18% at the end of 2021. Above-average economic growth, rapid inflation and initial signs of monetary tightening in the United States in 2022 all set the course toward rising interest rates. Extensive bond purchases by the ECB and recurring economic concerns due to new coronavirus surges tended to have a dampening effect on interest rates.

Equity markets

European equity markets had a good calendar year in 2021, with the Euro STOXX 50 posting a net gain of 21.0%. The DAX rose 15.8%, reaching new historic record highs on several occasions. European stock price performance was favoured by what would ultimately be above-average economic growth of around 5% in the euro zone despite the ongoing coronavirus pandemic. As a result, most companies succeeded in reassuring equity investors with their reports on current business developments, which were mostly characterised by a significant recovery in sales and profits. Finally, the ECB maintained its highly accommodative monetary stance, keeping the monetary environment favourable for the equity markets.

Industry trends

The financial industry remained be characterised by low interest rates and regulatory requirements in 2021. The European Insurance and Occupational Pensions Authority (EIOPA) and the European Commission conducted a number of consultations and impact studies in connection with the review of the Solvency II reporting requirements ("Solvency II review"). The amendments under discussion involve far-reaching modifications to the qualitative and quantitative requirements for insurance companies. Furthermore, there are various European regulatory initiatives on transparency and disclosure of sustainability information. The monitoring and adoption of these regulatory requirements represented a key challenge for the insurance sector in 2021. This trend will continue in 2022.

Württembergische Versicherung AG ranks 9th in the current ranking of property and casualty insurers based on gross premiums written in 2020 for domestic direct business reported by the German Insurance Association (GDV).

According to preliminary GDV calculations, income from premiums written in the market was up approximately 2.4% (previous year: 2.6%) at the end of the year despite the coronavirus pandemic and amounted to €76.7 billion (previous year: €74.9 billion). Expenditure on claims increased significantly by an expected 23.6% in the financial year under review after decreasing 2.8% in the same period of the previous year, which was impacted by the coronavirus pandemic in motor liability insurance in particular. The strong increase is largely the result of the "Bernd" flood disaster, which shaped the claims experience in 2021. It led to a technical loss of €2.9 billion (previous year: profit of €6.9 billion), the first loss since 2013. At around 85%, the loss ratio for the financial year was significantly higher than in previous years. The combined ratio of the industry deteriorated to approximately 104%.

Business development and position of the company

Business development

The 2021 business year was characterised by the extreme gross claims expenses, largely due to the “Bernd” flood disaster and its extensive compensation via reinsurance. However, the coronavirus pandemic also continued to influence capital markets and claims experience.

Earnings before taxes and the profit transfer were €135.0 million (previous year: €167.0 million).

Balance of the technical account impacted by storms

The claims experience presented Württembergische Versicherung AG with major challenges in the 2021 financial year due to the extremely high claims costs of €522.8 million (previous year: €63.6 million) from natural disasters and the continued low mobility caused by the pandemic and its influence on motor insurance claims experience. The floods caused by the low-pressure system “Bernd” in July 2021, for example, led to a further sharp increase in losses from natural disasters to €333.4 million, after severe weather events in June had already caused losses of well over €100 million. Despite a gross balance of the technical account of -€130.1 million, the comprehensive reinsurance cover of Württembergische Versicherung AG played a big role in further increasing the very high net balance of the technical account before €193.6 million (previous year: €178.3 million) was allocated to the claims equalisation reserves. The natural disasters of the financial year lowered the balance of the technical account, net of reinsurance, by €135.8 million. The charge was higher than the previous year’s figure of €52.1 million. The effect of the reinsurance programme was quite obvious, leading to an overall reduction of €387.0 million in the losses from natural disasters. Of this amount, €54.0 million was attributable to proportional reinsurance contracts and €333.0 million to nonproportional reinsurance contracts for which reinstatement premiums (including reinstatement premium reserves) of €34.6 million had to be paid. After a withdrawal from the claims equalisation reserves of €14.9 million (previous year: €2.0 million), the net balance of the technical account increased to €208.5 million (previous year: €180.3 million).

Lower net investment income

Net investment income fell significantly to €28.2 million (previous year: €52.0 million) in 2021 and thus deteriorated year-on-year despite higher current income and lower disposal losses. This was mainly due to the decline in realised gains in pensions and higher write-offs on long-dated bearer bonds and various bond funds. The balance of write-ups and write-downs deteriorated from -€34.0 million to -€55.0 million. Current investment income was higher than in the previous year at €110.3 million (previous year: €83.9 million) due to higher distributions, especially in alternative investments. The balance of disposal gains and losses decreased from €20.8 million to -€3.0 million due to low realised gains. Net interest on capital investments was 0.9% (previous year: 1.8%).

Profit transfer to W&W AG

At €135.0 million (previous year: €167.0 million), profit on ordinary activities remained below the very high level of the previous year. The profit transfer to W&W AG, the sole shareholder, was €133.5 million (previous year: €124.7 million). On the basis of the profit transfer agreement, this results in a net profit of €0.0 million. In the previous year, net profit was €42.0 million due to a one-time retention, which strengthened equity as net retained profits.

Results of operations

New business and income from premiums written

Measured in terms of annual portfolio contribution, new business was €306.8 million in the 2021 financial year, up from the previous year’s level (€275.7 million). Cancellations in in-force business at Württembergische Versicherung AG increased from €225.9 million to €234.7 million.

Gross premiums written for Württembergische Versicherung AG increased 6.7% to €2,191.9 million in 2021 (previous year: €2,055.1 million). Premium development in our domestic core market was thus significantly above the 2.4% growth expected by the GDV at the end of the year. Adam Riese, our digital brand, continued to grow strongly to €18.2 million (previous year: €12.1 million), with a significant increase in gross premiums written. The focus in the past financial year was on retail customers. In just a few years, Adam Riese has already established itself as a fully-fledged market player. A further expansion of the product portfolio is in the pipeline.

Württembergische Versicherung AG’s income from premiums written, net of reinsurance, increased 5.1% to €1,737.5 million (previous year: €1,652.9 million).

The net share after accounting for the reinsurers’ portion decreased to 79.3% (previous year: 80.4%).

Gross premiums written in motor insurance increased 3.0% from €868.3 million to €894.2 million. In the retail customers business, income from premiums written was €763.9 million, up 8.1% from the previous year (€706.7 million). In the corporate customers business, Württembergische Versicherung AG’s income from premiums written was €530.5 million, up 10.9% from the previous year (€478.4 million).

Claims experience in the financial year

The gross loss ratio for the 2021 financial year for domestic direct business deteriorated from a very good 66.6% in the previous year to 87.2%. This is because of the extraordinarily high gross claims expenses for natural disasters of €522.8 million (previous year: €63.6 million) resulting from the severe weather events in the summer months, especially the flood disaster caused by the low-pressure system "Bernd".

Claims paid, net of reinsurance, in the domestic direct business increased from €1,054.0 million to €1,091.7 million. With net premiums earned rising more strongly at the same time, the net loss ratio improved to 63.1% (previous year: 64.2%). An amount of €14.9 million (previous year: €2.0 million) was released from the claims equalisation reserve.

Reserves remain robust

Net technical provisions increased from €2,521.5 million to €2,624.5 million in 2021. The main reason for the increase was the increase in the provision for outstanding insurance claims.

Technical provisions, net of reinsurance

	2021	2020	Change
			in %
Provisions for claims			
in € million	2,024.3	1,923.5	5.2
in % of premiums written	116.5	116.4	
in % of claims payments	205.3	199.1	
Claims equalisation reserve			
in € million	417.6	432.6	- 3.5
in % of premiums written	24.0	26.2	
Technical provisions			
Total in € million	2,624.5	2,521.5	4.1
in % of premiums written	151.1	152.5	

Expense ratio

The expense ratio describes the ratio of net operating expenses to earned premiums. On the one hand, costs were affected by coronavirus-related savings relative to pre-pandemic years, as had occurred in 2020. On the other hand, we successfully continued our rigorous cost management in 2021. The expense ratio (gross) remained unchanged at 26.4% (previous year: 26.4%). Total operating expenses grew 6.6% from €540.7 million to €576.3 million, in line with the premium growth rate.

Combined ratio further improved

The extraordinarily high number of natural disasters and the simultaneous influence of coronavirus measures that reduced mobility, especially on the number of claims in motor insurance, presented Württembergische Versicherung AG with big challenges in 2021. While the expense ratio remained stable, the combined ratio of Württembergische Versicherung AG came under strong pressure at 105.4% (previous year: 90.6%). Nevertheless, prudent risk hedging in the 2021 financial year resulted in a combined ratio (net) of 87.7% (previous year: 89.0%). Reserves had already been augmented the year before due to persistent low interest rates that lowered the interest rate factor in the motor liability line and reduced the actuarial interest rate used to calculate provisions for future annuity benefits.

The business segments of Württembergische Versicherung AG

Motor

The motor business segment comprises motor liability, motor comprehensive insurance, motor accident insurance and traffic service insurance of Württembergische Versicherung AG. Gross premiums written increased 3.0% to €894.2 million (previous year: €868.3 million) in 2021.

Following a strong increase in the previous year, new business in motor insurance measured in terms of annual portfolio contribution decreased a slight 3.3% to €181.1 million (previous year: €188.0 million).

After an unusually good loss ratio in the previous year due to a decrease in mobility (on account of coronavirus lockdowns), the (gross) loss ratio in the financial year increased to 78.7% (previous year: 69.8%). At €36.0 million (previous year: -€27.7 million), the net result from claims of the previous year (gross) returned to 2019 levels after having been significantly affected in the previous year by the lowering of the interest rate factor for reserves for long-term claims and the reduction in the interest rate for the pension reserve. The net balance of the technical account in the motor business segment rose slightly from €87.0 million to €89.0 million.

Retail customers

The retail customers business segment mainly comprises the residential buildings, household, general accident insurance, legal expenses and personal liability lines. Gross premiums written increased 8.1% to €763.9 million (previous year: €706.7 million).

New business in the retail customers segment increased by 88.1% to €57.3 million (previous year: €30.5 million) measured in terms of the annual portfolio contribution.

Net income from the retail customers segment came in at €100.8 million, which was much higher than the previous year (€78.0 million). With premium increases of 3.4% and 3.5%, respectively, general personal accident insurance and liability insurance made the largest contributions to net profit in the retail customers segment. The residential buildings line recorded a loss of -€21.7 million due to the high volume of natural disaster claims associated with the storms in June and July. All other retail customer insurance lines posted positive results in the 2021 financial year.

Corporate customers

The corporate customer business segment includes the commercial and industrial property and liability insurance lines. It grew at a significant rate of 10.9%. Gross premiums written reached €530.5 million (previous year: €478.4 million).

Growth efforts also produced results in the corporate customers business where new business increased a considerable 19.8% to €59.8 million in annual portfolio contribution, compared to €49.9 million in the previous year.

The gross loss ratio in the corporate customers business was 98.2% in the 2021 reporting year and thus significantly higher than in the previous year (64.8%) due to large volumes of industrial property insurance claims as a result of the series of storms in June and July. It was nevertheless possible to limit the net technical loss to -€5.7 million (previous year: €12.3 million) thanks to the effective reinsurance cover.

Business line reports

This report presents the results described in the segment report in a different structure. The results are comprised across all business segments – motor, retail customers, corporate customers and non-German business – depending on the business line.

Direct business

- Casualty insurance

Casualty insurance includes general personal accident insurance, aviation accident insurance and motor vehicle accident insurance. Gross premiums written in the reporting year increased 3.4% from €147.6 million to €152.6 million. While the number of reported claims fell slightly to 13,660 (previous year: 13,785), the expenditure for losses in the financial year decreased 11.1% to €66.7 million due to a lower loss average. The loss ratio went down to 24.7% (previous year: 52.7%). In the technical account, personal accident insurance posted a considerably higher net income of €67.0 million (previous year: €20.8 million).

- Liability insurance

The liability insurance line comprises the general liability business involving retail and corporate customers as well as the aviation liability business. Income from gross premiums written in this business line increased 5.9% from €225.5 million to €238.9 million. The loss ratio for the financial year dropped from 56.9% to 50.1%. The conditions for forming the claims equalisation reserves were not met for the first time in the 2021 reporting year due to stable claims experience in the past. There was a one-time reversal of €39.3 million, as provided by law. The net balance of the technical account after the claims equalisation reserve increased accordingly in the liability line from €54.6 million to €99.4 million.

- Motor insurance

Income from gross premiums written increased 2.7% to €875.2 million (previous year: €852.2 million) in the reporting year. The financial year was impacted by the high losses associated with the severe weather events in June and July and by the ongoing mobility reductions during the coronavirus pandemic. In motor insurance, the net balance of the technical account before the claims equalisation reserve was €83.5 million (previous year: €83.1 million). An amount of €18.0 million (previous year: €0.8 million) was transferred to the claims equalisation reserve.

- Motor liability insurance

Württembergische Versicherung AG insured 1,873,263 motor liability insurance perils in 2021 (previous year: 1,837,717). At the same time, the number of reported claims was 71,335, even lower than the already low level of the previous year (75,160). Gross premiums written increased 1.9% from €480.4 million to €489.4 million in 2021. The loss ratio (gross) for the financial year was 70.8%, about the same as in the previous year (71.0%). The settlement result in motor liability insurance returned to the level of earlier years at €28.9 million (previous year: -€30.4 million) after the reserve was strengthened by the lowering of the interest rate factor. The net balance of the technical account before the claims equalisation reserve was €79.1 million (previous year: €41.4 million). An amount of €9.2 million (previous year: €3.6 million) was transferred to the claims equalisation reserve.

- Other motor insurance

Other motor insurance includes full coverage and comprehensive insurance. Income from gross premiums written in this business line rose 3.8% from €371.8 million to €385.9 million. The loss ratio for the financial year increased significantly to 90.9% (previous year: 69.6%) due to the severe weather events in June and July.
However, the net loss ratio was improved by the reinsurance cover and reached 82.1% (previous year: 70.3%). Consequently, Württembergische Versicherung AG was able to achieve net income in other motor insurance of €4.4 million (previous year: €41.8 million) before the claims equalisation reserve. An amount of €8.8 million was transferred to the claims equalisation reserve in the 2021 financial year (previous year: withdrawal of €2.8 million).

- Fire insurance

This line of insurance comprises industrial fire insurance, general fire insurance and agricultural fire insurance.

Income from gross premiums written increased 10.9% from €88.7 million to €98.3 million. The gross loss ratio for the financial year once again declined significantly to 75.8% (previous year: 79.1%). The net balance of the technical account after the claims equalisation reserve improved from a -€0.7 million loss in the previous year to €0.8 million.

- Household insurance

Gross premiums written in household insurance increased 2.4% to €104.1 million in 2021 (previous year: €101.6 million). The claims situation deteriorated after the very good previous years. The loss ratio for the financial year (gross) went up considerably due to the natural disaster events in the summer of 2021 and reached 70.0% (previous year: 31.7%). However, the reinsurance cover also contributed to a significant reduction in the net loss ratio for the financial year in household insurance, bringing it down to 41.6% (previous year: 31.7%). The net balance of the technical account was €22.1 million (previous year: €28.0 million).

- Residential building insurance

The 2021 financial year, which was impacted by the extraordinary natural disasters, led to a net loss of €21.7 million (previous year: net income of €10.8 million) in residential building insurance. The combined ratio (net) was 105.4%, considerably higher than in the previous year (91.2%). The effects of the severe weather events in 2021 were particularly obvious in the combined ratio (gross), which was 156.1% (previous year: 89.2%).
This also demonstrates our cautious approach to hedging risk in this business line. Premiums grew even faster than in previous years. Gross premiums written increased 17.1% to €262.0 million (previous year: €223.8 million) in 2021, although the number of contracts remained almost unchanged from the previous year, increasing +1.3% to 473,395. The premium growth resulted not only from the acquisition of portfolios from managing general agents but also from an increase in average premiums. Reported claims rose 3.0% from to 47,542 to 48,976. The average claim increased a significant 137.5% from €2,753 to €6,538 due to the size of the claims related to storm damage in the summer months. An amount of €6.4 million (previous year: €14.5 million) was transferred to the claims equalisation reserve.

- Other property insurance

This business line comprises property insurance for burglary, damage from water mains, glass breakage, storms and natural disasters, as well as technical insurance, extended coverage and multiline products in the commercial and industrial area. Gross premiums in this business line increased 12.1% to €243.6 million (previous year: €217.3 million) The loss ratio for the financial year (net) deteriorated to 94.5% (previous year: 60.0%). That means that the net balance of the technical account before the claims equalisation reserve was down considerably year-on-year to -€39.0 million (previous year: €18.0 million). An amount of €7.6 million (previous year: addition of €1.6 million) was released from the claims equalisation reserve.

- Marine and aviation insurance

Gross premiums written in marine and aviation insurance increased 6.4% to €25.6 million (previous year: €24.0 million). The gross loss ratio improved from 79.7% to 45.6%. Following a loss of €0.4 million in the previous year, a net profit of €5.7 million was posted for 2021. An amount of €5.2 million (previous year: withdrawal of €1.6 million) was transferred to the claims equalisation reserve, which means that a positive result was achieved overall after the claims equalisation reserves.

- Legal expenses insurance

Income from gross premiums written in legal expenses insurance increased 5.7% to €140.9 million (previous year: €133.4 million). The number of reported claims decreased 5.8% from 139,788 to 131,727. The loss ratio improved from 64.7% to 57.8%. The balance of the technical account (net) before the claims equalisation reserve improved significantly to €13.8 million (previous year: €3.3 million). The conditions for forming the claims equalisation reserves were not met for the first time in the 2019 reporting year due to stable claims experience in the past. The reversal is spread over five years, with €4.3 million being reversed each year, as provided by law.

- Assistance insurance

This business line consists solely of travel service insurance. Income from gross premiums written increased 19.0% from €15.4 million to €18.3 million. The gross loss ratio for the financial year improved to 34.8% (previous year: 36.5%). The net balance of the technical account before the claims equalisation reserve increased to €5.2 million (previous year: €3.6 million). An amount of €3.9 million (previous year: €2.6 million) was transferred to the claims equalisation reserve.

- Other insurance

Other insurance comprises fire business interruption insurance, credit and suretyship insurance and other multiline products. In the 2021 financial year, gross premiums written increased 21.8% to €29.0 million (previous year: €23.9 million). The gross loss ratio for the financial year improved significantly year-on-year to 144.4% (previous year: 259.8%) as a result of a decrease in the high losses sustained in this business line due to the coronavirus pandemic, including losses related to business closure insurance policies. Other insurance posted a negative net balance of the technical account of -€4.4 million (previous year: -€28.3 million).

