Annual report 2022

Württembergische Versicherung AG

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

I hereby certify this is a correct translation, however as per the above disclaimer the German original is legally binding.

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Head of Overseas UK Branch
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württembergische

Ihr Fels in der Brandung.

Württembergische Versicherung AG
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Executive Board and Supervisory Board

Executive Board

Zeliha Hanning
Chair
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Alexander Mayer
Investments
Accounting

Dr. Per-Johan Horgby
Retail Customers
Motor Operations
Customer and
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Actuarial Services
& Reinsurance
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Jens Wieland
IT
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Jens Lison
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Supervisory Board

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

Hartmut Bader[1]
Deputy Chair
Chair of the Central Works Council Württembergische Versicherung AG/Württembergische Lebensversicherung AG
Chair of the Works Council
Württembergische Versicherung AG/
Württembergische Lebensversicherung AG,
Stuttgart head office

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

Claudia Diem
Member of the Management Board
Baden-Württembergische Bank

Gisbert Hasenfuss[1]
Senior executive
Sales, strategic duties
Württembergische Versicherung AG

Ulrich Kraft
Member
ARTA Zentrale Dienste GmbH

Fränzi Kühne
Chief Digital Officer (CDO) and member
of the Management Board of edding AG
(from 1 March 2022)

Hans Peter Lang
Independent corporate consultant Member
of the Executive Management W&W Asset
Management GmbH

Holger Mardfeldt
Member
Martens & Prahl Versicherungskontor GmbH & Co. KG
(holding company)

Gabriele Paccanini[1]
Insurance employee Chair of
the Works Council
Württembergische Versicherung AG, Würzburg location

Richard Peters[1]
Head of the regional office in Düsseldorf
Württembergische Versicherung AG
Chair of the Works Council
Württembergische Versicherung AG, Cologne and
Düsseldorf locations
Deputy Chair of the Central Works Council
Württembergische Versicherung AG/
Württembergische Lebensversicherung AG

Petra Sadowski[1]
Trade union secretary
Vereinte Dienstleistungsgewerkschaft ver.di
Stuttgart district

1 Employee representatives

Württembergische Versicherung AG
Management report

Fundamentals

Business model

Overview of Württembergische Versicherung AG

Württembergische Versicherung AG, based in Kornwestheim, Germany, is one of Germany's most venerable insurance companies. It was founded in 1828 as "Württembergische Privat-Feuer-Versicherungs-Gesellschaft". Today, the company offers a wide range of property and casualty insurance products. Thanks to the wide selection of products that it offers, Württembergische Versicherung AG is one of Germany's largest property and casualty insurers. Germany is the company's core market.

Wüstenrot & Württembergische AG (W&W AG) holds 100% of the share capital of Württembergische Versicherung AG. Since the merger of the long-standing companies Wüstenrot and Württembergische in 1999, Württembergische Versicherung AG has been a 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 and offers customers the financial planning solutions that meet their needs.

The **Management Board** is the central steering body of the W&W Group. Among other things, it deals with Group governance and setting and further developing business strategy. In addition to the members of the Executive Board of W&W AG, the Management Board was composed of the division heads Bernd Hertweck (Housing), Zeliha Hanning (Property Insurance) and Jacques Wasserfall (Life and Health Insurance) as at 31 December 2022. Operational and company-specific issues of the individual entity are handled by the Insurance division board.

In the **Insurance** division, the W&W Group offers its customers a wide range of life and health insurance products as well as property/casualty insurance products. The key undertakings in this division are Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG. Changes were made to the Executive Boards of Württembergische insurance group in the reporting year. Following in part very strong growth in new business and gains in market shares, Württembergische Versicherung AG created a new Executive Board remit that bundles retail customer business, motor business and customer services. Dr Per-Johan Horgby assumed responsibility for this new portfolio, effective 1 January 2022. Dr Susanne Pauser stepped down from the Executive Board on 30 September 2022. Responsibility for Human Resources will henceforth be assigned to the Chairman of the Executive Board in future.