Accepted reinsurance business

Until the end of 2007, the accepted reinsurance business had been underwritten almost exclusively by the London branch of Württembergische Versicherung AG. It mainly involves winding up policies from the technical insurance, marine insurance, liability insurance, fire insurance and other insurance lines. We added international insurance solutions to our portfolio so that we can offer an attractive range of products in the industrial segment.
The retrocession of locally underwritten policies allows us to offer internationally oriented customers a broader

range of insurance products. This increases the volume of acceptance reinsurance business. The net balance of the technical account for the 2021 financial year was €5.0 million (previous year: €0.9 million). With gross premiums written of €3.3 million (previous year: €1.7 million), the significant increase in earnings mainly came from winding-up profits from business in run-off.

Net assets

Investments

Challenges for investments
The investment environment was affected not only by positive economic developments and rising inflation but particularly by the coronavirus pandemic as well. Following a periodic curtailment of economic activity to contain the pandemic, the second half of the year saw a dynamic economic recovery in industrialised countries. Leading central banks initially continued to pursue their expansionary, crisis-driven monetary policy. Ultimately, above-average economic growth, rapid inflation and initial signs of monetary tightening in the United States in 2022 all set the course toward rising interest rates.

Württembergische Versicherung AG tackled these challenges successfully.

The total carrying amount of Württembergische Versicherung AG's investments rose 4.5% year-on-year to €3.2 billion.

New investments in bearer bonds in the direct portfolio
Most of the new investments were made in bearer bonds in the direct portfolio, totalling €172.2 million. These investments were broadly diversified and mainly involved bonds issued by financial institutions and public debtors. The carrying amount of these securities increased marginally to €965.5 million (previous year: €916.4 million), after accounting for repayments and sales.

The portfolio of registered bonds, promissory notes, loans and other debt declined slightly in the financial year just ended. Their carrying amount fell from €430.8 million to €419.7 million. The share in the total investment portfolio declined from 14.3% to 13.3%.

The carrying amount of units in investment funds rose from €945.6 million to €1,236.9 million, after accounting for reclassifications, mainly due to investments in bond fund certificates. See the notes for details. The share of all capital investments in the portfolio increased from 31.4% to 39.2%.

Increase in the equity ratio
Due to continued stock market uncertainty caused by the unclear course of the coronavirus pandemic, Württembergische Versicherung AG increased its equity exposure only slightly in order to minimise the risk of losses from renewed price declines. The calculated equity ratio thus amounted to 6.5% (previous year: 4.7%) after accounting for purchased futures and the market value of the option positions. At the end of the year, 79.1% of the equity exposure was hedged.

Participating interests
The number of participating interests dropped in 2021. The carrying amount of participating interests and shares in affiliated companies decreased year-on-year to €307.0 (previous year: €477.2 million).

Investments in the private equity, private debt and infrastructure sectors are included in the "units in investment funds" and "participating interests" balance sheet items. These alternative investments, when marked to market, account for 12.5% of total investments.

Real estate
The carrying amount of real estate held directly by Württembergische Versicherung AG decreased to €54.5 million (previous year: €61.6 million) in the 2021 financial year, mainly due to depreciation of about €7.2 million.

Capitalisable additions were €0.1 million in the last financial year.

The carrying amount of indirectly held real estate investments increased from €176.8 million to €180.6 million in 2021 mainly due to write-ups recognised in profit or loss.

Higher valuation reserves
Net reserves, i.e. the balance of reserves and liabilities, rose to €303.6 million in 2021 (previous year: €281.6 million). The main reason for this increase was growth in the value of alternative investments and equity funds, which benefited from positive equity market performance. As in previous years, the measurement option granted under Section 341b (2) HGB was not exercised.

Derivative financial instruments
As in previous years, Württembergische Versicherung AG used derivative financial instruments to manage and hedge its equity exposure, interest rate risk and currency risk. This was done in strict conformity with the supervisory regulations and internal policies. All required organisational structures, especially the strict separation of trading and settlement, were in place at all times.

Financial position

Capital structure

Technical provisions dominate the liabilities side of the balance sheet due to the property and casualty insurance business model.

They were €2,624.5 million (previous year: €2,521.5 million) and thus accounted for 74.6% (previous year: 74.6%) of equity and liabilities. Of this amount, the provision for outstanding insurance claims accounted for €2,024.3 million (previous year: €1,923.5 million), the claims equalisation reserve and similar provisions accounted for €417.6 million (previous year: €432.6 million), the provision for unearned premiums accounted for €138.2 million (previous year: €132.5 million) and the provision for future policy benefits and other technical provisions accounted for €44.3 million (previous year: €32.9 million).

Equity remained constant at €392.6 million due to the profit transfer agreement with the parent company, Wüstenrot & Württembergische AG.

Liquidity

We manage our liquidity in such a way that we can consistently meet our financial obligations at all times. We always had sufficient liquidity in 2021. Please see the opportunity and risk report for details on our liquidity position.

Exercise of discretion

The ongoing coronavirus pandemic continues to drive general uncertainty in various areas. This includes areas of relevance to the financial statements, such as discretionary decisions made by management and assumptions and estimates made with respect to the net assets, financial position and results of operations of Württembergische Versicherung AG. The discretionary decisions, estimates and assumptions of relevance to the financial statements are based on the management's best knowledge and currently available information. Despite continuing uncertainty, Württembergische Versicherung AG believes that the management's discretionary decisions, estimates and assumptions appropriately reflect the current situation. Nevertheless, there is a possibility that actual developments may differ from these assumptions as the coronavirus pandemic continues to unfold.
See the notes for details.

Overall assessment

The net assets, financial position and results of operations of Württembergische Versicherung AG are stable and in order. The year of 2021 was challenging and dominated by severe weather events in June and July, which contributed significantly to the largest volume of losses due to natural disasters in the history of Württembergische Versicherung AG. The ongoing coronavirus pandemic loomed large as well. Württembergische Versicherung AG effectively held its own in this situation. Net income from capital investments declined to €28.2 million (previous year: €52.0 million). We are highly satisfied with this result given the difficulty of the year.

Comparison of business development with forecast

The following comparison of current business development with the estimates made in last year's annual report shows that Württembergische Versicherung AG performed very well despite the difficult overall situation in 2021.

New business (measured by annual portfolio contribution) was 11.3% and thus much higher than the year before. We had forecast that new business would be up slightly from the previous year's level. New business in the corporate customers segment increased significantly compared to 2020.

Prudent risk hedging in particular enabled us to compensate for the large volume of losses from natural disasters and maintain our combined ratio (net) at the previous year's level, as forecast.

The June and July storms and the ongoing coronavirus pandemic dominated 2021. While net income from capital investments fell considerably year-on-year, our net balance of the technical account exceeded our expectations. This was largely due to the effective reinsurance cover despite high gross losses from natural disasters and to the pandemic-related decline in mobility and its influence on auto insurance claims experience. Earnings before taxes were €135.0 million overall (previous year: €167.0 million) and thus significantly below the very high level of the previous year, as forecast. After retaining €42.0 million in the previous year, €133.5 million (€124.7 million) was transferred to W&W AG, the sole shareholder. We thus exceeded our forecast in which we assumed a slight decrease in the transfer of profits. This already took account of the one-off retention in 2020.

Opportunity and risk report

Opportunity report

Recognising and exploiting opportunities is a fundamental requirement for the successful evolution of Württembergische Versicherung AG. Württembergische Versicherung AG thus aims to systematically identify, analyse and evaluate opportunities and initiate suitable measures to capitalise on them.

We start with firmly established strategy, planning and control processes. We evaluate market and environmental trends and assess the alignment of our product portfolio, cost drivers and other key success factors. We then identify opportunities that are discussed in high-level strategy meetings and incorporated into the strategic plan.

We also have suitable governance and control structures in place in order to evaluate and pursue opportunities based on their potential, investment needs and risk profile.

This section focuses on material opportunities. We distinguish between opportunities arising from developments outside the company and those resulting from strengths specific to the W&W Group.

External influencing factors

Society and customers

Opportunities from changed customer needs
At Württembergische Versicherung AG, we want to be a one-stop shop for people's financial planning needs. We also increasingly provide customers with simple, transparent, individualised and flexible products and integrate our services across all our interaction channels.

The need for financial security offers tremendous business opportunities. Württembergische Versicherung AG is strategically adapting to the changed financial planning market with its sustainable, holistic advisory approach, target group strategies and solutions.

Digitalisation has significantly changed what many prospects and customers expect from us. More and more communication between customers, sales teams and the company is being done digitally. At the same time, customers increasingly expect customised offers and communications. The spread and use of digital media enables more targeted, closer customer contact and the sales opportunities that come with it. We act on these opportunities by combining our personal advisory approach with new digital tools. In the age of the internet, social media and greater smartphone use, speed is central to customer satisfaction and thus an increasingly important key success factor. Customers want to be able to contact us through their preferred channel regardless of location or office hours and manage their affairs independently using self-service options. Self-service options offer opportunities for improved efficiency through automation.

Opportunities from rapid change and demographic shifts
Demographic shifts and a changing society offer new growth opportunities.
Society is demanding that we be more flexible with our products, advice and communications to accommodate new lifestyles. This has opened up substantial market opportunities for Württembergische Versicherung AG's services, advisory approaches and target group strategies, which it has the insurance expertise to pursue. We are adapting to this change by developing new sustainable products and using a wide variety of communication channels.

Opportunities through sustainability
We have developed a group sustainability strategy to give sustainability an even more prominent position in the W&W Group and thus at Württembergische Versicherung AG. The strategy is based on ESG criteria (environment, social, governance) and comprises six action areas: our company operations, customer and product, capital investment and funding, employees, society and organisation. We have defined targets and measures in all these action areas for us to achieve or execute by 2025.

We want to conduct our business in an environmentally compatible, socially responsible and economically successful manner. We believe that is what we owe current and future generations. We view sustainability not just as an offshoot of changed regulations but rather as an opportunity to accelerate the transformation of our business model.

Focusing more on sustainability creates economic, social and environmental benefits for the W&W Group, Württembergische Versicherung AG and the entire insurance industry.

Economy

Opportunities from interest rate trends and capital markets
The low interest rate policy in Europe continues to pose both challenges and opportunities for financial services providers.

The importance of effective capital investments is rising. A large investor with an investment volume of around €49 billion, the W&W Group has long-standing capital market expertise and a comprehensive risk management system. Our investments are based on a strategic asset allocation that we align with risks and opportunities in our rigorous value-driven, risk-conscious investment strategy while maintaining the flexibility needed to quickly capitalise on opportunities.

Politics

Opportunities from tightening regulation and consumer protection
Complying with burgeoning regulation, such as rules for advisory meetings, can be used to strengthen customer relationships and engage in deeper dialogue with customers. Data protection regulations build trust in the industry as a whole and therefore in us as a provider.

Technology

Opportunities from digitalisation and technical progress
Digitalisation lets us engage in faster, more intensive customer interactions of an entirely different nature. We can thus address customer needs more directly and expand our digital advisory services. It also enables us to provide faster customer service and create innovative products.

Technical progress supports things such as increasing process automation. The resulting productivity improvements and cost-cutting opportunities can be used to increase income and also free up time, energy and capital to invest in cutting-edge issues.

We keep these trends through Adam Riese, our digital brand. Adam Riese has various products on the market that our customers value based on their digitally simplified product design, fast online closing process and fully digital claims processing.

The coronavirus pandemic is intensifying this trend. More people working remotely and from home have accelerated the digital transformation of how people work. This new digital way of working will likely become increasingly common even after the coronavirus pandemic is over.

Opportunities in the data age
The responsible, targeted use of customer data enables us to create ever more personalised products. Additional information makes it possible to better assess risks and avoid losses. Moreover, data can be used to generate additional sales opportunities.

Internal influencing factors

Opportunities due to market position

We can address a large, broad pool of millions of potential customers in our core market of Germany thanks to good brand awareness and our various sales channels with their different strengths.

Addressing customers through multiple sales channels allows us to offer our financial planning products in a targeted manner. Our strategy focuses on the needs of our customers. Our products are designed around what our customers want. That is why our products are regularly awarded top ratings.

Other opportunities relate to the further optimisation of our sales channels. They include the rigorous digitalisation of customer contact points and relieving employees of routine administrative tasks.

Opportunities from our employees

Employee recruitment and retention is key to Württembergische Versicherung AG maintaining its future viability and competitiveness as a service company.

That is why the W&W Group has established the benefits package “Beruf+”, which offers a variety of programmes and services relating to health management, mobility, family, training, and agile, connected and flexible working, both digitally and at the new W&W campus. Likewise, the W&W Group offers various retention and networking programmes for vocational trainees and students from the Cooperative State University (Duale Hochschule). For details, please see the “Employees” chapter in the annual report of the W&W Group.

Risk report

Risk management system at Württembergische Versicherung AG

It is an integral part of our corporate governance to assume risk in a systematic, controlled way and thus achieve our established return targets. Managing risks is one of our core competencies as an insurance company. Our risk management system is thus a component of our business organisation.

It includes all the internal and external rules and regulations designed to ensure structured risk management. In keeping with the proportionality principle, our risk management activities vary in scope and intensity depending on the inherent riskiness of the relevant transactions. As part of the W&W Group, we consistently derive our risk management system from group guidelines and are integrated in the W&W Group's risk management system. The risk management system experienced no material changes from the previous year.

Core functions and objectives

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

- **Legal:** ensuring compliance with relevant internal and external risk requirements.
- **Protecting the company as a going concern:** avoiding risks that endanger the company as a going concern – protecting the company as a whole and preserving the capital base as a key requirement for the company to continue operating as a going concern.
- **Quality assurance:** establishing a shared risk understanding, heightened risk awareness, risk culture and transparent risk communication.
- **Value creation:** providing governance and action guidance in the case of deviations from the risk profile, driving risk hedging and value preservation, promoting and assuring sustainable value creation for shareholders, seizing opportunities.

Risk management also pursues the goal of protecting the reputation of Württembergische Versicherung AG and the Adam Riese digital brand, whose risks are borne by Württembergische Versicherung AG, as part of the W&W Group.

In the following section, we describe the principles and configurable components that make up our risk management system as well as how we handle material risks in general.

Risk management framework

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

We always strive to balance business opportunities with the associated risks. We consistently focus on protecting the company's continued long-term existence as a going concern. Our goal is to avoid taking risks that are incalculable or pose a going concern risk.

Our group risk policy translates risk strategy requirements into an organisational framework for the risk management system. The framework considers the specific needs of both Württembergische Versicherung AG and the W&W Group. It thus lays the groundwork for effective, holistic risk governance.

Capital management

Württembergische Versicherung AG maintains risk capital that serves to cover any losses from risks taken. Risk management controls and monitors capital adequacy and risk-bearing capacity. This indicator represents the ratio of risk capital to risk capital requirements. It is simultaneously managed from two perspectives:

Regulatory capital adequacy

Regulatory capital adequacy looks at the ratio of eligible own funds to the solvency capital requirements. We calculate capital adequacy using the standard model of the European Insurance and Occupational Pensions Authority (EIOPA). We also publicly communicate our risk position on the basis of this ratio.

Economic capital adequacy

Economic risk capital requirements are determined based on an economic risk-bearing capacity model and compared with available economic capital as part of the company's own risk and solvency assessment. The available risk capital is allocated and limits set based on these calculations.
We use the economic model for risk governance.

Responsibilities in the risk management system/risk governance

The duties and responsibilities of all the individuals and committees involved in risk management are defined.

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

As the **control body** overseeing the Executive Board, the Supervisory Board of Württembergische Versicherung AG also monitors the adequacy and effectiveness of the risk management system. It is regularly updated on the current risk situation. Certain types of transactions require the Supervisory Board's approval.

The **Audit Committee** regularly ascertains whether risk management is effectively and adequately organised in each area of responsibility. It reports its findings to the Supervisory Board.

As the **central body for coordinating risk management** in the Insurance division, the Risk Board Insurance supports the Executive Board in risk issues. Permanent members on the Risk Board Insurance are the Executive Board members and managers responsible for risk management and related areas in the Insurance division as well as Risk Control representatives.
The committee meets once a month and as needed. The Risk Board Insurance monitors the Insurance division's risk profile, capitalisation and liquidity. It also develops solution proposals, makes recommendations to the Executive Board and drives the development of the entire risk management system under the direction of the risk management function (RMF).

The Financial Planning and Analysis/Risk Management departments of Württembergische Versicherung AG advise and support the Risk Board Insurance in setting risk management standards. The board develops methods and processes for identifying, evaluating, managing, monitoring and reporting on risks in collaboration with Group Financial Planning and Analysis/Risk Management. The department also prepares qualitative and quantitative risk analyses.

The **operational business units** responsible for decentralised risk governance make deliberate decisions about whether to take or avoid risks. Their duty in this context is to monitor centrally defined standards, risk limits and investment lines and the established risk strategy.

We ensure compliance with internal governance rules through our internal committee structure. One key element of this structure is the **Group Board Risk.** This central committee coordinates risk management and monitors the W&W Group's risk profile. Moreover, it deliberates on group-wide risk organisation standards and the use of risk management tools and methods that are standardised across the group. Other central committees are the Group Liquidity Committee, the Group Compliance Committee, the Group Credit Committee and the Group Security Committee.

Our business organisation has key functions to handle specific topics in addition to these committees. The key functions are organised into three lines of defence.

- Our first line of defence consists of the operational business units (e.g. sales, application processing, investments). These units are responsible for individual risks and may assume risks that fall within their competencies. They follow centrally defined standards, risk limits and risk lines when taking risks. Internal controls verify that they stay within their competencies and comply with the aforementioned standards.

- The following functions comprise the second line of defence:
  The risk management function coordinates all risk management activities. The actuarial function ensures that the technical provisions are calculated correctly and assists the risk management function in assessing risk. The compliance function monitors compliance with external regulations. It assists the risk management function with compliance risks.

- The Internal Audit department represents our third line of defence, independently reviewing the adequacy and effectiveness of the group's internal control system and the effectiveness of the corporate processes.

People or divisions charged with exercising this function must be able to perform their duties objectively, fairly and independently. For that reason, they are strictly separated from risk-taking units (functional separation to avoid conflicts of interest). This principle is even observed at the Executive Board level through stringent rules of procedure and assignments of responsibilities.

Our organisational structures, processes and procedures define the individual duties of all aforementioned committees and key functions as well as the connections and reporting lines between them. This ensures a regular, timely flow of information both within Württembergische Versicherung AG and across all levels of the W&W Group.

The Financial Planning and Analysis/Risk Management departments are in charge of operational risk management for Württembergische Versicherung AG. A head of the Financial Planning and Analysis/Risk Management departments acts as the key risk management function holder. The risk management function is involved in all risk-relevant decisions. The function is entitled to complete, unlimited information at all levels of Württembergische Versicherung AG in order for it to perform its duties. It receives this information through information and reporting channels as well as escalation and decision-making processes.

Risk management process

The risk management process is an iterative control loop with five process steps.

Risk identification

We regularly record, update and document assumed or potential risks when performing a risk inventory. Risk inventories also include risks related to sustainability. We use threshold values to classify our risks as material or immaterial based on an initial assessment by the responsible business units. In connection with this assessment, we also evaluate the extent to which individual risks can may become material 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. Risks that are classified as immaterial, in contrast, are reviewed at least once a year by the individual business units. We present the risk identification findings in our risk inventory. We also indicate which companies may experience individual risks.

Risk assessment

We use various risk measurement methods to assess material risks. Economic capital adequacy is generally determined using stochastic procedures and value at risk (VaR) with a confidence level of 99.5% and a time horizon of one year. Wherever this procedure cannot be applied for certain risk areas, we use analytical computing procedures and qualitative instruments (e.g. expert estimates). We also conduct sensitivity and scenario analyses for material risks.

Risk taking and risk governance

Our risk strategy lays out how to handle assumed and future risks as well as risks related to sustainability issues. The operational business units then decide on this basis whether a risk meets these requirements and should be assumed (risk taking). We manage assumed risk positions during the year using the methods defined in the risk strategy. This includes thresholds, traffic light signal systems and limit and line systems (risk governance). Regulatory and economic capital adequacy as well as division-specific indicators are used as key management parameters. These perspectives highlight our ability to meet our obligations towards all claimants.

Risk monitoring

We constantly monitor whether the basic requirements of the risk strategy and risk organisation are being met and whether the quality of risk governance is appropriate. Risk profile and capitalisation monitoring focuses on compliance with the limits and lines determined within the scope of risk governance.

Risk reporting

We promptly and regularly report to the Risk Board Insurance and the Group Board Risk of the W&W Group, the Executive Board, the Audit Committee and the Supervisory Board about Württembergische Versicherung AG’s risk situation. These reports include information such as the amount of available own funds, the risk capital requirement, limit and line compliance as well as active and pending risk governance measures. Ad-hoc risk communication is done when material events occur.

Risk profile and material risks

We consistently combine similar risks throughout the group into risk areas in order to present our risks transparently. The following risk areas are relevant:

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

Risk areas are quantified according to our economic model. Market price risks accounted for 46.5% (previous year: 39.8%), counterparty risks for 8.3% (previous year: 8.0%), insurance risks for 39.7% (previous year: 47.1%) and operational risks for 5.5% (previous year: 5.0%). We include business risks in our calculation of risk-bearing capacity by discounting the capital available for risk coverage. The main liquidity risk for Württembergische Versicherung AG is the risk of illiquidity as a result of settling claims after unusually high losses. However, this is already shown in insurance risk, so no separate risk capital requirement is presented.

Württembergische Versicherung AG’s total risk capital requirements amounted to €802.2 million as of the reporting date of 31 December 2021. The following sections describe the individual risk areas and – where relevant to the overall assessment – individual risk types.

Market price risks

We define market price risk as potential losses resulting from uncertainty about the future development (size, volatility and structure) of market risk factors. These market risk factors include interest rates, equity and commodity prices, real estate prices, enterprise values and credit spreads for a given credit risk and foreign currency risks.

Strategic asset allocation forms the basis of our capital investment policy and is therefore one of the most significant factors affecting our risk situation in the market price risk area. We aim to have an appropriate mix and spread of asset classes and to be broadly diversified across industries, regions and investment styles. We take a conservative approach to capital investments.
The regulatory underpinnings of our investment approach is the principle of business prudence codified in the German Insurance Supervision Act (VAG), which constitutes a principle-based approach. We also consider interpretations of capital investment concerns issued by the German Federal Financial Supervisory Authority (BaFin). The security, quality, liquidity and profitability of the portfolio as a whole must be ensured when making investments. The principle of business prudence informs our internal investment policy, which contains precise rules on complying with investment principles as well as a company-specific schedule of investments that sets out qualitative and quantitative requirements.

The general internal policy is supplemented by special policies on investment vehicles such as forward purchases, forward sales, derivative financial instruments, structured products and asset-backed securities.

These internal policies govern operational investment activities and are supplemented by an internal policy for investment risk management. This policy describes the strategic, organisational and operational framework for investment risk management.

The risk profile of the investments is increasingly being influenced by ESG (environment, social, governance) risks. Württembergische Versicherung AG endeavours to consider sustainability criteria in its investments as part of putting its investment business on a sustainable footing. This meant signing on to the Principles for Responsible Investment (PRI), among other things. We have thus acknowledged the Principles for Responsible Investment and publicly undertake to introduce and satisfy them. We also take great care to ensure these principles are followed our selected external managers for equity, bond or real estate funds. The PRI can also be replaced by adequate ESG guidelines in individual cases. We work with an external service provider to analyse our investment portfolios (especially for corporates and sovereigns). Environmental, social and governance (ESG) risks are thus specifically considered wherever they affect the investment portfolio and its management, e.g. through exclusion criteria. Furthermore, we have long pursued an active sustainability approach in that renewable energy has been an integral part of our strategic investment process for many years. We also still consider green bonds for new investments and reinvestments. We strive to consider this type of investment for new investments and reinvestments in order to do our part to help fund environmentally friendly projects.

Interest rate risk

Persistently low interest rates pose a risk to earnings because new investments and reinvestments yield lower interest rates. A very rapid and strong rise in interest rates, on the other hand, carries the risk of dwindling valuation reserves. Increased or persistent inflation can drive up liabilities because, among other things, claims paid are higher. Furthermore, the macroeconomic consequences of inflation, such as declining purchasing power, asset losses and a possible wage-price spiral, may adversely affect the net assets, financial position and results of operations of Württembergische Versicherung AG.

We regularly conduct simulations on our fixed-income investments (including interest rate derivatives) to assess market price risks. The simulations show us how market fluctuations affect the value of our portfolio. The market values of all fixed-income securities will undergo the following changes if the applicable yield curve changes +/-50 or +/-100 basis points:

▪ Increase by 50 basis points	-€76.3 million
▪ Increase by 100 basis points	-€149.8 million
▪ Decline by 100 basis points	+€160.5 million
▪ Decline by 50 basis points	+€79.1 million

Stock price risk

Sudden and steep price declines in equity markets can impair risk-bearing capacity through write-downs that are recognised in profit or loss. Stock price risks are mitigated through hedging strategies based on derivatives (e.g. put options, short futures). We continued to extensively hedge our equity portfolio in 2021. Further disclosures concerning hedges are presented in the “Asset disclosures” chapter. We regularly conduct simulations on our equity portfolios (including equity-based derivatives) to assess market price risks. The market value of all equities changes as follows where the price fluctuates by +/-10% or +/- 20%:

- Increase by 20% +€38.6 million
- Increase by 10% +€19.3 million
- Decrease by 10% -€18.9 million
- Decrease by 20% -€37.1 million

Real estate risk
Sudden and steep declines in real estate prices can impair the income situation and risk-bearing capacity. Our diversified real estate portfolio is a core element of our investment portfolio. We consider the risk to be low overall since we mainly invest in prime locations. We cannot rule out the possibility that various market conditions – such as the continuation of the coronavirus pandemic or further interest rate increases – will negatively affect the value and profitability of our real estate portfolio.

Foreign exchange risk
Foreign exchange risks may result from foreign currency bonds, equity instruments or open net foreign exchange positions in global investment funds. We hedge most currency positions and concentrate on US dollars and Danish krones in our open foreign exchange exposure, in keeping with our strategic orientation. We also have a small exposure to other currencies. Open foreign currency investments have been insignificant relative to our overall investment portfolio. In addition, our foreign business generates liabilities denominated in foreign currency, which we cover with matching investments.

Credit spread risk
Credit spread risk comprises the risk that the value of receivables may change in response to a change in the prevailing credit spread for that particular issuer or counterparty. The credit spread refers to a risk premium that consists of higher interest on a risky security than on a comparable riskless security. Therefore, a clear distinction is made between credit spread risk, migration risk and expected default risk. Credit spread changes are therefore only considered if they do not lead to a change (migration including default) in the rating of that particular security. Risk capital requirements are calculated as value at risk with a confidence level of 99.5% based on credit spread changes over a one-year period.

The core elements of our risk management and risk control methods for market price risk are: asset-liability management, limit system, economic risk-bearing capacity model, risk line system, participating interest control, congruent coverage, new products process and market monitoring.

Due to the coronavirus pandemic and the uncertainty it raises about the future, Württembergische Versicherung AG will likely be exposed to higher market price risks again in 2022.

Counterparty risks

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

We limit counterparty risks by carefully selecting issuers and reinsurance partners and by broadly diversifying investments. We follow the regulations that apply to insurance companies for handling counterparty risks, which includes assessing credit risk ourselves as required. Counterparties and securities are mainly limited to investment-grade ratings.
Counterparty risks are strategically and structurally managed by the risk committees at Württembergische Versicherung AG based on the guidelines laid out in the risk strategy.

We also assess credit risks not only individually but also at the portfolio level with our group-wide credit portfolio model. Fixed-income portfolio securities are evaluated in the economic risk-bearing capacity model using an industry-standard credit value-at-risk model. The loss distribution is generated with Monte Carlo simulations. The stochastic model is based on market data and includes probabilities of default and migration between different rating classes. Risk capital requirements are calculated as value-at-risk with a confidence level of 99.5% based on one-year default/migration probabilities. The constantly enhanced credit portfolio model within our governance toolkit enables us to dynamically adapt credit lines to rating changes.

Counterparty risks associated with investments
As befits our strategic orientation, our bond portfolio has a conservative rating structure, with 89.2% (previous year: 90.5%) of investments being investment grade. Our bond exposure generally has a good collateralisation structure, with most of the investments with financial institutions being secured by government guarantees or cover assets

We invest in bonds of emerging market issuers through various investment funds. The market segment is adversely affected by global economic and political risks as well as country-specific problems. There are many reasons for the economic difficulties. The exposure is monitored carefully.

Especially problematic debtors are subject to an investment and re-investment ban. Concrete defaults are not currently evident in our fund mandates; instead, after the spring 2020 slump caused by the coronavirus pandemic, the situation clearly stabilised as 2021 progressed. As of 31 December 2021, the volume of emerging market bonds totalled €308.2 million based on market value, representing a share of 8.9% of our investment portfolio. We will maintain this exposure as we see long-term performance potential with attractive returns.

Other counterparty risks

The credit default risk in the reinsurance business has consistently remained low. No material risks are currently foreseeable. Our retrocessionaires also have good credit ratings. At the end of the reporting period, recognised receivables from reinsurance business amounted to €28.0 million (previous year: €33.8 million). Of this amount, 3.5% (previous year: 4.9%) was owed by companies rated “A-” or better and 96.5% (previous year: 95.1%) by companies rated “BBB” by Standard & Poor’s. Disclosures concerning receivables from policyholders, insurance agents and others are presented in the notes in the “Asset disclosures” chapter.

Württembergische Versicherung AG will likely be exposed to higher counterparty risks again in 2022 due to the coronavirus pandemic, geopolitical and economic crises and the uncertainty this raises about the future.

Insurance risks

Insurance risks in property and casualty insurance arise from premium and reserve risks. We define these as potential losses resulting from uncertainty about future claims, benefits and costs under concluded insurance contracts where the premiums are calculated in advance.

Württembergische Versicherung AG conducts primary insurance business in property and casualty insurance for retail and commercial customers, focusing on Germany, and also employs digital sales channels in this regard (e.g. Adam Riese, the digital brand). The discontinuation of new underwriting at the UK branch of Württembergische Versicherung AG at the end of 2007 greatly reduced our company’s international risk exposure. We only enter into insurance transactions whose risks do not pose a threat to the company as a going concern, in keeping with our internal rules and regulations. This is supported by optimisations in cost and claims management. Incidental risks beyond our control are limited by suitable and adequate mitigation instruments (e.g. reinsurance).

Industrial risks are only underwritten to a limited and clearly defined extent and are furthermore extensively reinsured so that our portfolio is not jeopardised by large individual risks. Württembergische Versicherung AG has begun underwriting optional indirect business and foreign insurance pools in response to the expansion of its corporate customers business through integrated insurance programmes for German policyholders with a primary domicile or primary peril in Germany. Württembergische Versicherung AG does not conduct any other active reinsurance business.

Risk-related facts and analysis findings are presented in the quarterly risk report and discussed in the Executive Board, in regular committee meetings and in various working groups and projects. We use a stochastic model to measure insurance risks in the economic model. We work with specialised reinsurance companies and brokers to simulate natural disaster events.

The loss from insurance risks is limited by defined risk limits. Limit utilisation is monitored on an ongoing basis. Underwriting principles and objectives as well as the definition of permissible transactions and associated responsibilities are documented in strategies and underwriting policies and reviewed at least annually.
Our pricing and underwriting policy is risk-based and income-oriented. Risks are underwritten based on defined guidelines while conforming to sector-specific underwriting limits. For example, natural disaster risk is mitigated by risk exclusions, risk-based rates and adjusted contract terms for critical disaster zones. Gross insurance risk is limited by efficient claims management and a cautious loss reserve policy in addition to product and sector diversification. Adequate reinsurance protection for individual risks and multiline accumulation risks significantly reduces the insurance risks in property and casualty insurance. The reinsurance programme is adjusted yearly in response to risk-bearing capacity.

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

Changed interest rate risk

The interest rate risk in the technical provisions was lowered last year. This was achieved by lowering both the interest rate factor used to calculate reserves for long-term losses in the motor liability segment and the actuarial interest rate used to calculate the pension reserves in the motor liability insurance, personal accident insurance and general liability insurance business lines.

Accumulation and natural disaster events

Due to the severe weather events in June and July 2021, gross claims paid for natural disasters in 2021 rose sharply year-on-year to €522.8 million (previous year: €63.6 million). However, this amount was significantly reduced by excellent reinsurance cover. Consequently, net claims paid for natural disasters in 2021 were €135.8 million. This was still well above the previous year (€52.1 million) but a much more moderate increase overall.

Premium risk

If premiums fall or are underestimated, technical losses may result if costs and claims remain stable or increase. Premium risks mainly result from large individual loss events as well as accumulation and catastrophic events (e.g. natural disasters).

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 for provisions for outstanding insurance claims to initial loss provisions) is as follows:

	Loss ratios	Run-off ratios
in %		
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
2017	63.6	6.6
2018	61.8	7.1
2019	63.3	6.3
2020	64.1	2.8
2021	62.6	7.8

The severe weather events in June and July had a strong impact on the gross loss ratios; claims paid for natural disasters (gross) rose to a historically high €522.8 million (previous year: €63.6 million). However, they are offset by the good reinsurance cover and the influence of coronavirus lockdowns and the associated decline in mobility. Consequently, we achieved a very good net loss ratio of 62.6% even in the challenging 2021 financial year. Without the claims paid for natural disasters (net) of €135.8 million in the 2021 financial year, the loss ratio would have been significantly better at 54.7%. These risks had no significant influence on loss ratios in previous years.

Reserve risk

Reserve risk means the risk of inadequate loss reserves. Claim settlement may fluctuate in its timing and amount. Thus, existing reserves may not be sufficient if payments for past claims increase significantly. Moreover, despite the discontinuation of new underwriting for the UK subsidiary, Württembergische Versicherung AG is liable for the business underwritten up to and including 2007. The volume of claims reserves dropped to €57.1 million (previous year: €67.2 million), which is still considered adequate, as a result of the continued run-off of major claims in 2021.

The core elements of our risk management and risk control methods for insurance risk are: asset-liability management, limit system, economic risk-bearing capacity model, risk line system, new products process and market monitoring.

Business closure insurance

Württembergische Versicherung AG had business closure insurance policies in force at the time the authorities ordered businesses to close due to the coronavirus pandemic. Since the coronavirus pathogen is not contractually defined, it is our view that the policy does not cover a government-mandated closure of entire business categories to interrupt the chain of infection. Württembergische Versicherung AG had joined the industry-wide courtesy arrangement and examined any courtesy claims on a case-by-case basis until the end of 2021. The 4th panel for civil matters at the German Federal Court of Justice ruled on 26 January 2022 on a lawsuit against another insurance company that the COVID-19 virus is not insured if it is not mentioned in the list of insured diseases in the terms and conditions of insurance. This ruling essentially confirms Württembergische Versicherung AG's own legal interpretation. A final assessment cannot be made until the basis of a conclusive legal evaluation of the court's written opinion. It should also be noted that the lawsuits pending against Württembergische Versicherung also relate to specific case circumstances. Consequently, some uncertainty still surrounds the final benefit amount.

It is possible that Württembergische Versicherung AG will be exposed to higher technical insurance risks again in 2022 due to the coronavirus pandemic and the uncertainty it raises about the future.

Operational risks

We define operational risk as losses that may be incurred as a result of the unsuitability or failure of internal processes, people and systems or externally driven events. This also includes legal and tax risks. Experts regularly estimate operational risks during the risk inventory. These risks are evaluated using a factor approach in the economic model.

Operational risks are unavoidable when enterprises engage in general business activities.

The core elements of our risk management and risk control methods for operational risks are: risk assessments, loss event database, information security management, business continuity management, internal control system, personnel management, compliance management system, limit system and economic risk-bearing capacity model.

Legal risk
We are seeing an increase in regulation in the form of laws and supervisory rules with regard to supervisory law, creditor and consumer rights and disclosure requirements. Legal proceedings pending in the financial sector may also lead to subsequent financial clawbacks for Württembergische Versicherung AG. New legal interpretations by administrative authorities and judicial rulings in particular pose considerable risks and may have a significant impact on the future results of operations. Württembergische Versicherung AG has classified the entire legal risk category as material.

Information risk
Information risks arise from threats to data integrity, confidentiality and/or availability. They essentially arise from processes, information technology (IT) systems, physical information carriers, technical facilities or buildings of relevance for data storage and processing. Württembergische Versicherung AG is highly dependent on IT systems, which are exposed to cyber risks and information security risks with regard to protection goals, application availability and data integrity and confidentiality. Württembergische Versicherung AG is also pursuing numerous measures as it presses ahead with its digitalisation (e.g. digital business models and sales channels, internal process optimisations and increased use of cloud services), which may result in other information security risks.