By building the new **W&W campus** at the Kornwestheim location, W&W AG, as builder-owner, is investing in the future of the Group. Employees moved into the first section of the building in late 2017, at which time work began on the second section. The second section was finished in early 2023, at which time W&W Group employees began relocating to it, a phase that is expected to last several months. With completion of the W&W campus on the six-hectare site, the W&W Group now has 4,000 modern office workstations plus 2,000 flexible workstations at a location that is designed for the future, providing enough work space for more than 6,000 employees.

"W&W Besser!"

As part of the W&W financial planning group, Württembergische Versicherung AG is highly stable and strives to sustainably grow its enterprise value. The following approaches continued to be pursued in 2022 as well:

- Service – inspiring customers and employees
- Doubling market growth in profitable business 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 Besser!" is not considered a rigid programme but rather an attitude that is intended to guide all actions of employees.

"W&W Besser!" made it possible to realise further implementation achievements in the past financial year. Among other things, efforts focused on tapping into new customer groups and providing intensive support to our existing customers, as well as the issues of digital transformation and sustainability:

- The digitisation of sales continued to progress. The long-time field staff are gradually being replaced by modern customer relationship managers, with new digital forms for pricing, offers and applications.

- One of the objectives of the W&W Group is to tap into new customer groups. To that end, the Württembergische Insurance Group entered into an advertising cooperation with Elyas M'Barek in late 2022. The actor will become the face of the new brand campaign, which started at the end of 2022.

- The new residential building and household insurance products were rated "outstanding" (FFF) by Franke & Bornberg, which confirms that Württembergische is positioned in a professional, future-focused manner with its product design. In the area of motor insurance, FOCUS-Money awarded Württembergische Versicherung AG the seal of approval "Fairest Motor Insurer".

- In 2022 the Württembergische insurance companies placed first in the "Best Customer Service" study by Service Value GmbH based on the very positive ratings by customers. In a further study by ServiceValue GmbH on customer satisfaction in the B2B area, Württembergische Versicherung also took first place as a corporate insurer.

- Our digital brand Adam Riese has also continued to grow and now has about 350,000 customers.

Adam Riese received the Marketing High Performer Award from Assekuranz, impressing the jury with the company's customer-focused overall image, both in product design and in brand identity.

We will continue the "W&W Besser!" initiative in 2023 in order to rigorously ensure that products, services and processes are focused on customer benefit throughout the entire W&W Group.

Product mix

In order to be able to offer its customers high-quality products that are geared to their individual needs, Württembergische Versicherung AG services a broad product portfolio covering virtually all business lines of property and casualty insurance. This includes:

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

In the 2022 financial year, the Motor business segment had a very high share of premium vehicle policies. Both car policy product lines – Premium and Compact – were enhanced in the financial year just ended. Price positioning on the market was optimised.

In the Corporate Customers business segment, the number of concluded contracts continued to increase for the commercial core product "Corporate Policy". Commercial property insurance was updated and now includes sustainable aspects. Agricultural insurance was also revised. In addition, transport insurance was updated in the large commercial/industrial segment.

The new commercial property product for corporate customers received the top rating of FFF+ from Franke & Bornberg.

In the financial year just ended, household and residential building insurance products were revised to include contents that support a sustainable lifestyle. For instance, following damage, added costs to restore a building from an environmental/energy standpoint can be reimbursed. New modules include "Residential Building Cover", similar to the current "Household Contents Cover", and "MobilPlus", which offers global insurance cover when travelling.

The PremiumSchutz policy in both household and residential building insurance was rated "outstanding" (FFF) by Franke & Bornberg. FOCUS-MONEY was also impressed by the residential building insurance product with sustainability and environmental aspects, awarding it "Product of the Month".

In the motor insurance area, FOCUS-MONEY also gave Württembergische Versicherung AG the seal of approval "Fairest Motor Insurer".

For the sixth year in a row, FOCUS-MONEY awarded Württembergische Versicherung AG the title of "Fairest Corporate Insurer", with the company landing at the top of all categories (customer advice, customer communication, customer service, coverage and financial planning, value for money).

As part of the KUBUS study conducted by MSR Consulting, Württembergische Versicherung AG took first place in 2022 as a full-service insurance provider in the category "support" and "outstanding" in the categories "customer satisfaction" and "service". In addition, Württembergische Versicherung AG was rated "very good" in the category "value for money".