Protection needs analyses are done regularly to identify data protection needs and institute appropriate safeguards.

Due to the coronavirus pandemic and the uncertainty it raises about the future, Württembergische Versicherung AG will likely be exposed to some higher operational risks again in 2022.

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 defined strategic targets. This includes risks in sales and procurement markets as well as cost and income risks. We also consider reputational risks and risks that may arise from a change in the legal, political or social environment.

Business risks are unavoidable when engaging in general business activities or when the industry environment changes. We regularly analyse all business risks during the risk inventory.

Damage to the company's reputation or brand poses a risk of an immediate or future loss in business volume. This could lower the enterprise value. We continuously monitor Württembergische Versicherung AG's public image and strive to maintain our reputation through transparent communication policies when critical events do occur.

The strategic goals of Württembergische Versicherung AG are operationalised and advanced in strategic measures. The individual action areas are bundled and stringently managed as part of "W&W Besser!". This has resulted in the programme "Komposit.Besser!", which aims to strengthen Württembergische Versicherung AG's positioning through the comprehensive, innovative transformation of its products, processes, structures and IT systems. The programme also includes intensive monitoring and implementation of appropriate market trends.

Coronavirus pandemic
Württembergische Versicherung AG also cannot escape the indirect effects of the coronavirus pandemic on the economy and capital markets. Considerable uncertainty still surrounds future capital market developments due to the ongoing coronavirus pandemic. Countermeasures taken by governments and central banks may alleviate the strains if necessary. Moreover, the coronavirus pandemic might very well affect new business.

Depending on how the situation unfolds, the coronavirus pandemic may thus result in lower income and adversely affect the net assets, financial position, results of operations and risk situation.

The principles and objectives of the business policy and the associated sales and revenue goals are contained in the business strategy and sales forecasts. The Executive Board is responsible for managing business risks. Decisions may need to be coordinated with the W&W Group and the Supervisory Board depending on the decisions' impact.

Liquidity risks

Liquidity risks refer to the risk that liquidity is not sufficiently available or can only be realised with discounts (market liquidity risk) in order to satisfy payment obligations at maturity (avoidance of illiquidity risk).

Market liquidity risks mainly result from inadequate market depth or market disruptions in crisis situations. In crises, investments can only be sold in low volumes, at a discount or not at all. The current capital market situation does not indicate any acute material market liquidity risks for capital investments despite the coronavirus pandemic and geopolitical tensions.

We manage our liquidity in such a way that we can consistently meet our financial obligations at all times. Our investment policy focuses on ensuring liquidity at all times, among other things. We comply with current laws, regulations and internal policies in this context. The established systems are designed to identify liquidity shortfalls early on and respond early and appropriately to expected liquidity shortfalls through forward-looking planning and operational cash management.

Budgeted cash flows were reviewed regularly in order to identify possible effects from the coronavirus pandemic. Existing processes for liquidity risk management prevented adverse impacts on Württembergische Versicherung AG's liquidity situation.

Assessment of the overall risk profile

As in the previous year, economic and regulatory risk-bearing capacity was sufficient in the year under review. Regulatory risk-bearing capacity was likely well above 100% as of the reporting date. The final results will be published in the second quarter. The published ratio was 201.4% as of the reporting date of 31 December 2020. Existing valuation reserves are included in the calculation of economic and regulatory risk-bearing capacity.

The ongoing pandemic and geopolitical crises (especially the Ukraine conflict) have kept uncertainty high regarding economic growth and the future trajectory of financial markets. Countermeasures taken by governments and central banks may alleviate the strains if necessary. Württembergische Versicherung AG will likely continue to be exposed to higher risks as 2022 progresses. Its actual risk exposure will depend on whether the coronavirus pandemic continues in 2022 and how the conflict in Ukraine develops.

With regard to the Ukraine conflict, the W&W Group, which includes Württembergische Versicherung AG, is currently affected to only a limited extent by the direct currently identifiable impacts of the conflict. The investments in the Russian Federation, Belarus and Ukraine are insignificant relative to the total investment portfolio. We do not expect the Ukraine situation to change the insurance risk situation.

The risk situation may be indirectly affected by factors such as economic and capital market risks (including changes in inflation, interest rates, equity performance and credit spreads).

Risk management measures were stepped up in response to the war. New and reinvestment bans were adopted and steps taken to reduce the customer portfolio for government bonds of the Russian Federation, Belarus and Ukraine in order to vigorously manage investment risk. Further information security measures have been put in place to proactively manage a potential increase in threats from cyber attacks.

Württembergische Versicherung AG has a risk management and risk control system in place that enables existing and foreseeable future risks to be identified, assessed, managed and communicated in a timely manner within the limits examined.

There were no discernible risks as of the reporting date that could threaten the existence of Württembergische Versicherung AG as a going concern for the defined risk horizon and chosen confidence level.

The further scope and duration of the coronavirus pandemic is still difficult to assess. Likewise, given the great uncertainty regarding the further trajectory of the Ukraine conflict, it is not currently possible to provide a reliable estimate of the financial effects. Depending on how the situation unfolds, it may result in lower income and adversely affect the net assets, financial position and risk situation.

Enhancements and planned measures

We account for changes in internal and external circumstances and their effects on our company's risk situation by constantly enhancing and improving our systems, procedures and processes. For instance, insurance supervision has made sustainability a key topic. To further integrate sustainability into the risk management system, Württembergische Versicherung AG, together with the W&W Group, set up an internal project within the established risk management cycle in 2021. The purpose of the project is to establish and further develop highly standardised solution approaches for handling sustainability risks in the risk management system of Württembergische Versicherung AG and the W&W Group.

Systematic refinement of the group-wide risk management system aims to ensure the stable, sustained evolution of Württembergische Versicherung AG in future as well. We intend to constantly and vigorously raise our risk management standards in the 2022 financial year. To do this, we have defined an ambitious development programme comprising multiple measures within our risk management process. In addition, the W&W Group is making targeted preparations for future regulatory requirements through extensive group-wide projects.

The Executive Board of Württembergische Versicherung AG believes that Württembergische Versicherung is well equipped overall to successfully meet the internal and external requirements for risk management.

Outlook

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

Macroeconomic outlook

The outlook for the German economy will be noticeably shaped by exogenous factors in 2022. First, the further trajectory of the coronavirus pandemic will influence the development of the German economy. Continuing restrictions on social and economic life, which were necessary to overcome the coronavirus surge in the winter months of 2021/22, will still weigh on economic growth at the beginning of the year. As in the previous year, a widespread lifting of these restrictions could trigger dynamic growth in economic output starting in the spring and lasting throughout the summer months, which will be largely based on very brisk consumer demand. The Ukraine war, on the other hand, is an important negative factor. Negative effects must be expected from factors such as higher energy and commodity prices, economic sanctions, resulting disruptions to global supply chains and worse sentiment among economic players. The extent of these effects depends heavily on the duration and intensity of the conflict and cannot be reliably estimated at present. As a result, the economic outlook for the German economy in 2022 is currently very uncertain.

Short-term interest rates are likely to remain very low for the foreseeable future. This is mainly because the European Central Bank has stated its intention not to raise key interest rates until it considers its inflation target of 2% to have been achieved on a sustainable basis. Given the current above-average inflation rates, the European Central Bank may very well consider its inflation target to have been reached in the course of the year and announce initial increases in the deposit interest rate. However, it is likely to proceed slowly and deliberately so that short-term interest rates will still remain historically low. According to our assessment, yields on longer-term bonds are also unlikely to leave their historically very low level this year. The current high rate of inflation and attractive economic growth that will likely occur in the 2022 calendar year if the Ukraine war de-escalates quickly tend to fundamentally favour higher interest rates. However, since the ECB's monetary response would probably be cautious at best and inflation rates could fall again in the course of the year according to forecasts, the reaction of the long-term interest rate level should be limited. Furthermore, the Russian invasion of Ukraine is driving up demand for safe-haven German government bonds and thus driving down yields overall, at least temporarily. As a result, we expect interest rates in Germany to change only moderately until the end of 2022, remaining low overall.

The yearly outlook for European equity markets is mixed. On the one hand, prices are historically high. Market valuations are comparatively high. This limits further upside and makes profit taking look tempting. Various negative factors could play an important role here. For example, the Russian invasion of Ukraine reduces investors' risk appetite and further weighs on prices by clouding the fundamental economic outlook. The second possible negative factor is still the ongoing coronavirus pandemic, which could again lead to restrictions on economic activity.

This would weigh on the companies' revenues and profits and thus their share prices. A third possible negative factor is the prospect of major central banks tightening their monetary stances. The Fed, for example, plans to end its bond purchases in 2022 and will raise key interest rates in line with expectations. The ECB will probably, at minimum, reduce the volume of its bond purchases. This means that the monetary environment for equity markets will be somewhat less favourable than in previous years. However, there are also positive aspects regarding the equity market outlook. For example, economic growth in the EMU and Germany could be above average in 2022 if the Ukraine conflict were to de-escalate rapidly and the coronavirus pandemic did not require further economic restrictions from the spring onwards. Corporate profits would likely increase further in this friendlier economic environment. This in turn would support stock prices. Moreover, attractive investment alternatives to equities remain scarce as a significant increase in capital market returns is not expected. As a result, the equity market outlook for 2022 remains uncertain and both scenarios – one with further price gains and an equity market year with noticeably falling prices – are possible.

Industry outlook

The GDV expects a 3.0% increase in property and casualty insurance premium income in 2022 due to inflation-related limit adjustments in property insurance and a simultaneous weak growth trend in motor insurance. However, the forecast continues to be characterised by a high level of uncertainty.

Future business performance

The 2021 financial year was dominated by the series of storms in June and July, the "Bernd" flood disaster, and the further development of the coronavirus pandemic and associated mobility-reducing measures. Significant economic and political uncertainty persisted during the ongoing pandemic at the beginning of 2022.

When making our forecasts, we assumed that basic macroeconomic conditions would continue to recover in 2022. We also assumed that interest rates and equity prices would rise moderately through the end of the year and that there would be no significant counterparty defaults. A deterioration in basic conditions will also affect the subsequent forecasts.

We still aim to sell more insurance to retail and corporate customers. We expect new and replacement business (measured by annual portfolio contribution) to be slightly lower in 2022 following very strong growth in 2021. We expect the claims situation to normalise overall in 2022. The combined ratio (net) is expected to be at the previous year's level.

We expect that earnings before taxes will fall moderately in 2022. The reason for this assumption is that the increased net investment income and the higher balance of the technical account cannot completely offset the expected allocation to the claims equalisation reserves. It is very difficult to make a reliable forecast at this time due to the unpredictable further consequences of the coronavirus pandemic. The Ukraine war represents another major uncertainty factor as well.

Overall assessment

Despite political, economic and foreign trade risks, Württembergische Versicherung AG continues to operate in an environment characterised by growing demand for insurance by private households.

We manage our liquidity within the W&W Group in such a way that we can consistently meet our financial obligations at all times. Liquidity planning shows that we will have sufficient liquidity available at all times throughout 2022, too. Please see the "Liquidity risks" section in the opportunity and risk report for details on our liquidity position.

We expect pre-tax earnings to decline moderately in 2022 due to a high expected allocation to the claims equalisation reserves, assuming a normalised claims experience. Our net income for the year may be significantly affected by additional risks from the coronavirus pandemic and Ukraine war, extreme natural disasters or major losses, special capital market events, or political uncertainty in addition to the challenges mentioned earlier.

Warning about forward-looking statements

This annual report, including, without limitation, the outlook, contains forward-looking statements and information.

These forward-looking statements constitute estimates that were made on the basis of information that is available at the present time and is considered to be material. They may involve known and unknown risks as well as uncertainties and opportunities. Because of the multitude of factors that influence our business operations, actual results may differ from those currently anticipated.

We are therefore unable to assume any liability for forward-looking statements. We are under no obligation to update or adjust forward-looking statements to conform to actual events.

Other disclosures

Relationships with affiliated companies

W&W AG, Stuttgart, holds 100% of our share capital. The W&W AG shareholder structure remained stable in the reporting year. Our anchor investor is the non-profit Wüstenrot Foundation. It maintains an indirect stake of 66.31% through two of its holding companies.
Of this, 26.40% is held by WS Holding AG, Stuttgart and 39.91% by Wüstenrot Holding AG, Ludwigsburg. The other major shareholder of W&W AG is FS BW Holding GmbH, Munich (renamed in 2021; previously: FS W&W Holding GmbH), with more than 10% of the shares.

A control and profit transfer agreement has been in place since 1 January 2009 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.

Württembergische Versicherung AG and Adam Riese GmbH concluded a control agreement and a profit transfer agreement on 9 June 2017 in connection with the introduction of the digital brand Adam Riese.

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

Württembergische Versicherung AG has since 1999 been party to a control agreement with W&W AG, which was supplemented in 2005 by a profit transfer agreement with W&W AG.

There are close relationships with various group companies as a result of contracts for outsourcing services and functions. They govern services that have been transferred in whole or in part, including appropriate compensation. The compensation paid to W&W Asset Management GmbH is volume-dependent.

The settlement of claims in legal expenses insurance has been transferred to Württembergische Rechtsschutz Schaden-Service-GmbH under a service agreement that governs services, including billing based on full cost pricing.

Our company is part of the W&W Group, whose parent company is W&W AG, Stuttgart, Germany. The company is included in the consolidated financial statements of W&W AG and is therefore exempt from the obligation to prepare its own consolidated financial statements; the requirements set forth in Section 291 (2) HGB are met.

Domestic insurance business is largely reinsured by W&W AG, which in turn cedes some of the assumed risks to external reinsurers in retrocession. This does not include part of the insurance business written abroad, small parts of the domestic insurance business and the reinsurance business ceded to German market pools.

Declaration on corporate governance

The Supervisory Board of Württembergische Versicherung AG has adopted a target quota of 25% women on the Supervisory Board and 20% on the Executive Board. The target quotas have been achieved.

The Executive Board of Württembergische Versicherung AG has stipulated that women are to make up 25% of the first executive level below the Executive Board and 30% of the second executive level and has set a target deadline of 30 June 2022 for doing so.

Württembergische Versicherung AG
Report on equality and equal remuneration pursuant to the German Transparency in Remuneration Act

We published a report on equality and equal remuneration pursuant to the German Transparency in Remuneration Act (EntgTransG) in our annual report for 2017.

We did not prepare a new report for 2021 in accordance with the five-year rule pursuant to Section 22 (1) EntgTransG.

Württembergische Versicherung AG
Annual financial statements

Balance sheet as at 31 December 2021

Assets

in € thousands	See notes, no.[1]	31.12.2021	31.12.2021	31.12.2021	31.12.2020
A. Capital investments					
I. Land, land-type rights and buildings, including buildings on third-party land	1		54,494		61,608
II. Capital investments in affiliated companies and participating interests	2				
1. Shares in affiliated companies		240,908			237,053
2. Loans to affiliated companies		52,050			52,050
3. Participating interests		66,089			240,099
			359,047		529,202
III. Other financial investments					
1. Shares, units or shares in investment funds and other non-fixed-income securities		1,239,620			948,935
2. Bearer bonds and other fixed-income securities	3	965,461			916,360
3. Receivables from mortgages, land charges and annuity land charges	4	68,868			76,516
4. Other loans	5	419,657			430,800
5. Deposits with credit institutions		44,720			51,718
6. Other		2			2
			2,738,328		2,424,331
				3,151,869	3,015,141
B. Receivables					
I. Receivables from direct insurance business due from:	6				
1. Policyholders		17,363			17,736
2. Intermediaries		41,207			48,009
			58,570		65,745
II. Amounts receivable on reinsurance business			28,034		33,825
of which from affiliated companies €25,093 thousand (previous year: €32,180 thousand)					
III. Other receivables	7		210,786		187,228
of which from affiliated companies €181,207 thousand (previous year: €162,547 thousand)				297,390	286,798
Carryover				**3,449,259**	**3,301,939**

1 See numbered explanations in the notes starting at “Asset disclosures”.

Assets

in € thousands		31.12.2021	31.12.2021	31.12.2021	31.12.2020
Carryover				**3,449,259**	**3,301,939**
C. Other assets					
I. Property, plant and equipment and inventories	8		9,621		9,935
II. Current accounts with banks, cheques and cash			38,345		47,336
				47,966	57,271
D. Prepayments and accrued income					
I. Accrued interest and rent			13,282		12,985
II. Other prepayments and accrued income	9		908		973
				14,190	13,958
E. Excess of plan assets over pension liabilities	10			5,423	8,195
Total				**3,516,838**	**3,381,363**

Equity and liabilities

in € thousands		31.12.2021	31.12.2021	31.12.2021	31.12.2020
A. Equity					
I. Called-up capital	11				
Share capital			109,312		109,312
II. Capital reserve	12		76,694		76,694
III. Retained earnings	13				
Other retained earnings			206,557		164,557
IV. Net retained profits			–		42,000
				392,563	392,563
C. Technical provisions	14				
I. Provision for unearned premiums					
1. Gross amount		155,774			149,221
2. minus: reinsurance amount		17,601			16,748
			138,173		132,473
II. Provision for future policy benefits					
1. Gross amount		81			79
2. minus: reinsurance amount		12			12
			69		67
III. Provision for outstanding insurance claims					
1. Gross amount		2,800,887			2,423,287
2. Thereof to: portion for ceded reinsurance business		776,634			499,803
			2,024,253		1,923,484
IV. Claims equalisation and similar provisions			417,649		432,563
V. Other technical provisions					
1. Gross amount		34,396			34,166
2. minus: reinsurance amount		-9,947			1,221
			44,343		32,945
				2,624,487	2,521,532
Carryover				**3,017,050**	**2,914,095**

Equity and liabilities

in € thousands		31.12.2021	31.12.2021	31.12.2021	31.12.2020
Carryover				**3,017,050**	**2,914,095**
D. Other provisions					
I. Tax provisions			5,661		4,511
II. Miscellaneous provisions	15		70,540		76,713
				76,201	81,224
E. Deposits retained from ceded reinsurance business				25	24
F. Other liabilities					
I. Liabilities from direct insurance business owed to:	16				
1. Policyholders		92,542			87,416
2. Intermediaries		41,752			44,624
			134,294		132,040
II. Accounts payable on reinsurance business			1		7
III. Miscellaneous liabilities	17		289,239		253,923
of which for taxes €20,324 thousand (previous year: €22,658 thousand) of which to affiliated companies €246,943 thousand (previous year: €205,692 thousand)				423,534	385,970
G. Deferred income and accrued expenses	18			28	50
Total liabilities				**3,516,838**	**3,381,363**

Personal accident and liability insurance

We confirm that the provision for future policy benefits presented in the balance sheet under liability items C. II. 1. and C. III. 1. in the amount of €176,602 thousand was recognised in accordance with Section 341f HGB and the legal regulations issued on the basis of Section 88 (3) VAG (actuarial confirmation).

Stuttgart, 31 January 2022

Responsible actuary
Daniel Männle

Income statement
for the period 1 January to 31 December 2021

in € thousands		1.1.2021 to 31.12.2021	1.1.2021 to 31.12.2021	1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020
I. Technical account					
1. Earned premiums, net of reinsurance	19				
a) Gross premiums written		2,191,944			2,055,073
b) Premiums ceded to reinsurers		454,486			402,133
			1,737,458		1,652,940
c) Change in the gross provision for unearned premiums		−6,554			−7,693
d) Change in the gross provision for unearned premiums, reinsurers' share		853			−3,073
			−5,701		−10,766
				1,731,757	1,642,174
2. Income from technical interest, net of reinsurance	20			439	405
3. Other technical income, net of reinsurance				2,050	2,231
4. Claims incurred, net of reinsurance					
a) Claims paid					
aa) Gross amount		1,354,444			1,210,784
bb) Reinsurers' share		368,344			244,930
			986,100		965,854
b) Change in the provision for outstanding insurance claims	21				
aa) Gross amount		373,013			102,991
bb) Reinsurers' share		275,525			16,485
			97,488		86,506
				1,083,588	1,052,360
5. Changes in other technical provisions, net of reinsurance					
a) Provision for future policy benefits, net of reinsurance			−2		1
b) Other technical provisions, net of reinsurance			−11,398		4,556
				−11,400	4,557
6. Net operating expenses					
a) Gross operating expenses	22		576,341		540,734
b) minus: received commissions and profit participations from insurance business ceded			141,197		131,491
				435,144	409,243
7. Other technical charges, net of reinsurance				10,528	9,436
8. Subtotal				**193,586**	**178,328**
9. Change in the claims equalisation reserve and similar provisions				14,915	1,977
10. Balance of the technical account, net of reinsurance				208,501	180,305
Carryover				**208,501**	**180,305**

in € thousands		1.1.2021 to 31.12.2021	1.1.2021 to 31.12.2021	1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020
Carryover				**208,501**	**180,305**
II. Non-technical account					
1. Investment income					
a) Income from participating interests of which from affiliated companies €4,215 thousand (previous year: €6,104 thousand)	23		11,488		22,769
b) Income from other investments of which from affiliated companies €11,030 thousand (previous year: €11,162 thousand)					
aa) Income from land, land rights and buildings including buildings on third-party land		10,863			10,696
bb) Income from other investments	23	79,271			50,216
			90,134		60,912
c) Value re-adjustments on investments	24		20,269		15,722
d) Gains on the realisation of investments	25		7,154		39,323
e) Income from profit pooling, profit transfer and partial profit transfer agreements			8,721		244
			137,766		138,970
2. Investment charges					
a) Investment management charges, including interest and other investment charges		12,238			10,187
b) Value adjustments on investments	26	75,232			49,700
c) Losses on the realisation of investments	27	10,126			18,533
d) Costs of loss absorption		11,938			8,592
			109,534		87,012
			28,232		51,958
3. Income from technical interest			439		405
				27,793	51,553
4. Other income	28		257,170		240,918
5. Other expenses	29		358,510		305,771
				–101,340	–64,853
6. Profit or loss on ordinary activities				134,954	167,005
7. Taxes on income	30		1,344		194
8. Other taxes			112		78
				1,456	272
9. Profits transferred under a profit transfer agreement				133,498	124,733
10. Net profit				**—**	**42,000**
12. Net retained profits				**—**	**42,000**

Notes

Disclosures on the annual financial statements

Asset accounting policies

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

Assets recognised under "land, land rights and buildings including buildings on third-party land" are measured at the lower of fair value or cost minus permissible straight-line or declining-balance depreciation. Impairment losses are recognised only when permanent impairment is likely and the impaired asset is written down to the lower fair value. If the reasons for a lower carrying amount no longer apply, the impairment loss is reversed to no more than the amortised historical cost.

Shares in affiliated companies

Shares in affiliated companies are measured at cost. Pursuant to Section 341b (1) HGB in conjunction with Section 253 (3) sentence 5 HGB, impairment losses to the lower fair value are recognised only if permanent impairment is likely (less strict principle of lower of cost or market). If the reasons for a lower carrying amount no longer apply, the impairment loss is reversed to no more than the historical cost.

Loans to affiliated companies

The item "loans to affiliated companies" contains bearer bonds. These receivables are measured in accordance with the rules and regulations for fixed assets. See the following balance sheet items for more information on their measurement.

Participating interests

Participating interests are measured at cost. Pursuant to Section 341b (1) HGB in conjunction with Section 253 (3) sentence 5 HGB, impairment losses to the lower fair value are only recognised if permanent impairment is likely (less strict principle of lower of cost or market). If the reasons for a lower carrying amount no longer apply, the impairment loss is reversed to no more than the historical cost.

Shares, units or shares in investment funds and other non-fixed-income securities

Shares, units or shares in investment funds and other non-fixed-income securities are recognised at the average cost of the security less impairment losses in accordance with the strict principle of lower of cost or market pursuant to Section 341b (2) HGB in conjunction with Section 253 (4) HGB. If the reasons for a lower carrying amount no longer apply, the impairment loss is reversed to no more than the historical cost.

Investments in alternative investment funds have been reported in the balance sheet item "shares, units or shares in investment funds and other non-fixed-income securities" since the beginning of the financial year in response to emerging accounting practices. Investments in alternative investment funds were previously predominantly included in "participating interests". The reclassification done at the beginning of the financial year includes investments in alternative investment funds of €160,203 thousands. The change in how alternative investment funds are reported in the income statement was adopted in the 2021 financial year.
The previous years' figures were not updated.

Bearer bonds and other fixed-income securities

Bearer bonds and other fixed-income securities are recognised at the average cost of the security less impairment losses in accordance with the strict lower-of-cost-or-market principle pursuant to Section 341b (2) HGB in conjunction with Section 253 (4) HGB. Write-downs are reversed when the reasons for them no longer apply.

Receivables from mortgages, land charges and annuity land charges

"Receivables from mortgages, land charges and annuity land charges" includes receivables backed by security such as liens on real property. These receivables are measured in accordance with the rules and regulations for fixed assets. Notwithstanding those rules and regulations, these receivables are measured pursuant to Section 341c (3) HGB at amortised cost by spreading the difference between cost and the repayment amount over the remaining term using the effective interest method.

Specific and general valuation allowances are recognised for discernible risks and deducted directly from the carrying amount. For example, specific valuation allowances are recognised to cover current default risks for receivables from mortgages, land charges and annuity land charges. Portfolio-based general valuation allowances are also recognised based on empirical data from recent years.

Other loans

The item "other loans" includes registered bonds, promissory notes, loans and miscellaneous loans. These receivables are measured in accordance with the rules and regulations for fixed assets.

Registered bonds, in contrast, are recognised at their nominal value less repayments made in accordance with Section 341c (1) HGB. Premiums and discounts are deducted from assets or liabilities and distributed on a straight-line basis over the term.

Promissory notes, loans and miscellaneous loans are measured at amortised cost in accordance with Section 341c (3) HGB by distributing the difference between the cost and the repayment amount over the remaining term using the effective interest method.

Creditworthiness analyses are conducted for registered bonds, promissory notes and loans to identify permanent impairments for issuers whose ratings have deteriorated by two or more notches or whose issues have hidden liabilities of 10% or more. If the creditworthiness analyses reveal that it is no longer likely that the securities will be redeemed in accordance with the terms of their contracts, they are written down to the lower fair value. Portfolio-based general valuation allowances are also recognised for registered bonds based on empirical data from recent years.

Deposits with credit institutions

Deposits with credit institutions are recognised at their nominal amounts.

Other

Investments classified as "other" are measured at cost.

Other assets

Receivables and other assets are carried at cost or nominal value. Specific and general valuation allowances are recognised for discernible risks and deducted from the assets.

Property, plant and equipment are measured at cost less straight-line depreciation over their standard useful life. Low-value assets with a net cost of up to €800 are fully depreciated in the year of acquisition. Assets acquired by 2019 with a net acquisition cost of more than €250 and up to €1,000 were capitalised in the year of acquisition and depreciated on a straight-line basis over five years. The excess of plan assets over pension liabilities refers to the surplus resulting from offsetting claims from reinsurance policies measured at fair value against obligations from phased retirement agreements. Insolvency-remote claims from reinsurance policies were measured at the actuarial reserve based on the business plan plus irrevocable profit participation commitments, which are equal to amortised cost in accordance with the strict lower-of-cost-or-market principle pursuant to Section 253 (4) HGB and thus, in the absence of other measurement methods, to fair value as defined by Section 255 (4) sentence 4 HGB.

The option to report deferred tax assets due to available tax relief under Section 274 (1) sentence 2 HGB is not exercised.

Reversals of write-downs

Assets written down to a lower fair value in previous years must be written up if the reasons for the write-down no longer apply. These reversals of write-downs may not exceed the amortised cost in accordance with the principles set out in Section 253 (5) HGB.

Derivatives

Forward exchange contracts were concluded to hedge participating interests, units in investment funds and fixed-income securities. They are measured on an individual transaction basis. Provisions are recognised for expected losses from these contracts.

Acquired option rights are measured at cost, which amounts to the option premium, less depreciation according to the strict lower-of-cost-or-market principle. Write-downs are reversed when the reasons for them no longer apply. Premiums for written options are recognised as miscellaneous liabilities for as long as the performance obligation from the option exists. Any impending excess liability resulting from writing options is accounted for by recognising provisions for expected losses.

Valuation units

All interest rate swaps are aggregated with the underlying receivables and securities into valuation units in accordance with Section 254 HGB.

These valuation units are presented in the balance sheet according to the "valuation freeze method" pursuant to Section 254 HGB. In this method, the values of the individual components of the valuation unit are "frozen" from the time that the valuation unit is created. Subsequent effective value changes with respect to the hedged risk are not recognised in the balance sheet. Value changes resulting from ineffectiveness are reported in accordance with the general accounting policies pursuant to Sections 252 et seq. HGB.

Fair value measurements

The fair values of land, land rights and buildings including buildings on third-party land are verified on an ongoing basis and calculated using the discounted cash flow method. Properties newly acquired during the financial year are measured on the basis of external appraisals. In these appraisals, the market value of the properties is determined using the German income approach pursuant to Sections 17 to 20 of the German Property Valuation Regulation (ImmoWertV); the real value of the property is also determined to verify the income value in accordance with Section 21 ImmoWertV.

The fair value of affiliated companies and participating interests is based on the income value or a fair value calculated using the net asset value method. In individual cases, fair value is also based on cost, liquidation value or equity stake.

The fair value of the alternative investment funds is generally determined on the basis of the pro rata net asset value.

The fair values of the remaining investments are based on the last available stock market price or a market value calculated using standard recognised valuation models.

Units in investment funds are recognised at the last available redemption price.

Liability accounting policies

Technical provisions

The provision for unearned premiums is calculated per insurance policy after deducting external expenses. In the Marine line, this provision is included in the provision for outstanding insurance claims. The reinsurers' share is calculated in a similar fashion, i.e. based on the individual insurance policy after taking account of allocable external expenses.

The provisions for future policy benefits for paid-up children's personal accident insurance that are recognised in the provision for future policy benefits for direct insurance business are calculated for each individual policy in accordance with actuarial principles. The reinsurers' share is calculated on the basis of the individual reinsurance policies.

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

A general provision is recognised for claims incurred but not reported based on empirical data from previous years.

For Marine including secondary business lines, a general reserve is calculated for direct German business according to established actuarial procedures, taking adjustment premiums into consideration. The reserve calculation is based on the best estimate of the final claims level for each underwriting year, which is calculated using a modified chain ladder algorithm.

The pension reserve in property/casualty insurance is calculated for each individual policy according to actuarial principles and, as is the case with the provision for future policy benefits, using the prospective method. This was done using the mortality tables recommended by the German Association of Actuaries (DAV), DAV HUR 2006, which contain suitable safety margins. An actuarial interest rate of 0.25% was used to calculate the pension reserve for all pension commitments. Future administrative costs were measured at 2.0% of the pension reserve, a rate that is deemed sufficiently conservative. The reinsurers' share is calculated on the basis of the individual reinsurance policies.

Receivables from recourse, salvage and distribution agreements are recognised at the expected values and deducted from the provision for outstanding insurance claims for that class of insurance.

We account for the anticipated expenses of settling outstanding claims by recognising a provision pursuant to the guidance note of the German Federal Ministry of Finance (BMF) dated 2 February 1973. Lump-sum procedures are used in the Marine business line. The reinsurer's share is determined based on the quota share.

The claims equalisation reserve contained in item C. IV. is recognised in accordance with the annex to Section 29 RechVersV.

We recognise the amounts presented under "other technical provisions" as follows:

The provision for unused premiums from dormant motor insurance policies is determined for each contract, while the cancellation provision is calculated on the basis of statistical data. The provision for the "Unfall 60 plus" policy rate, which accounts for the age-related increase in claims, is calculated per policyholder on an actuarial basis. For obligations arising from the membership in Verkehrsopferhilfe e. V., a provision for outstanding claims is set aside according to the association's mandate. The reinsurers' shares are deducted from the aforementioned provisions as contractually agreed.

Other provisions

Tax provisions and miscellaneous provisions
Miscellaneous provisions and tax provisions were recognised at their required settlement amounts. Provisions with a term of more than one year were generally calculated using the settlement amount pursuant to Section 253 (1) sentence 2 HGB after adjusting for future price and cost increases.
The price and cost increases are based on the inflation rate and were deemed to be 1.5% over the respective term of the provision. The interest rate used for discounting miscellaneous provisions is equal to the average interest rate of the last seven years published by the Deutsche Bundesbank in accordance with the German Regulation on the Discounting of Provisions (RückAbzinsV) for an appropriate assumed remaining term. Gains or losses from applying or unwinding discounts, changes in the discount rate or from the interest effects of a change in the estimated remaining term are reported as interest income and interest expense in other income or other expenses. The tax interest accrued up to the reporting date is reported under miscellaneous provisions. Tax provisions are recognised at the settlement amount; if they are non-current, they are discounted in accordance with IDW RS HFA 34 pursuant to Section 233a German Tax Code (AO). Tax provisions are usually current and are not discounted (according to the AO, interest starts to apply after 15 months).

Legal obligations from phased retirement agreements in force on the reporting date consist of a provision equalling the present value of future top-up benefits (salary and additional pension contributions), compensation payments due to reduced pension claims and settlement arrears from work performed in advance by the employee after accounting for the employer's social security expenses. The provision is discounted based on the individual maturities using the interest rates published by the Deutsche Bundesbank in accordance with RückAbzinsV. The measurement also incorporates a salary trend of 2.2%. Biometric factors are reflected in the measurement of the provision through a universal discount of 2.0%. Pledged reinsurance policies are measured at fair value and, being cover assets, netted against phased retirement obligations as permitted by Section 285, no. 25 in conjunction with Section 246 (2) sentence 2 HGB. The fair value comprises the actuarial reserve, which corresponds to the acquisition costs, plus irrevocable profit participation commitments.

The provisions for social security and for anniversary bonuses are calculated at the settlement amount required under Section 253 (1) sentence 2 HGB using the Heubeck 2018 G mortality tables, interest rate of 0.65%, according to the projected unit credit method. Fluctuation and future salary increases are taken into account.

Retained deposits and other liabilities

Deposits retained from ceded reinsurance business relate to the London branch's passive reinsurance business.

Amounts payable on reinsurance business, liabilities from direct insurance business and miscellaneous liabilities are recognised at their settlement amounts.

Currency translation
All business transactions are recorded in the original currency and translated into euros at the ECB's mean spot exchange rate for the relevant day.

We translate the balance sheet items related to foreign insurance business into euros at the ECB's mean spot exchange rates on the reporting date. The corresponding expenses and income are recognised in the income statement at the applicable ECB mean spot exchange rate on the settlement date.

We generally measure capital investments in foreign currencies using item-by-item measurement rules and the lower-of-cost-or-market principle. They are subsequently measured using the ECB's mean spot exchange rate.

Bank balances denominated in foreign currency are measured at the ECB's mean spot exchange rate on the reporting date.

For remaining terms of one year or less, the gains and losses from the translation are recognised in net profit or loss in accordance with Section 256a HGB.

The actuarial translation gains or losses are reported in the general part of the income statement under other income and other expenses.

Exchange rate gains and losses for investments in foreign currency are reported under value re-adjustments on investments and gains on the realisation of investments or write-downs and losses on the realisation of investments.

Exchange rate gains and losses from current bank balances in foreign currency are reported under other income and other expenses.

Accrual accounting of income and expenses

A small portion of the marine insurance from German business is not included in the reporting year as we did not receive the required accounting documents until after the annual financial statements were completed.

Due to the delay in posting the related entries, we recognised premium income of €1,544 thousand for 2020 in the reporting year.

1 See balance sheet and income statement chapters.

Asset disclosures

A. Capital investments

Changes in capital investments are shown in the notes under individual asset disclosures.

I. Land, land rights and buildings including buildings on third-party land (1)

As of the reporting date, our real estate included 20 (previous year: 20) parcels of land with a carrying amount of €54,494 thousand (previous year: €61,608 thousand). The fair value of our land and buildings is €136,449 thousand (previous year: €133,798 thousand).

No properties were acquired or sold during the reporting year. The useful lives of the properties are between 40 and 50 years.

Of our property, undivided interests in real estate accounted for €3,295 thousand (previous year: €3,409 thousand).

In our real estate portfolio, the group uses land and buildings with a carrying amount of €42,987 thousand (previous year: €49,821 thousand).

II. Capital investments in affiliated companies and participating interests (2)

The disclosures on participating interests are shown in the "List of shareholdings" table in the notes in accordance with Section 285 (11) HGB in conjunction with Section 271 (1) HGB. The list includes all the companies in which Württembergische Versicherung AG holds at least 5% of the shares. The exemption provided in Section 286 (3) no. 1 HGB was utilised in all other cases.

III. Other financial investments

2. Bearer bonds and other fixed-income securities (3)

We invest in securities denominated in foreign currency that provide matching coverage for our obligations under direct insurance business outside of Germany.

3. Receivables from mortgages, land charges and annuity land charges (4)

There were no pending foreclosures of mortgages at the end of the year under review.