Sales channel mix

When selling our products, we primarily rely on the competence and reliability of personal advisory services. The tied agents organisation of Württembergische, with its mobile sales partners throughout Germany, plays a key role in this respect. This sales force is supported by Wüstenrot advisors. We also sell our products under the online brand Adam Riese. Moreover, broker sales and numerous collaborations with the banking and insurance sector are making a key contribution to our success.

Commitment to sustainability

Responsible action and social commitment have a long tradition in the W&W Group and are a key part of our strategic alignment. They are based on the understanding – derived from the foundation ideals of the main shareholder of W&W AG – that corporate management should have a long-term perspective and be focused on stability. We have voluntarily joined initiatives, such as the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI), and are committed to implementing sustainability principles more strongly in our business activities and to continually enhancing them. Signing the "Charta der Vielfalt" complements the measures we take at the W&W Group to promote diversity.

There are a variety of regulatory initiatives on the European level with respect to the transparency and disclosure of sustainability-related information. The requirements they entail are being addressed in the W&W Group in the form of sustainability projects.

Initial implementation and publication have already taken place. An even more extensive disclosure will be made in 2023, including information on how and to what extent the W&W Group's activities qualify as environmentally sustainable economic activities (taxonomy conformity). Parallel to this, binding standards for sustainability reporting are being introduced on the European level, and the W&W Group will be required to comply with them and make the relevant disclosures in future.
In accordance with the German Act Transposing the CSR Directive (CSR-Richtlinie-Umsetzungsgesetz), Württembergische Versicherung AG is obligated to publish a non-financial statement or non-financial report. However, pursuant to Section 289b (2) sentence 1 no. 1 of the German Commercial Code (HGB), Württembergische Versicherung AG is exempt from the obligation to prepare its own non-financial report because it is included in the combined separate non-financial report of Wüstenrot & Württembergische AG and the W&W Group.

Pursuant to Sections 289c and 315b (3) of the German Commercial Code (HGB), the combined separate non-financial report of Wüstenrot & Württembergische AG and of the W&W Group is prepared and made available to the public on the website of Wüstenrot & Württembergische AG at
https://www.ww-ag.com/en/about-us/Sustainability.

Regulatory requirements

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

The annual Solvency II report of Württembergische Versicherung AG for 2021 was submitted to the German Federal Financial Supervisory Authority (BaFin) on time. The Solvency II coverage ratio as at 31 December 2022 is expected to be considerably higher than 100%.

In connection with the review of the reporting requirements under Solvency II ("Solvency II Review"), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Commission conducted consultations and published change proposals. The changes under discussion involve far-reaching modifications with respect to the qualitative and quantitative requirements for insurance companies. EIOPA submitted drafts to the European Commission in March 2022 concerning changes to the quantitative requirements. Initial application is expected as at 31 December 2023. In parallel to this, the European Commission published a legislative proposal in September 2021 concerning the amendment of the

Solvency II Directive. The European Parliament and the European Council discussed these proposed changes and amendments in the reporting year. The bodies are expected to reach agreement on substance in 2023. In addition, the European Commission is working on a proposed amendment to the delegated regulation. Initial application of the resulting requirements has not yet been definitively clarified.

In terms of reporting by the financial conglomerate, Commission Implementing Regulation (EU) 2022/2454 laying down implementing technical standards for the application of the Financing Conglomerates Directive with regard to supervisory reporting of risk concentrations and intra-group transactions was published in the Official Journal on 19 December 2022. It includes far-reaching modifications to the qualitative and quantitative requirements. Initial application of the resulting requirements will take place in the 2023 financial year.

Business management system

The W&W Group's integrated business management system is aligned with our strategy. 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. The key performance indicators are derived on this basis.

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

Starting 1 January 2023, insurance contracts will be accounted for in conformity with the requirements of IFRS 17. The following key performance indicators were defined for the management activities of Württembergische Versicherung AG:

net income before taxes, the profit transfer in accordance with the HGB, and the combined ratio (net). The combined ratio describes the ratio of expenses for insurance business and expenses for insurance claims to premiums earned, in each case for own account.

As a further performance indicator, we report new and replacement business in terms of annual contribution to the portfolio under business development and in the outlook. Recognised under replacement business are higher or lower premiums resulting from contract amendments (excluding modifications due to the terms and conditions).

Employees

As at 31 December 2022, Württembergische Versicherung AG had 3,087 (previous year: 3,022)1 permanent employees, calculated according to the number of employment contracts, excluding trainees. It is a service provider within the W&W Group and in exchange receives compensation specified in contracts governing the outsourcing of services and functions. In addition, it procures services from other Group companies.

1 In the previous year, the calculation was based on work capacities; prior-year figure adjusted.

Ratings

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

Business report

Business environment

Macroeconomic environment

According to preliminary calculations of the German Federal Statistical Office, the German economy posted growth of 1.9% in the 2022 calendar year. Private demand, in particular, contributed to this. By contrast, the construction sector suffered from a shortage of specialised workers, supply chain problems and significantly rising prices for materials. The growth rate of 1.9% for the year as a whole was adversely affected by several factors, including the war in Ukraine that began in February, as well as the unexpectedly rapid rise in inflation, which failed to abate. The inflation rate in Germany went from just 1% in January 2021 to 4.9 % one year later, before reaching double-digit figures in the autumn of 2022. This was mainly attributable to considerably higher energy and food prices, in some cases as a consequence of the war in Ukraine, persistent disruptions to global supply chains and substantial price hikes after the lifting of the pandemic restrictions, particularly in the contact-intensive services sector. The extraordinarily steep rise in energy and food prices diminished the purchasing power of private households and put a damper on consumer demand. Moreover, historically high inflation rates prompted the European Central Bank (ECB) to change direction, and it is now attempting to use a more restrictive monetary policy to bring the inflation rate back down to the desired target level of 2%. In this regard, higher interest rates are also putting a drag on macroeconomic activity, such as in the real estate sector.

Capital markets

Bond markets

After starting out at a historically very low level, yields on the German bond market rose over long stretches during 2022. For instance, the yield on 10-year German government bonds climbed from −0.18% at the start of the year to 2.57% at the end of the year. The yield on 2-year German government bonds also shot up from −0.62% to 2.76%, only dropping briefly during the summer from mid-June to mid-July. The decline was triggered by initial concerns about a looming recession, e.g. due to energy supply shortages.
But the main cause for the rise in yields witnessed in 2022 was the dynamic, unabated upward trend in the inflation rate to levels not seen in many years, which in turn led leading central banks to raise benchmark interest rates significantly. This was reflected in yield trends on the bond markets.

Equity markets

The European equity markets experienced a significant price correction in 2022. The DAX fell by 12.3% and the Euro STOXX 50 by 11.7%. At times, the declines added up to more than 20% before the recovery in the fourth quarter set in. There were several reasons for this slump: First, the restrictive monetary policy adopted by leading central banks in response to record-high inflation adversely affected the economic outlook and created a less favourable environment for the equity markets. In addition, the global economic environment tended to be unfavourable, with persistent supply shortages involving important input products and repeated, pandemic-related restrictions on economic activity in China. In sum, the overall economic conditions put a damper on the trend on the equity markets. In addition, the geopolitical environment, particularly the war in Ukraine, also diminished the risk appetite of investors and thus their willingness to hold or buy equities.

Industry trends

In 2022 the financial services industry was influenced by high inflation and the steep rise in interest rates and prices accompanying it, as well as by regulatory requirements.

According to provisional calculations by the German Insurance Association (GDV), the premium income of property/casualty insurers rose by approximately 4.0% (previous year: 3.0%) as at the end of the year despite the economically and geopolitically fraught situation, with income coming in at €80.4 billion (previous year: €77.3 billion). Claims expenses for the 2022 financial year dropped appreciably by 5.6%, following a significant rise of 22.3% in the previous year. The decline was the result of the extreme natural events in 2021, particularly the “Bernd” flooding catastrophe, and the associated higher claims expenses in the previous year. This led to a technical gain of €3.8 billion (previous year; : loss of €1.7 billion). The loss ratio for the financial year stood at about 76%, which was considerably lower than in the previous year (83.5%). The industry’s combined ratio (combined ratio of claims and expenses) improved to approximately approximately 95% (previous year: 102%).

Württembergische Versicherung AG is currently ranked tenth among property and casualty insurers based on gross premiums written in domestic direct business reported by the GDV.