4. Other loans (5)

in € thousands	31.12.2021	31.12.2020
Registered bonds	264,035	274,237
Promissory notes and loans	133,835	134,765
Miscellaneous loans	21,787	21,798
Total	**419,657**	**430,800**

Miscellaneous loans include non-negotiable profit participation certificates totalling €9,787 thousand. Of these, €0 thousand are due within the next two years.

Fair value of investments

This item consists of:

Valuation reserves

in € thousands	Carrying amount 2021	Fair value 2021	Valuation reserves, by liability[1] 2021	Carrying amount 2020	Fair value 2020	Valuation reserves, by liability[1] 2020
Land, land rights and buildings including buildings on third-party land	54,494	136,449	81,955	61,608	133,798	72,190
Shares in affiliated companies	240,908	315,972	75,064	237,053	276,563	39,510
Loans to affiliated companies	52,050	53,768	1,718	52,050	54,560	2,510
Participating interests	66,089	102,980	36,891	240,099	286,784	46,685
Shares, investment units and other non-fixed-income securities	1,239,620	1,302,444	62,824	948,935	975,971	27,036
Bearer bonds and other fixed-income securities	965,461	972,566	7,105	916,360	942,789	26,429
Receivables from mortgages, land charges and annuity land charges	68,868	71,116	2,248	76,516	81,121	4,605
Other loans						
Registered bonds	264,035	286,089	22,054	274,237	312,071	37,834
Promissory notes and loans	133,835	141,016	7,181	134,765	146,247	11,482
Miscellaneous loans	21,787	28,329	6,542	21,798	35,061	13,263
Deposits with credit institutions	44,720	44,720	-	51,718	51,744	26
Other	2	2	0	2	2	0
Total	**3,151,869**	**3,455,451**	**303,582**	**3,015,141**	**3,296,711**	**281,570**
As % of the carrying amount of all investments			**9.6**			**9.3**

1 Net, balance of valuation reserves and hidden liabilities

Section 285 (18) HGB disclosures on capital investments shown above their fair value

Other loans in the form of registered bonds and promissory note loans had market values that are €37 thousand below the carrying amount of €800 thousand. They were not written down because the impairment is only interest-induced and expected to be temporary due to the issuers' credit rating. We expect interest and principal payments to be made as scheduled.

Section 285 (19) HGB disclosures on derivative financial instruments not recognised at fair value

Derivative financial instrument/group	Type	Nominal value in € thousands	Fair value in € thousands	Measurement method applied	Carrying amount and item[1] in € thousands
Share/index-related transactions	Option-OTC	138	1,669	Option-price model	1,432
Currency-related transactions	Currency forwards	478,456	233	Discounted cash flow method	–143

1 Derivatives are executory contracts that are not recognised in the financial statements.
Paid option premiums are an exception to this rule.
The negative balance sheet items correspond to the recognised loss provision.

Derivatives are the focus of this table if their carrying amount does not equal the fair value on the reporting date. Derivatives are transactions to be settled at a future date whose value is determined by the change in the value of an underlying object under the contractual conditions. They cost little to nothing to acquire.

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

Section 285 (23) HGB disclosures on valuation units created pursuant to Section 254

1. Disclosures concerning hedged items and hedging instruments

Type of valuation unit created	Type of risk hedged	Type of included assets, liabilities and executory contracts not recognised in the financial statements	Carrying amount of the included hedged items	Amount of risks hedged[1] (nominal)
			in € thousands	in € thousands
Mikro-Hedge	Interest rate risk	Bonds (HE), swaps (HI)	9,155	–1,735

1 Equal to the total write-downs of assets that were omitted and recognitions of provisions for impending losses that were omitted due to the hedging relationships.

2. Disclosures concerning the effectiveness of valuation units

Opposing cash flows offset each other – reasons why hedged items and hedging instruments are exposed to the same risk	To what extent do opposing cash flows offset each other	In what period do opposing cash flows offset each other	Disclosure concerning the method for determining the effectiveness of the valuation unit
HI + HE: identical nominal, term, interest payment date and fixed interest rate	Largely	Until maturity of the HI	Prospective: critical terms match (CTM) / retrospective: cumulative dollar offset method

Abbreviations:

HI = hedged item
HE = hedging instrument
CTM = critical term match method

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

Definition of micro hedge:
A micro hedge refers to hedging an individual item with a single hedging instrument.

Definition of macro hedge:
A macro hedge refers to hedging one or more similar items with one or more hedging instruments.

Section 285 (26) HGB disclosures on shares, units or shares in investment funds

Fund name	Investment objective	Certificate value under Section 36 of the German Investment Act (InvG)	Carrying amount	Discrepancy from the carrying amount	Distributions during the financial year
		in € thousands	in € thousands	in € thousands	in € thousands
LBBW AM-USD Corp. Bonds Fonds 2	Bond fund	235,867	235,867	–	4,637
LBBW AM-EMB2	Bond fund	254,153	254,153	–	11,465
LBBW AM-WV P&F	Mixed funds (up to 70%)	70,448	70,448	–	1,729
W+W Gl.In.-W+W F.Pr.li Eo	Mixed funds (up to 70%)	49,235	49,235	–	292
LBBW AM-WV Corp Bonds Fonds	Bond fund	61,619	59,924	1,695	516
W+W Gl.Strat.-Se Asi.Eq.	Equity fund	52,409	39,561	12,848	–
LBBW AM Covered Call USA Fonds	Equity fund	82,905	64,693	18,212	958
LBBW AM-US Municipals 2	Bond fund	109,470	105,739	3,731	3,005
Gam M.B.-Loc.Em.Bd Caadl	Bond fund	31,008	31,008	–	1,604
Total		**947,114**	**910,628**	**36,486**	**24,206**

All funds have no restrictions on daily redemptions or on full redemption of unit certificates on three months' notice.

B. Receivables

I. Receivables from direct insurance business due from (6):

1. Policyholders
A global valuation allowance of €2,214 thousand (previous year: €1,930 thousand) was created for outstanding amounts on the basis of statistical data.

2. Intermediaries
Receivables from direct insurance business due from intermediaries amounted to €41,207 thousand (previous year: €48,009 thousand).

III. Other receivables (7)

in € thousands	31.12.2021	31.12.2020
Loans and advances to employees and agents	15	32
Submission of claims settled for the account of foreign companies	1,450	1,133
Receivables from non-group lead business	13,759	11,139
Interest and rent arrears	104	120
Assets pledged, transferred or deposited as collateral1	133,280	127,639
Miscellaneous other receivables	8,301	5,517
Receivables from affiliated companies and participating interests	53,877	41,648
Total	**210,786**	**187,228**

1 Of which cash collateral pledged to meet margin calls related to the conclusion of OTC derivatives of €5,950 thousand (previous year: €6,740 thousand) as well as reinsurance policies with affiliated companies for insolvency protection of pension commitments €127,330 thousand (previous year: €120,899 thousand).

Miscellaneous other receivables consist of recoverable unbilled prepaid operating expenses of €360 thousand (previous year: €337 thousand).

Remaining terms of receivables

Receivables with a remaining term of more than one year amount to €136,361 thousand and relate to receivables from reinsurance policies for pension commitments.

C. Other assets

I. Property, plant and equipment and inventories (8)

Long-lived assets were depreciated €624 thousand (previous year: €648 thousand) at the rates permissible under tax regulations. Medium- and low-value assets were depreciated €354 thousand in the financial year.

D. Prepayments and accrued income

II. Other prepayments and accrued income (9)

This section shows the premium from the purchase of registered bonds of €418 thousand (previous year: €806 thousand).

E. Excess of plan assets over pension liabilities (10)

Assets that serve to cover debts arising from retirement benefit obligations or similar long-term obligations and that are inaccessible to all other creditors must be offset against the provisions for these obligations. If the fair value of these assets exceeds the carrying value of the provisions, an “excess of plan assets over pension liabilities” item must be shown on the assets side of the balance sheet. Offsetting claims from reinsurance policies of €11,979 thousand (previous year: €16,218 thousand) against the portions of the phased retirement provisions used for settlement amounts of €6,576 thousand (previous year: €8,026 thousand) in accordance with Section 246 (2) sentence 3 HGB yields an excess of plan assets over pension liabilities of €5,403 thousand (previous year: €8,192 thousand).

Liability disclosures

A. Equity

I. Share capital (11)

The company's share capital amounted to €109,312 thousand on 31 December 2021. It is divided into 4,270,000 no-par-value fully paid up registered shares, each representing a pro rata notional value of €25.60 of the share capital.

II. Capital reserve (12)

This item relates to the premium from capital contributions.

III. Other retained earnings (13)

Retained earnings increased to €206.6 million due to the allocation of €42.0 million from the 2020 net retained profits approved by the Annual General Meeting.

C. Technical provisions (14)

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

D. Other provisions

II. Miscellaneous provisions (15)

in € thousands	31.12.2021	31.12.2020
Phased retirement	3,621	4,255
Restructuring measures[1]	5,684	14,461
Expenses for annual financial statements	1,207	1,175
Holiday obligations and flexitime credits	11,175	10,066
Bonuses and override commissions	17,329	15,646
Profit sharing and competition awards	22,603	21,414
Employee long-term service obligations and commercial agent compensation obligations	3,066	4,219
Other	5,855	5,477
Total	**70,540**	**76,713**

1 A restructuring provision was recognised in the financial year and in the previous year to improve processes in inside and outside sales.

The provision for phased retirement has contained the portion of the provision not funded in an insolvency-remote manner by a reinsurance policy since 2010.

They are netted against pledged reinsurance policies for the credit balance from phased retirement agreements, which are inaccessible to all other creditors and serve exclusively to fulfil debts from these phased retirement obligations as required by Section 246 (2) sentence 2 HGB. The same procedure is followed for the expenses from unwinding discounts and for income from discounting the obligations and from the netted assets. Pledged reinsurance policies are recognised at their fair value. The fair value comprises the actuarial reserve plus irrevocable profit participation commitments.

The phased retirement item is calculated as follows:

in € thousands	31.12.2021	31.12.2020
Amount needed to satisfy vested claims	10,197	12,281
of which eligible to be offset against the actuarial reserve of the reinsurance policy	6,576	8,026
Carrying amount	**3,621**	**4,255**

F. Other liabilities

I. Liabilities from direct insurance business owed to (16):

1. Policyholders
This item includes advance payments for newly applied for policies and premiums that are not yet due, among other things.

2. Intermediaries
Liabilities from direct insurance business to intermediaries amounted to €41,752 thousand (previous year: €44,624 thousand).

Remaining terms of the item "liabilities from direct insurance business"
Liabilities with a remaining term of more than one year amounted to €11,074 thousand, of which €1,197 thousand had a remaining term of five years.

III. Miscellaneous liabilities (17)

in € thousands	31.12.2021	31.12.2020
Miscellaneous liabilities to affiliated companies	246,943	205,692
Other miscellaneous liabilities	21,972	25,573
Miscellaneous liabilities to affiliated companies	20,324	22,658
Total	**289,239**	**253,923**

Advance payments on operating expenses of €480 thousand (previous year: €473 thousand) were deferred in the financial year and recognised under "Miscellaneous liabilities".

Remaining terms of the "miscellaneous liabilities" balance sheet item
Liabilities with a remaining term of more than one year amounted to €5,544 thousand, of which €4,224 thousand had a remaining term of more than five years.

G. Deferred income and accrued expenses (18)

The amount recognised in the financial year related to discounts on registered bonds.

Income statement disclosures

I. Technical account

1. Earned premiums, net of reinsurance (19)

The premiums are shown in the notes under "Individual income statement disclosures" in accordance with § 51 RechVersV. Domestic gross premiums written were €2,191,628 thousand (previous year: €2,055,050 thousand). Premiums from indirect business amounted to €3,323 thousand (previous year: €1,688 thousand). The number of insurance policies with terms of at least one year is shown in the notes under "Annex to the notes".

2. Income from technical interest, net of reinsurance (20)

This item is used to report interest on pension reserves and provisions for future policy benefits after deducting the pro rata costs of asset management and the reinsurer pursuant to Section 38 RechVersV.

4. Claims incurred, net of reinsurance

Gross claims incurred are presented in the notes under "Individual income statement disclosures" pursuant to Section 51 (RechVersV).

b) Change in the provision for outstanding insurance claims (21)
Releasing the provision for outstanding insurance claims assumed from the previous year results in winding-up profits, net of reinsurance, of €149,755 thousand (previous year: €51,805 thousand).
Last year, persistently low interest rates led us to lower actuarial interest rates in individual property/casualty insurance lines to strengthen the reserves. No comparable adjustments were made to the reserves for prior-year claims in the year under review.

6. Net operating expenses

Disclosures on commissions for direct business, on other compensation paid to insurance agents and on personnel expenses is provided in the notes under "Supplemental disclosures".

a) Gross operating expenses (22)
The breakdown of this item is shown in the notes under "Individual income statement disclosures". Acquisition costs were €176,934 thousand (previous year: €173,067 thousand) and general administrative expenses were €399,407 thousand (previous year: €367,667 thousand).

II. Non-technical account

1. Investment income

a) Income from participating interests and bb) income from other investments (23)
Due to the reclassification made at the start of the year of the investments in alternative investments from the balance sheet item "participating interests" to the balance sheet item "shares, units or shares in investment funds", the item "income from other investments" contains income from alternative investments of €23,303 thousand in the financial year, while income of €10,367 thousand was reported under "income from participating interests" in the previous year.

c) Value re-adjustments on investments (24)
Value re-adjustments on investments include exchange rate gains of €7,953 thousand (previous year: €108 thousand). The breakdown of this item is shown in the notes under "Individual asset disclosures".

d) Gains on the realisation of investments (25)

in € thousands	2021	2020
Participating interests[1]	3,517	13,049
Bearer bonds and other fixed-income securities[2]	1,514	8,945
Registered bonds and promissory note loans	–	12,648
Deposits with credit institutions[3]	1,189	1,027
Shares, units or shares in investment funds and other non-fixed-income securities[4]	933	3,654
Total	**7,153**	**39,323**

1 Of which exchange rate gains of €12 thousand (previous year: €447 thousand)
2 Of which exchange rate gains of €717 thousand (previous year: €294 thousand)
3 Of which exchange rate gains of €1,189 thousand (previous year: €1,027 thousand)
4 Of which exchange rate gains of €247 thousand (previous year: €0 thousand)

2. Investment charges

b) Value adjustments on investments (26)

This item includes write-downs of €67,976 thousand according to Section 253 (3) sentence 5 and 6 HGB in conjunction with Section 277 (3) sentence 1 HGB and according to Section 253 (4) HGB . Of this amount, €1,783 thousand is attributable to affiliated companies and participating interests and €66,022 thousand to securities and units or shares in investment funds.

Write-downs of affiliated companies and participating interests are balance sheet items that are measured like fixed assets, while write-downs of securities and units or shares in investment funds are balance sheet items that are classified as current assets. Currency write-downs were €2 thousand.

c) Losses on the realisation of investments (27)

in € thousands	2021	2020
Participating interests[1]	6,876	4,895
Equities and non-fixed-income securities[2]	2,726	8,211
Bearer bonds and fixed-income securities[3]	497	2,013
Deposits with credit institutions[4]	26	1,469
Other	–	1,944
Total	**10,125**	**18,532**

1 Of which exchange rate losses of €17 thousand (previous year: €95 thousand)
2 Of which exchange rate losses of €83 thousand (previous year: €0 thousand)
3 Of which exchange rate losses of €0 thousand (previous year: €50 thousand)
4 Of which exchange rate losses of €26 thousand (previous year: €1,469 thousand)

4. Other income (28)

Material items were:

in € thousands	2021	2020
Commissions from the brokering of insurance policies and home loan savings contracts for other companies	14,570	12,879
Other cost reimbursements (management tasks, etc.)	205,919	193,192
Exchange rate gains[1]	219	5,129
Income from old age pensions	16,379	12,773
Income from the release of miscellaneous provisions	4,360	4,871

1 Of which realised exchange rate gains of €3 thousand (previous year: €0 thousand)

5. Other charges (29)

Material items were:

in € thousands	2021	2020
Commission payments, competition awards and sales expenses from the brokering of insurance policies and home loan savings contracts for other companies	25,696	22,831
Costs of other services (e.g. management tasks)	204,104	191,412
Interest expense from unwinding discounts on long-term provisions	68	83
Transfer of interest to the pension provisions	58,393	48,978
Exchange rate losses[1]	4,592	2,518
Interest on subordinated liabilities	–	914
Negative interest	301	350
Cost of old age pensions	13,934	9,600
Supplementary payment to WürttPK[2]	26,699	3,694
Other expenses that affect the company as a whole:		
Costs for preparing the annual financial statements	1,657	1,655
Contributions to professional associations, chambers of commerce and trade and insurance supervision fees	2,030	1,965
Legal and tax consulting expenses	699	581
Projects[3]	8,597	12,235

1 Of which unrealised exchange rate losses of €4,592 thousand (previous year: €249 thousand)
2 Includes a voluntary special contribution to generally increase the provision for future policy benefits in the financial year
3 Higher project costs due to the recognition of a restructuring provision to improve processes in inside and outside sales.

Expenses of €33 thousand (previous year: €51 thousand) from unwinding discounts and income of €303 thousand (previous year: €338 thousand) from applying discounts on netted assets were offset against each other as required by Section 246 (2) sentence 2 HGB.

8. Income taxes (30)

The tax item of €1,344 thousand (previous year: €194 thousand) mainly includes foreign income taxes and withholding taxes.

Deferred tax assets or liabilities result from different carrying amounts under commercial and tax law for land, land rights and buildings, participating interests, affiliated companies, equities, units in investment funds and other non-fixed-interest securities, bearer bonds, technical provisions, miscellaneous provisions and adjustment items pursuant to Section 4f EStG in connection with provisions for pensions Deferred taxes were calculated using a tax rate of 30.36%. Deferred tax assets are not capitalised after exercising the option provided by Section 274 (1) sentence 2 HGB.

Other mandatory disclosures

Mandates

The members of the Executive Board and Supervisory Board are listed on pages 2 and 3. These pages are part of the notes.

Legal bases

Württembergische Versicherung Aktiengesellschaft has its domicile in Stuttgart and is entered in the Commercial Register of the Local Court of Stuttgart under number HRB 14327.

Supplementary report

The Russian invasion of Ukraine in February 2022 exacerbated the existing conflict between Russia and Ukraine and now represents a material negative factor for economic developments. Negative effects must be expected from factors such as higher energy and commodity prices, economic sanctions, resulting disruptions to global supply chains and worse sentiment among economic players. There is currently a real possibility that the crisis may intensify and expand to other participants.