Business development and position of the company

Development of business

The 2022 financial year was marked by the effects of the war in Ukraine and the further development of the coronavirus pandemic. The escalation of the energy crisis, the persistent disruptions to supply chains and geopolitical tensions spurred a rise in inflation. While this caused yields on the bond markets to rise sharply, prices dropped considerably on the equity markets at times.

Despite these challenging developments, Württembergische Versicherung AG posted net income before taxes and profit transfer of €104.6 million (previous year: €135.0 million).

Net underwriting income influenced by storms

Following the severe storms and flooding in the previous year, the adverse effects from natural disaster losses fell significantly to €109.3 million (previous year: €522.8 million). However, they were still higher than the historical average, which in some cases was attributable to the substantially larger portfolio. With mobility increasing again following the sharp drop during the coronavirus pandemic, claims development for Württembergische Versicherung AG largely normalised in the 2022 financial year. With a strong improvement in gross income to €273.4 million (previous year: −€130.1 million), net underwriting income before the addition to the claims equalisation provisions also rose substantially to €237.7 million (previous year: €193.6 million). In the previous year, net income still benefited from the comprehensive reinsurance cover. The claims equalisation provisions were strengthened significantly with an addition of €83.9 million (previous year: withdrawal of €14.9 million). Owing to positive claims development and the absence of significant natural disasters following the extraordinary adverse effects of the previous year, the addition had a considerable impact, particularly in the residential buildings business line. In addition, the claims equalisation provision in motor liability insurance was strengthened significantly due to positive claims development compared with the historical average. The previous year was characterised, in particular, by the release from the claims equalisation provision in liability insurance due to the fact that the conditions for creating it ceased to apply. Therefore, net underwriting income fell to €153.7 million (previous year: €208.5 million).

Lower net investment income

Net income from investments in 2022 fell to €10.9 million (previous year: €28.2 million). This was mainly due to the higher write-downs on bond funds and various bearer bonds occasioned by the rise in interest rates. The balance from write-ups and write-downs deteriorated from −€55.0 million to −€204.9 million. Current income from investments came in at €113.8 million, slightly above the previous year's figure of €110.3 million. The balance from disposal gains and losses rose from −€3.0 million to €124.1 million due to higher profit-taking, mainly in the area of real estate. The net interest rate on nvestments stood at 0.4% (previous year: 0.9%).

Profit transfer to W&W AG

Due to the high addition to the claims equalisation provisions and poor net income from investments, net income from normal business operations came in considerably below the level of the previous year at €104.6 million (previous year: €135.0 million), despite the interest-rate-related relief afforded by the pension provision. The profit transfer to the sole shareholder, W&W AG, amounted to €103.2 million (previous year: €133.5 million). Thus, owing to the profit and loss transfer agreement, the net profit for the year was €0.0 million.

Financial performance

New business and premium income

In the 2022 financial year, new business in terms of the annual contribution to the portfolio came in slightly below the level of the previous year at €288.8 million (previous year: €305.2 million). The cancellations in the portfolio of Württembergische Versicherung AG increased slightly from €234.7 million to €238.0 million.

Württembergische Versicherung AG's income from gross premiums written increased in 2022 by 6.6% to €2,336.2 million (previous year: €2,191.9 million). Premium development in our core domestic market was thus considerably higher than the growth rate of 4.0% anticipated by the GDV as at year-end. Our digital brand Adam Riese again posted high growth, with income from gross premiums written rising significantly to €24.5 million (previous year: €18.2 million). The main focus in the financial year just ended was on retail customer business. Adam Riese has thus already become a full-fledged market player in just a few years. A further expansion of the product offering is currently being implemented.

Württembergische Versicherung AG's income from premiums written for own account increased by 5.7% to €1,837.1 million (previous year: €1,737.5 million).

The net share after accounting for the reinsurers' portion fell to 78.6% (previous year: 79.3%).

Claims development in the financial year

The gross loss ratio in the 2022 financial year for domestic direct business improved from 87.2% in the previous year to 68.0%, because gross claims expenses for natural disasters losses in the previous year were extraordinarily high.

Claims expenses for own account in domestic direct business rose from €1,091.7 million to €1,125.0 million. In light of sharply rising net premiums earned, the net loss ratio improved to 61.6% (previous year: 63.1%). The amount of €83.9 million (previous year: −€14.9 million) was added to the claims equalisation provisions.

Continued robust reserves

In 2022 net technical provisions increased from €2,624.5 million to €2,716.2 million, mainly as a result of the rise in claims equalisation provisions.

Technical provisions for own account

	2022	2021	Change
			in %
Claims provisions			
in € million	2,033.0	2,024.3	0.4
in % of premiums written	110.7	116.5	
in % of claims payments	183.3	205.3	
Claims equalisation provisions			
in € million	501.6	417.6	20.1
in % of premiums written	26.6	24.0	
Technical provisions			
Total in € million	2,703.3	2,624.5	3.0
in % of premiums written	147.2	151.1	

Expense ratio

The expense ratio describes the ratio of the expenses for insurance operations to the premiums earned. The cost ratio (gross) rose slightly to 27.0% (previous year: 26.4%). The cost ratio was adversely impacted by the decline in the coronavirus-related savings of prior years, as well as by the special coronavirus payment and the expense for the provision for the inflation relief bonus. At the same time, growth caused commissions to rise more strongly than premiums. Total expenses for insurance business grew by 9.0% from €576.3 million to €628.4 million.

Combined ratio further improved

Following the extraordinarily high natural disaster losses in the previous year, the combined ratio (gross) of Württembergische Versicherung AG improved dramatically to 87.7% (previous year: 105.4%), despite the slightly higher cost ratio. The combined ratio (net) improved slightly to 87.1% (previous year: 87.7%).

The business segments of Württembergische Versicherung AG

Motor

This business segment comprises the business lines motor liability, motor comprehensive insurance, motor casualty insurance and traffic service insurance of Württembergische Versicherung AG. In 2022 premiums written increased by 2.0% to €912.4 million (previous year: €894.2 million).

Following a slight drop in the previous year, new business in motor insurance in terms of the annual contribution to the portfolio again fell slightly by 3.4% to €175.6 million (previous year: €181.8 million).

The loss ratio (gross) in the financial year rose to 81.6% (previous year: 78.7%). Income from claims of the previous year (gross) came in below the previous year's level at €22.9 million (previous year: €36.0 million). Net underwriting income in the Motor business segment declined from €89.0 million to €23.4 million, after having benefited in the previous year from the coronavisus-related drop in mobility.

Retail customers

This business line mainly comprises the business lines residential buildings, household, general casualty insurance, personal legal expenses and liability business involving private households. Gross premiums written rose by 7.2 % to €789.2 million (previous year: €736.1 million).

Following a steep rise in the previous year, new business in terms of the annual contribution to the portfolio fell by 22.5% to €49.3 million (previous year: €63.6 million).

Net income in the retail customers segment stood considerably above the previous year's level at €118.9 million (previous year: €98.1 million). General casualty insurance made the highest contribution to results. With the exception of personal legal expenses insurance, all business lines in retail customer insurance closed the 2022 financial year positively.

Corporate customers

The corporate customer business segment includes the commercial and industrial property and liability insurance business lines. The commercial business lines recorded considerable growth of 9.5%. Income from gross premiums written stood at €328.7 million (previous year: €300.2 million). Gross premiums written in the industrial business lines rose significantly by 16.9% to €301.8 million (previous year: €258.2 million).

In corporate customers business, the industrial business lines posted a considerable rise of 26.8% in new business in terms of the annual contribution to the portfolio, coming in at €44.8 million, following €35.3 million in the previous year. The annual contribution to the portfolio by the commercial business line fell by 22.5% to €19.0 million (previous year: €24.6 million).

The gross loss ratio for the financial year in commercial corporate customers business came in considerably lower than in the previous year at 63.8% (previous year: 96.9%). Industrial property insurance in particular came under intense pressure in the previous year as a result of the series of storms in June and July, but the business lines were able to recover in the financial year, with the gross loss ratio reaching a very good level at 67.3% (previous year: 116.5%). The industrial corporate customers business lines were able to generate net profit of €41.0 million (previous year: net loss of €15.9 million). In the commercial area, net income rose sharply from €12.8 million to €46.1 million.