The Ukraine conflict has no effect on the annual financial statements as of 31 December 2021 since the war began in February 2022 and is thus a non-adjusting event.

Württembergische Versicherung AG conducts primary insurance business in property and casualty insurance for retail and commercial customers in Germany, the core market in its business strategy. Therefore, the Ukraine war has no significant impact on underwriting.

Württembergische Versicherung AG does not have any direct investments in the affected countries.

Given the great uncertainty regarding the further trajectory of the conflict, it is not currently possible to provide a reliable estimate of the financial effects in 2022. However, depending on the duration and progression of the Ukraine conflict, it may indirectly have an adverse effect on the net assets, financial position, results of operations and risk situation of Württembergische Versicherung AG. Further information can be found in the management report.

There were no other material reportable events after the balance sheet date.

Supplementary disclosures

Commissions and other compensation paid to insurance agents, personnel expenses

in € thousands	2021	2020
Commissions of any nature paid to insurance agents within the meaning of Section 92 HGB for direct business	374,990	341,155
Other remuneration paid to insurance agents within the meaning of Section 92 HGB	40,811	37,766
Wages and salaries	194,366	185,478
Social security costs and welfare benefit expenses	37,377	35,666
Cost of old age pensions	40,901	22,949
Total	**688,445**	**623,014**

Employees

Number[1]	2021	2020
Inside sales	2,466	2,485
Outside sales	612	667
Trainees	108	126
Total	**3,186**	**3,278**

1 Average number of employees for the year in accordance with Section 285 (7) HGB

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

Remuneration was €267 thousand (previous year: €245 thousand) for members of the Supervisory Board and €1,154 thousand (previous year: €1,195 thousand) for members of the Executive Board. Former members of the Executive Board received €1,265 thousand (previous year: €1,031 thousand). Pension commitments to former members of the Executive Board amounted to €17,336 thousand (previous year: €17,264 thousand) in the financial year. There were no loans receivable from members of the Executive Board on the reporting date. There were no loans receivable from members of the Supervisory Board on the reporting date.

Relationships with related parties

Transactions with related parties are conducted at arm's length terms used in the market. Transactions with employees are conducted at preferential terms that are customarily used in the industry.

The control and profit and loss transfer agreements concluded with Württembergische Vertriebspartner GmbH, WürttVers Alternative Investments GmbH and Adam Riese GmbH remain in effect.

Auditor's fee

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited not only the annual financial statements but also the subsidiaries' annual financial statements. It also provided assurance services in connection with foreign bonuses.

The disclosures of the auditor's fees are included in the consolidated financial statements of Wüstenrot & Württem-bergische AG. They are not disclosed here due to the group exemption set forth in Section 285 (17) HGB.

Contingencies and other financial commitments

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 an obligation to provide the association with the resources required to carry out its purpose in accordance with our share of the premium income that the member companies generated from direct motor liability insurance business in the penultimate calendar year.

Outstanding call obligations for equity and fund investments received amounted to €165.6 million (of which to affiliated companies: €28.9 million).

On the reporting date, there were no irrevocable loan commitments representing residual obligations from loans that have been granted but not drawn down in full or at all.

Employees who joined one of the two sponsoring companies, Württembergische Versicherung AG or Württembergische Lebensversicherung AG, prior to 1 January 2002 could join the Württembergische pension fund (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 member contributions and subsidies from sponsoring companies. The sponsoring companies are obliged under the articles of association to make contributions. The sponsoring companies manage the pension fund in accordance with the business plan. They may also have secondary liability under the German Occupational Pensions Act (BetrAVG). There are no reasons to expect secondary liability claims given WürttPK's creditworthiness.

The pension commitments were transferred to Württembergische AG Versicherungs-Beteiligungsgesellschaft (predecessor company of W&W AG) under a December 1991 contract in which the company assumed joint liability and responsibility for fulfilment in exchange for a one-time compensation payment amounting to the net present value at the time. Württembergische Versicherung AG settles the income and expense from the change in these pension commitments with W&W AG in cash every year. The pension commitments owed to Württembergische Versicherung AG employees of €752,423 thousand on the balance sheet date is offset by an indemnification claim against W&W AG for the same amount, resulting in a netted carrying amount of zero.
Given W&W AG's creditworthiness, there are no reasons to believe it would be unable to fulfil the transferred obligations, which would result in recourse to WV.

Pursuant to Section 253 (2) sentence 1 HGB, the actuarial interest rate is set at the average market interest rate of the past ten years. The discount rates published by the Deutsche Bundesbank as of 31 October 2021 with a ten-year average interest rate were adjusted by extrapolating the average monthly decline in interest rates from 1 January to 31 October 2021 for the months of November and December 2021.

The difference between the measurement of the provision for pensions and similar obligations at the ten-year average interest rate and the seven-year average interest rate in accordance with Section 253 (6) HGB amounts to €72.4 million.

Under the waiver of recourse and indemnity declaration issued by the W&W Group, the company waives any recourse claims against the agent for an advisory error made by the agent in connection with the brokerage of an insurance product sold by the company or subsequent services provided, provided there was no wilful misconduct and the loss is not covered by liability insurance.
The company has also agreed to indemnify the agent regarding the agent's own liability for faulty advice given while brokering insurance or financial service products offered by an insurance company within the W&W Group, by a collaboration partner or in the course of further advisory services.
The minimum amount insured is limited to €200 thousand per claim and a total of €300 thousand per year. Claims for advisory errors made during insurance brokerage activities are subject to the applicable minimum amount insured of €1,300 thousand per claim and €1,925 thousand per year under the errors and omissions insurance for insurance intermediaries/advisors and financial investment intermediaries/fee-based financial investment advisors.

We currently assume that, as in the past, the company will not incur any additional expenses due to the risk of being held liable for the listed contingencies in future.

Other financial commitments from various leases amount to €6.3 million.

Expenses of €183.6 million are expected for intra-group services in 2022.

Apart from these liability and security arrangements, there are no other contingent liabilities, pledges, transfers for security purposes or liabilities under bills of exchange that are not shown in the balance sheet or the above notes.

We expect compensation payments of €45,542 thousand to start-ups from start-up losses under existing control and profit and loss transfer agreements in the next three years.

Group affiliation

Wüstenrot & Württembergische AG (W&W AG), Stuttgart, Germany, notified us pursuant to Section 20 AktG that it is the sole shareholder of our company.

Württembergische Versicherung AG, Stuttgart, is part of the W&W Group, whose parent company is W&W AG. The consolidated financial statements of the W&W Group are published in the German Federal Gazette.

The company is included in the consolidated financial statements of Wüstenrot & Württembergische AG and is therefore exempt from the obligation to prepare its own consolidated financial statements; the requirements set forth in Section 291 (2) HGB are met.

Accounting policies applied in departure from German law in the exempting consolidated financial statements include, without limitation, the prohibition on recognising claims equalisation reserves and the recognition of certain financial assets at fair value, whereas the HGB requires all such items to be measured at amortised cost or recognised at nominal value less repayments made. The “financial assets in other comprehensive income (OCI)” category is measured at fair value directly in other comprehensive income.

Stuttgart, 24 February 2022

The Executive Board

Zeliha Hanning

Dr Per-Johan Horgby

Jens Lison

Alexander Mayer

Dr. Susanne Pauser

Jens Wieland

Individual asset disclosures

Asset disclosures

in Tsd €	Carrying amounts 2020	Additions	Reclassifications[1]	Disposals	Reversals of write-downs	Depreciation, amortisation, and write-downs	Carrying amounts 2021
A.I. Land, land rights and buildings including buildings on third-party land	**61,608**	**95**	**—**	**—**	**—**	**7,209**	**54,494**
A.II. Capital investments in affiliated companies and participating interests							
1. Shares in affiliated companies	237,053	2,000	–	–	1,926	71	240,908
2. Loans to affiliated companies	52,050	–	–	–	–	–	52,050
3. Participating interests	240,099	35,797	–184,949	24,288	1,142	1,712	66,089
4. Total A.II.	**529,202**	**37,797**	**–184,949**	**24,288**	**3,068**	**1,783**	**359,047**
A.III. Other financial investments							
1. Shares, investment units and other non-fixed-income securities	948,935	143,344	184,949	14,699	15,004	37,913	1,239,620
2. Bearer bonds and other fixed-income securities	916,360	172,175	–	96,482	1,517	28,109	965,461
3. Receivables from mortgages, land charges and annuity land charges	76,516	5,793	–	7,654	27	21	68,868
4. Other loans							
a) Registered bonds	274,237	–	–	10,083	78	197	264,035
b) Promissory notes and loans	134,765	802	–	1,732	–	–	133,835
c) Loans and advance payments on	21,798	26	–	37	–	–	21,787
5. Deposits with credit institutions	51,718	–	–	7,573	575	–	44,720
6. Other	2	–	–	–	–	–	2
7. Total A.III.	**2,424,331**	**316,347**	**184,949**	**138,260**	**17,201**	**66,240**	**2,738,328**
Total	**3,015,141**	**354,239**	**—**	**162,548**	**20,269**	**75,232**	**3,151,869**

1 The reclassification amounts show the values on the technical reclassification date during the year and include transactions carried out up to this date. The reclassifications took effect in substance on 1 January 2021 and are therefore recognised for the full year under the corresponding absorbing items in the income statement for this year’s reporting period.

Individual liability disclosures

C. Technical provisions[1]

in € thousands	Gross provisions for outstanding insurance claims 31.12.2021	Gross provisions for outstanding insurance claims 31.12.2020	Claims equalisation reserve and similar provisions 31.12.2021	Claims equalisation reserve and similar provisions 31.12.2020	Gross technical provisions, total 31.12.2021	Gross technical provisions, total 31.12.2020
1. Direct insurance business						
Casualty insurance	216,370	236,957	–	–	236,872	257,504
Liability insurance	443,356	435,850	–	39,268	474,191	503,926
Motor liability insurance	1,095,067	1,091,124	130,558	121,336	1,243,112	1,230,183
Other motor insurance	85,672	57,463	90,552	81,734	189,628	152,277
Fire and property insurance						
Fire insurance	97,632	78,772	28,532	26,212	135,139	113,704
Combined household insurance	30,442	18,170	–	–	44,615	32,403
Combined building insurance	235,283	93,641	96,506	90,101	366,613	217,434
Other property insurance	266,277	89,755	41,650	49,281	333,773	163,805
	629,634	280,338	166,688	165,594	880,140	527,346
Marine and aviation insurance	24,950	27,812	6,415	1,219	32,167	29,783
Legal expenses insurance	195,755	193,120	8,657	12,985	221,207	222,350
Assistance insurance	935	768	14,278	10,427	17,413	12,787
Other insurance	76,964	63,210	501	–	81,684	66,396
Total	**2,768,703**	**2,386,642**	**417,649**	**432,563**	**3,376,414**	**3,002,552**
2. Accepted reinsurance business	**32,184**	**36,645**	**–**	**–**	**32,373**	**36,764**
3. Total insurance business	**2,800,887**	**2,423,287**	**417,649**	**432,563**	**3,408,787**	**3,039,316**

1 See “Liability disclosures” in the notes.

Individual income statement disclosures[1]

in € thousands	Gross premiums written 2021	Gross premiums written 2020	Earned premiums (gross) 2021	Earned premiums (gross) 2020	Earned premiums (net) 2021	Earned premiums (net) 2020
1. Direct insurance business						
Casualty insurance	152,609	147,635	152,708	147,574	129,677	125,270
Liability insurance	238,870	225,497	236,651	225,378	196,330	188,524
Motor liability insurance	489,364	480,441	489,792	480,204	415,062	406,689
Other motor insurance	385,852	371,765	385,905	371,561	316,984	311,184
Fire and property insurance						
Fire insurance	98,345	88,700	98,083	87,960	52,659	48,042
Combined household insurance	104,087	101,602	104,113	101,434	85,470	85,694
Combined building insurance	262,009	223,775	260,829	221,812	208,474	177,034
Other property insurance	243,646	217,343	242,570	215,963	153,899	141,876
	708,087	631,420	705,595	627,169	500,502	452,646
Marine and aviation insurance	25,575	24,041	25,575	24,041	21,461	20,144
Legal expenses insurance	140,924	133,362	140,202	132,587	118,943	112,328
Assistance insurance	18,270	15,352	17,676	14,665	15,009	12,438
Other insurance	29,070	23,872	28,033	22,633	16,402	12,630
Total	**2,188,621**	**2,053,385**	**2,182,137**	**2,045,812**	**1,730,370**	**1,641,853**
2. Accepted reinsurance business	**3,323**	**1,688**	**3,253**	**1,568**	**1,387**	**321**
3. Total insurance business	**2,191,944**	**2,055,073**	**2,185,390**	**2,047,380**	**1,731,757**	**1,642,174**

1 See the "Income statement disclosures" in the notes

	Gross claims incurred		Gross operating expenses		Reinsurance balance[1]	
in € thousands	2021	2020	2021	2020	2021	2020
1. Direct insurance business						
Casualty insurance	37,663	77,831	47,855	48,208	−7,547	−995
Liability insurance	92,511	108,853	78,770	75,552	−5,624	−4,250
Motor liability insurance	317,912	371,336	84,929	82,582	−8,083	12,684
Other motor insurance	343,753	255,883	73,812	71,204	37,189	−4,657
Fire and property insurance						
Fire insurance	65,692	57,976	26,376	23,876	−1,907	−5,001
Combined household insurance	67,957	31,211	35,188	35,775	24,698	−4,137
Combined building insurance	333,036	135,878	74,063	61,919	135,061	−8,409
Other property insurance	344,009	111,701	84,517	74,561	151,573	−11,442
	810,694	336,766	220,144	196,131	309,425	−28,989
Marine and aviation insurance	11,654	19,164	7,934	7,498	−223	1,736
Legal expenses insurance	81,080	85,796	45,707	45,111	136	1,641
Assistance insurance	6,144	5,435	5,694	5,222	−636	−399
Other insurance	30,334	53,686	10,645	8,666	8,590	11,483
Total	**1,731,745**	**1,314,750**	**575,490**	**540,174**	**333,227**	**−11,746**
2. Accepted reinsurance business	**−4,288**	**−975**	**851**	**560**	**−1,794**	**−554**
3. Total insurance business	**1,727,457**	**1,313,775**	**576,341**	**540,734**	**331,433**	**−12,300**

1 From the perspective of Württembergische Versicherung AG

in € thousands	Technical result, net of reinsurance (before claims equalisation reserve)		Change in the claims equalisation reserve and similar provisions		Technical result, net of reinsurance (after claims equalisation reserve)	
	2021	2020	2021	2020	2021	2020
1. Direct insurance business						
Casualty insurance	59,979	20,810	–	–	59,979	20,810
Liability insurance	60,142	37,489	39,268	17,144	99,410	54,633
Motor liability insurance	79,133	41,364	−9,222	−3,592	69,911	37,772
Other motor insurance	4,414	41,774	−8,819	2,781	−4,405	44,555
Fire and property insurance						
Fire insurance	3,088	889	−2,320	−1,570	768	−681
Combined household insurance	22,119	28,037	–	–	22,119	28,037
Combined building insurance	−21,663	10,764	−6,404	−14,510	−28,067	−3,746
Other property insurance	−39,011	17,995	7,631	−1,639	−31,380	16,356
	−35,467	57,685	−1,093	−17,719	−36,560	39,966
Marine and aviation insurance	5,715	−359	−5,196	1,643	519	1,284
Legal expenses insurance	13,843	3,342	4,328	4,329	18,171	7,671
Assistance insurance	5,206	3,622	−3,850	−2,609	1,356	1,013
Other insurance	−4,427	−28,281	−501	–	−4,928	−28,281
Total	**188,538**	**177,446**	**14,915**	**1,977**	**203,453**	**179,423**
2. Assumed insurance business	**5,048**	**882**	–	–	**5,048**	**882**
3. Total insurance business	**193,586**	**178,328**	**14,915**	**1,977**	**208,501**	**180,305**

Annex to the notes

Number of insurance policies with a term of one year or longer

in units	31.12.2021	31.12.2020
Casualty insurance	748,111	750,462
Liability insurance	1,343,013	1,291,897
Motor liability insurance	1,873,263	1,837,717
Other motor insurance	1,401,514	1,365,290
Fire and property insurance		
Fire insurance	192,505	188,123
Combined household insurance	747,489	743,285
Combined building insurance	473,395	466,632
Other property insurance	1,090,477	1,046,881
	2,503,866	**2,444,921**
Marine and aviation insurance	37,241	34,414
Legal expenses insurance	818,762	793,972
Assistance insurance	677,510	656,904
Other insurance	136,249	121,712
Total	**9,539,529**	**9,297,289**

List of shareholdings

Name and domicile of the company	Directly held share of capital	Indirectly held share of capital	Currency	Reporting date	Equity[1]	Net profit after taxes[1]
	in %	in %				
Germany						
Adam Riese GmbH, Stuttgart[2]	100.00		€	31.12.2020	25,000	–
Altmark Versicherungsmakler GmbH, Stuttgart	100.00		€	31.12.2020	3,973,740	1,004,358
Altmark Versicherungsvermittlung GmbH, Stuttgart	100.00		€	31.12.2020	529,146	146,880
BWK GmbH Unternehmensbeteiligungs-gesellschaft, Stuttgart	17.50		€	31.12.2020	222,418,734	-8,107,149
BWK Holding GmbH Unternehmens-beteiligungsgesellschaft, Stuttgart	17.50		€	31.12.2020	12,264,118	847,634
Württembergische Akademie GmbH, Stuttgart	100.00		€	31.12.2020	65,020	-34,980
Württembergische Immobilien AG, Stuttgart	100.00		€	31.12.2020	119,965,998	2,664,621
Württembergische Kö 43 GmbH, Stuttgart		89.90	€	31.12.2020	22,273,216	-23,248
Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart	100.00		€	31.12.2020	76,492	-202
Württembergische Vertriebspartner GmbH, Stuttgart[2]	100.00		€	31.12.2020	74,481	–
WürttVers Alternative Investments GmbH, Stuttgart[2]	100.00		€	31.12.2020	59,025,000	–
France						
Württembergische France Immobiliere SARL, Strasbourg[3]		100.00	€	30.9.2021	15,309,098	1,116,368
Württembergische France Strasbourg SARL, Strasbourg	100.00		€	30.9.2021	46,491,541	2,186,769
Austria						
G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG, Vienna		99.90	€	31.12.2020	23,117,754	1,628,159
SAMARIUM drei GmbH & Co OG, Vienna		99.00	€	31.12.2020	9,443,240	415,387

1 This information refers to the last available annual financial statements named under “Reporting date”.
2 Profit and loss transfer agreement available.
3 The direct interest amounted to less than 0.01%.