Business line reports

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

Direct business

- Casualty insurance

Casualty insurance comprises the business lines general casualty insurance, aviation casualty insurance and motor casualty insurance. In the year under review, gross premiums written increased by 2.3% from €152.6 million to €156.2 million. While the number of reported claims rose to 14,663 (previous year: 13,660), the expenditure for losses fell by 11.2% to €59.2 million, which was attributable to a lower average claim. Owing to a significantly lower run-off result, the loss ratio rose to 33.4% (previous year: 24.7%). In the technical account, casualty insurance posted considerably lower net income of €49.2 million (previous year: €60.0 million).

- Liability insurance

This business line consists of general liability business involving retail and corporate customers, as well as aviation liability business. Income from gross premiums written in this business line increased by 10.4% from €238.9 million to €263.6 million. The loss ratio for the financial year decreased from 50.1% to 42.7%. The loss ratio improved from 39.1% to 29.9%. Net underwriting income improved to €80.5 million (previous year: €60.1 million).

- Motor insurance

In the year under review, income from gross premiums written increased by 1.8% to €891.0 million (previous year: €875.2 million). Particularly because mobility behaviour returned to normal as the coronavirus pandemic waned, as well as a result of noticeable claim inflation, motor insurance posted lower net underwriting income before claims equalisation provisions of €16.7 million (previous year: €83.5 million). The amount of €10.6 million (previous year: €18.0 million) was added to the claims equalisation provisions.

- Motor liability insurance

The number of motor liability insurance contracts at Württembergische Versicherung AG in 2022 rose to 1,961,336 (previous year: 1,873,263). The number of reported claims rose year-on-year to 76,588 (previous year: 71,335). In 2022 gross premiums written increased by 1.5% from €489.4 million to €496.9 million. The loss ratio (gross) in the financial year rose to 79.3% (previous year: 70.8%). The run-off result in motor liability insurance came in below the level of the previous year at €18.3 million (previous year: €28.9 million). Net underwriting income before the claims equalisation provision amounted to €33.3 million (previous year: €79.1 million). The amount of €25.0 million (previous year: €9.2 million) was added to the claims equalisation provision.

- Other motor insurance

Other motor insurance includes comprehensive and partial cover insurance. Income from gross premiums written in this business line rose by 2.1% from €385.9 million to €394.1 million. The loss ratio (gross) in the financial year declined to 87.1% (previous year: 90.9%). The loss ratio for the financial year for own account stood at €89.0% (previous year: 82.1%). In other motor insurance, Württembergische Versicherung AG posted a net loss before the claims equalisation provision of €16.6 million (previous year: gain of €4.4 million). In the 2022 financial year, €14.3 million was withdrawn from the claims equalisation provisions (previous year: addition of €8.8 million).

- Fire insurance

This insurance business line comprises industrial fire insurance, general fire insurance and agricultural fire insurance. Income from gross premiums written increased by 11.5% from €98.3 million to €109.6 million. The loss ratio (gross) in the financial year rose to 88.4% (previous year: 75.8%), particularly because of several major losses. Despite the slightly higher run-off result, the loss ratio also worsened to 79.0% (previous year: 67.0%). Net underwriting income after claims equalisation provisions deteriorated to –€1.0 million (previous year: €0.8 million).

- Household insurance

In 2022 income from gross premiums written in household insurance increased by 4.1% to €108.3 million (previous year: €104.1 million). Following the extraordinary natural disaster losses in the previous year, the loss ratio (gross) in the financial year improved considerably to 36.5% (previous year: 70.0%). The loss ratio for the financial year for own account stood at 37.7% (previous year: 41.6%).
Net underwriting income came in at €29.7 million (previous year: €22.1 million).

- Residential building insurance

After having been adversely affected by the extraordinary natural disaster losses in the 2021 financial year, residential building insurance was again able to post net profit of €9.3 million this financial year (previous year: net loss of €21.7 million). The combined ratio (net) was clearly below the previous year, coming in at 95.4% (previous year: 105.4%). In 2022 premiums written increased considerably by 13.6% to €297.6 million (previous year: €262.0 million), even though the number of contracts rose only slightly year-on-year by 2.3% to 484,257. The premium growth thus resulted especially from the increase in average premiums. Reported claims rose by 5.5% from 48,976 to 51,667. The average claim fell considerably by 45.2% from €6,538 to €3,582. The amount of €28.4 million (previous year: €6.4 million) was added to the claims equalisation provisions. As a result, residential building insurance continued to post a net underwriting loss after the claims equalisation provision, although it came in considerably lower at –€19.1 million (previous year: –€28.1 million).