Independent auditor’s report

To Württembergische Versicherung AG, Stuttgart

Report on the audit of the annual financial statements and the management report

Audit opinions

We have audited the annual financial statements of Württembergische Versicherung AG, Stuttgart, comprising the balance sheet as of 31 December 2021, the income statement for the financial year from 1 January to 31 December 2021, and the notes to the annual financial statements, including the presentation of the accounting policies.
We have also audited the management report of Württembergische Versicherung AG for the financial year from 1 January to 31 December 2021. In compliance with German law, we did not audit the content of the declaration on corporate governance (disclosures on the ratio of women) contained under other disclosures of the management report in accordance with Section 341a HGB in conjunction with Section 289f.

In our opinion, based on the findings of our audit,

- the attached annual financial statements comply in all material respects with the requirements of German commercial law applicable to insurance companies, and they give a true and fair view of the company’s net assets and financial position as of 31 December 2021, and of its results of operations for the financial year from 1 January 2021 to 31 December 2021, in accordance with the German principles of proper accounting, and
- the attached management report as a whole presents an accurate view of the company’s position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal regulations and suitably presents the opportunities and risks of future development.
  Our audit opinion on the management report does not cover the contents of the above-mentioned declaration on corporate governance.

Pursuant to Section 322 (3) (1) HGB, we state that our audit has not led to any reservations with regard to the compliance of the annual financial statements or the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB, the EU Audit Regulation (No 537/2014; hereinafter “EUAR”) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors - IDW). Our responsibility according to these regulations and standards is described in further detail in the “Responsibility of the auditor for the audit of the annual financial statements and the management report” section of our auditor’s report. We are independent of the company in compliance with the provisions of European law, German commercial law and professional law and have fulfilled our other German professional obligations in compliance with these requirements.
In addition, we declare pursuant to Article 10, Paragraph 2 Letter f) EU-AR that we have provided no prohibited non-audit services referred to in Article 5, Paragraph 1 EU-AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions regarding the annual financial statements and the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are such matters that, in our professional judgement, were the most significant in our audit of the annual financial statements for the financial year from 1 January 2021 to 31 December 2021. These matters were considered in connection with our audit of the annual financial statements as a whole and the formulation of our audit opinion; we do not provide a separate audit opinion on these matters.

In the following, we describe the audit matters that we consider to be key:

Measurement of the partial provision for reported insurance claims in direct property and casualty business included in the gross provision for outstanding insurance claims

Reasons for designation as a key audit matter
The gross provision for outstanding insurance claims mainly relates to direct property and casualty business.

The gross partial provision for reported insurance claims pertains to the material part of the gross provision for outstanding insurance claims in direct property and casualty business.

The gross partial provision for reported insurance claims in direct property and casualty business is measured individually based on an estimate based on current information about claims experience and forecasts of future claims experience based on knowledge about the settlement of comparable claims.

We determined that the measurement of the partial provision for outstanding insurance claims in the direct property and casualty insurance business included in the gross provision for outstanding claims is a particularly important audit matter due to the scope for discretion and applied estimation procedures. There is a risk that the gross provision for outstanding insurance claims as a whole and in the individual classes of insurance is not adequate.

Audit approach
In our audit, we examined the processes for processing claims and calculating the gross partial provision for reported insurance claims, assessed the design of the implemented controls and tested their effectiveness.

For the gross partial provision for reported insurance claims in the direct property and casualty insurance business, we traced the steps involved in processing individual claims – starting from filing and processing the claim to recognising claims reserves and recognising it in the annual financial statements – with regard to their proper recording and measurement.

We also conducted random checks of insurance claims in the direct property and casualty business and, on that basis, assessed the adequacy of the provisions recognised for these reported insurance claims based on the latest information and knowledge available on the reporting date. We used the records for various classes and types of insurance to gauge the amount of individual provisions and, in the process, assessed whether discretion was appropriately exercised in setting provision amounts. We also used multi-year comparisons to review loss ratios and average losses for measurement anomalies.

We analysed the actual development of the gross partial provision for reported insurance claims in the direct property and casualty insurance business posted in the previous year on the basis of anomalies in the run-off results.

We also made our own claims projections using mathematical and statistical procedures in order to evaluate the measurement of the gross partial provision for reported insurance claims in direct property and casualty business. We used our best estimate for risk-relevant classes and types of insurance as a benchmark for assessing the measurement as a whole.

We used our own actuaries in our audit.

Our audit procedures did not lead to any objections to the measurement of the partial provision for reported insurance claims in direct property and casualty business included in the gross provision for outstanding insurance claims.

Reference to related information
The disclosures concerning the measurement of the gross provision for outstanding insurance claims are contained in the notes in the section on accounting policies for technical provisions.

Measurement of other loans

Reasons for designation as a key audit matter
The company holds loans (primarily registered bonds and promissory note loans) for investment purposes. These loans are recognised in the annual financial statements under "other loans".

Other loans are not listed on an exchange. The fair values of these capital investments are determined using recognised standard valuation methods, particularly discounted cash flow methods. Other recognised instrument-specific measurement procedures are used to only a limited extent. Most of the data used in the determination are measurement parameters that can be observed in the market (particularly yield curves and risk premiums) but, to a lesser extent, also measurement parameters that cannot be observed in the market. There is scope for discretion in the selection of procedures and the determination of measurement parameters and assumptions.

This is a particularly important audit matter due to the scope for discretion in selecting the material measurement parameters and assumptions in the model-based measurement process and the resulting write-downs and reversals of write-downs, if any, as well as the associated risk of a material misstatement in the annual financial statements.

Audit approach
In our audit, we examined the process for measuring the other loans, assessed the design of the identified controls and tested their effectiveness. Our focus was on controls that are designed to ensure the accuracy of the portfolio data.

We gained a methodological understanding of the measurement procedures. This involved comparing the utilised measurement parameters with publicly available measurement parameters for a selection. If parameters were not observable in the market, we evaluated them by remeasuring a selected portion of the other loans portfolio.

We also performed our own calculations of the market values of a random sample of other loans using valuation experts and compared the findings with the figures calculated by the Executive Board.

Furthermore, we re-calculated the write-downs and write-ups for some of the other loans.

Our audit procedures did not lead to any objections to the measurement of the other loans.

Reference to related information
Information on the fair value measurement of other loans is provided in the notes in sections "Accounting policies for other loans" and "Fair value measurements".

Other information

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives are responsible for the other information in all other respects. Other information comprises the following elements intended for the annual report, a version of those elements having been provided to us prior to the issuance of this auditor's report. This information includes, in particular, the declaration on corporate governance mentioned above (disclosure on the women's quota) and the report of the Supervisory Board but not the annual financial statements, not the disclosures from the management report included in the substantive audit, and not our associated auditor's report.

Our audit opinions regarding the annual financial statements and the management report do not extend to the other information, which is why we provide neither an audit opinion nor any other form of audit conclusion in this regard.

As part of our audit, we have a responsibility to read the other information and to evaluate whether it

- exhibits material discrepancies with the annual financial statements, the management report or the knowledge we have obtained during our audit, or
- otherwise seems significantly incorrect.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report

The legal representatives are responsible for preparing the annual financial statements, which in all material respects comply with the requirements of German commercial law applicable to insurance companies, and for the annual financial statements giving a true and fair view of the net assets, financial position and results of operations of the company in accordance with the German principles of proper accounting. Furthermore, the legal representatives are responsible for the internal controls that, in accordance with the German principles of proper accounting, they deemed necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the annual financial statements, the legal representatives are responsible for assessing the company's status as a going concern. In addition, they have a responsibility to disclose matters related to the status as a going concern, if relevant. They are also responsible for accounting on the basis of the going concern principle, unless prevented by actual or legal circumstances.

Moreover, the legal representatives are responsible for preparing the management report, which as a whole provides an accurate view of the company's position and is consistent with the annual financial statements in all material respects, complies with German legal regulations and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for the arrangements and measures (systems) that they considered necessary to enable the preparation of a management report in compliance with the applicable German legal regulations and to allow sufficient, suitable evidence to be provided for the statements in the management report.

The Supervisory Board is responsible for monitoring the company's accounting process for the preparation of the annual financial statements and the management report.

Responsibility of the auditor for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an accurate view of the company's position and is in all material respects consistent with the annual financial statements and with the findings of the audit, complies with German legal regulations and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions regarding the annual financial statements and the management report.

Reasonable assurance is a high level of assurance but not a guarantee that an audit carried out in compliance with Section 317 HGB, the EU-AR and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always uncover a material misstatement. Misstatements can result from transgressions or inaccuracies and are deemed material if it could be reasonably expected that they would individually or together influence the financial decisions made by users on the basis of the annual financial statements and management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements, whether due to fraud or error, in the annual financial statements and the management report, plan and implement audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk that material misstatements are not uncovered is higher in the case of transgressions than in the case of inaccuracies, as transgressions can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions, or the suspension of internal controls;
- we gain an understanding of the internal control system relevant for the audit of the annual financial statements and of the arrangements and measures relevant for the audit of the management report in order to plan audit procedures that are appropriate given the circumstances, but not with the aim of providing an audit opinion regarding the effectiveness of these systems of the company;
- we evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimated values presented by the legal representatives and the associated disclosures;
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty regarding events or circumstances that could cause significant doubt about the company's ability to continue as a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to call attention to the associated disclosures in the annual financial statements and in the management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may mean that the company is no longer a going concern;
- we evaluate the overall presentation, the structure and the content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events such that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with the German principles of proper accounting;
- we evaluate the consistency of the management report with the annual financial statements, its legality and the view it gives of the position of the company;
- we conduct audit procedures regarding the forward-looking disclosures made by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence, we examine the significant assumptions underlying the legal representatives' forward-looking disclosures in particular and evaluate the appropriateness of the derivation of the forward-looking disclosures from these assumptions. We do not provide a separate audit opinion regarding the forward-looking disclosures or the underlying assumptions. There is a considerable, unavoidable risk that future events will differ significantly from the forward-looking disclosures.

Topics for discussion with those responsible for monitoring include the planned scope and scheduling of the audit as well as significant audit findings, including any deficiencies in the internal control system that we find during our audit.

We issue a statement to the monitors to the effect that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence and the safeguards put in place to protect against this.

From among the matters that we have discussed with the monitors, we determine which matters were most significant in the audit of the annual financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report, unless laws or other legal provisions preclude their public disclosure.

Other statutory and legal requirements

Other disclosures pursuant to Article 10 EU-AR

We were elected as the auditor of the consolidated financial statements at the Supervisory Board meeting on 26 March 2021. We were engaged by the Chairperson of the Audit Committee of the Supervisory Board on 9 June 2021. We have continuously been the auditor of the financial statements of Württembergische Versicherung AG since the 2020 financial year.

We declare that the audit opinions contained in this auditor's report are consistent with the additional report to the Risk and Audit Committee according to Article 11 EU-AR (audit report).

Responsible auditor

The auditor responsible for the audit is Martin Gehringer.

Stuttgart, 23 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Martin Gehringer	Jochen Spengler
German Public Auditor	German Public Auditor

Württembergische Versicherung AG
Report of the Supervisory Board

The Supervisory Board performed the duties incumbent upon it under the law, the articles of association and the rules of procedure in the 2021 financial year. It supervised the management and was directly involved in all matters of fundamental importance to the company.

Composition

The Supervisory Board of Württembergische Versicherung AG comprises 12 members, as set out in the articles of association.

There was one personnel change on the Supervisory Board during the 2021 financial year. Mr Hubert Sebold left the Supervisory Board effective 30 June 2021. Ms Gabriele Paccanini succeeded to the Supervisory Board as an elected substitute member on 1 July 2021.

The Supervisory Board would like to thank Mr Hubert Sebold for his commitment and constructive contributions.

By resolution of the Supervisory Board on 9 July 2021, Mr Hartmut Bader was elected Deputy Chairman. Due to Mr Hubert Sebold leaving the Supervisory Board, the Supervisory Board has newly appointed its Audit Committee by resolution of 9 July 2021.

As a body of a company subject to co-determination, the Supervisory Board has set itself the goal of filling 25% of the Supervisory Board positions with women in accordance with Section 111 (5) AktG. There are currently four women on the Supervisory Board; the goal has been achieved.

Supervisory Board meetings

The Supervisory Board dealt with the development of the company in detail in two ordinary meetings and one extraordinary meeting. The Supervisory Board received the Executive Board reports, presentations and meeting documents in enough time to prepare for the meetings. The Supervisory Board received regular, timely and comprehensive reports from the Executive Board, both in writing and verbally, on all issues that are relevant to the company in terms of strategy, planning, business development, investment management and risk position of the company, especially in light of the coronavirus pandemic. The issues of risk management and non-audit services provided by the auditor were also explored in detail by the Supervisory Board and the Audit Committee. Detailed reports on business, risk and IT strategy were prepared and submitted to the Supervisory Board for information and discussion. The Executive Board submitted the Internal Audit report to the Audit Committee and Supervisory Report and submitted the compliance officer's report to the Audit Committee. The Audit Committee meeting was attended by both the head of Internal Audit and the compliance officer. In addition, there was an ongoing exchange between the Chairwoman of the Executive Board and the Chairman of the Supervisory Board as well as immediate information on all significant developments and decisions as they occurred.

The meetings of the Supervisory Board of Württembergische Versicherung AG mainly addressed the natural disasters from the flood disaster, the effects of the coronavirus pandemic, the further development of the corporate strategy and the enhancement of the "W&W Besser!" programme. Other discussions in the Supervisory Board focused on digitalisation measures, digital business models, the continued pursuit of the "Komposit.Besser!" programme and the "Kraftfahrt.Besser!" project and changes in customer behaviour in the "new digital reality". There were further discussions on designing products to fit the digital world.

Business development and earnings performance in the individual segments of Württembergische Versicherung AG were discussed in detail, as were the current capital market situation and current regulatory developments The Supervisory Board thoroughly discussed the operational planning for 2022 and the further medium-term planning.

During the year, the Supervisory Board passed two resolutions by circulation on the deputisation of the Chairman on the Supervisory Board, the reappointment of the Audit Committee, the amendment of the rules of procedure for the Supervisory Board and the amendment of the guideline for the provision of non-audit services by the auditor.

All measures requiring approval under the law and the company's regulations were submitted to the Supervisory Board.

The Supervisory Board also worked on central corporate governance issues. The Supervisory Board carefully assessed the competency profile for the Supervisory Board as a whole and the development plan based on it as well as the general conditions affecting the composition of the Supervisory Board. The further development measures defined in the development plan set for the Supervisory Board at the end of 2020 were implemented in the course of the 2021 financial year. The members of the Supervisory Board conducted another self-assessment where they rated their strengths in investment, underwriting and financial reporting. This, in turn, informs the development plan that the Supervisory Board prepares every year in which it determines areas in which the entire Board or individual Supervisory Board members want to develop further. The Supervisory Board adopted the development plan for 2022 at its December meeting. The self-assessment and development plan were forwarded to the supervisory authority.

The Supervisory Board reviewed the efficiency of its activities in the self-assessment and looked at the overall positive results in its March 2021 meeting.

There were no reportable conflicts of interest in 2021.

Efficient committee work

In order to perform its duties efficiently, the Supervisory Board has formed three committees that can prepare the deliberations and resolutions of the full Supervisory Board or pass resolutions themselves: the Audit Committee, the Personnel Committee and the Conciliation Committee.

The **Audit Committee** held two ordinary meetings in 2021. The **Personnel Committee** held two ordinary meetings. The **Conciliation Committee** did not meet. Topics relevant to the applicable committee were discussed in detail at the committee meetings. The committee chairpersons reported to the Supervisory Board on the work done by the committees at the next Supervisory Board meeting.

In addition to the topics delegated to it by law and the rules of procedure of the Supervisory Board, the **Audit Committee** focused on risk bearing capacity, particularly given the severe weather events and coronavirus pandemic. Organisationally, the guideline for the provision of non-audit services by the auditor was revised and amended. The strategic asset allocation and the amended internal investment guidelines were presented for a decision.

The **Personnel Committee** prepared personnel and remuneration matters relating to the members of the Executive Board for the Supervisory Board. It addressed remuneration issues and the remuneration system for the Executive Board and employees. It reviewed and assessed the professional qualifications and reliability of each Executive Board and Supervisory Board member in accordance with the "Fit and proper guideline for executive directors and members of the Supervisory Board". Furthermore, it reviewed and assessed the structure, size, composition and performance of the Executive Board and Supervisory Board. It also dealt with current personnel issues.

Audit of the annual financial statements

The Supervisory Board thoroughly examined the annual financial statements and the management report for the 2021 financial year. The annual financial statements and management report are complete and consistent with the assessments made by the Executive Board in the reports to be submitted pursuant to Section 90 AktG.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, the auditors appointed by the Supervisory Board, duly audited the annual financial statements prepared by the Executive Board for the 2021 financial year and the management report and issued an unqualified auditor’s report.

The auditor reported the main audit findings to the Supervisory Board in writing and verbally. The audit report was received by each member of the Supervisory Board. In addition, the auditor reported at both the Audit Committee meeting on 23 March 2022 and the Supervisory Board’s balance sheet meeting on 28 March 2022. The submitted audit report complies with the legal requirements of Section 321 HGB and was considered by the Supervisory Board as part of its own audit of the financial statements. There were no circumstances that could call the independence of the auditor into question.

Following the final result of the audit of the annual financial statements and the management report, the Supervisory Board raised no objections and approved the annual financial statements prepared by the Executive Board at its meeting of 28 March 2022. The annual financial statements are thus deemed adopted in accordance with Section 172 sentence 1 AktG.

The Supervisory Board also discussed the solvency balance sheet for Württembergische Versicherung AG as of 31 December 2020 as well as the auditor’s report in this regard.

Composition of the Executive Board

At the ordinary meeting on 7 December 2021, the Supervisory Board appointed Dr Per-Johan Horgby to the Executive Board for five years starting on 1 January 2022. The Executive Board consists of six members including Dr Horgby. The Supervisory Board made changes to the schedule of responsibilities in this context.

The 2021 financial year placed high demands on management and staff. The Supervisory Board would like to express its sincere thanks and appreciation to the employees and the Executive Board for their work and tireless commitment.

Stuttgart, 28 March 2022

The Supervisory Board

Jürgen A. Junker
Chairman

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Ihr Fels in der Brandung.