- 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 products that span multiple business lines in the commercial and industrial area. The business line posted a gross premium increase of 13.4% to €276.4 million (previous year: €243.6 million). The loss ratio (net) in the financial year improved to 70.8% (previous year: 94.5%). As a result, net underwriting income before the claims equalisation provision came in substantially higher year-on-year at €27.3 million (previous year: –€39.0 million). The amount of €31.3 million was added to the claims equalisation provisions (previous year: withdrawal of €7.6 million).

- Marine and aviation insurance

Gross premiums written in marine and aviation insurance increased by 8.2% to €27.7 million (previous year: €25.6 million). The gross loss ratio worsened from 45.6% to 70.2%. Following a net profit of €5.7 million in the previous year, a net loss of –€0.7 million was posted for the 2022 financial year. The amount of €1.0 million was withdrawn from the claims equalisation provision (previous year: addition of €5.2 million).

- Legal expenses insurance

Income from gross premiums written in legal expenses insurance rose by 3.7% to €146.1 million (previous year: €140.9 million). The number of reported claims increased by 0.7% from 131,727 to 130,806. The loss ratio worsened from 57.8% to 68.0%. Net underwriting income before the claims equalisation provision fell to €2.4 million (previous year: €13.8 million). Due to stable claims development in the past, the conditions for the creation of claims equalisation provisions were no longer met for the first time in the 2019 financial year. In accordance with statutory provisions, the release takes place over five years in the amount of €4.3 million per year.

- Travel assistance insurance

This business line consists solely of travel service insurance. Income from gross premiums written increased by 13.6% from €18.3 million to €20.8 million. The gross loss ratio for the financial year improved to 32.8% (previous year: 34.8%). Net underwriting income before the claims equalisation provision increased to €6.4 million (previous year: €5.2 million). The amount of €2.5 million (previous year: €3.9 million) was added to the claims equalisation provision.

- Other insurance

Business interruption insurance, credit and suretyship insurance and other products that span multiple business lines are consolidated under other insurance. In the 2022 financial year, gross premiums in this area increased by 20.0% to €34.9 million (previous year: €29.1 million).

Following the significant adverse effects in the previous year, the gross loss ratio for the financial year improved substantially to 78.9% (previous year: 144.4%). Other insurance posted a net underwriting loss after claims equalisation provisions of –€3.6 million (previous year: –€4.9 million).

Assumed reinsurance business

Until the end of 2007, assumed reinsurance business had been underwritten almost exclusively by the London branch of Württembergische Versicherung AG. It mainly involves winding up policies from the business lines technical insurance, transport insurance, liability insurance, fire insurance and other insurance.

We expanded our business to include international insurance solutions 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 assumed reinsurance business.

For the 2022 financial year, net underwriting income amounted to €5.1 million (previous year: €5.0 million), and gross premiums written increased to €4.1 million (previous year: €3.3 million).The rise in results is due, in particular, to gains in business that is currently being run off.

Net assets

Investments

Challenges for investments

In 2022 the economic environment for investments was influenced primarily by geopolitical and monetary policy uncertainties. The unrelenting rise in inflation to levels not seen in many years prompted leading central banks to raise benchmark interest rates, and this led to rising interest rates. Moreover, concerns about an imminent recession initially arose in the middle of the year, and these also played a role on the capital markets.

Württembergische Versicherung AG adeptly met these challenges.

The total carrying amount of the investments of Württembergische Versicherung AG fell slightly year-on-year by 2.1% to €3.1 billion.

New investments in bearer bonds and investment certificates

New investments were made, inter alia, for bearer bonds in the direct portfolio, totalling €164.6 million. These investments were broadly diversified and mainly targeted issues of financial institutions and public debtors. Taking repayments and sales into consideration, the carrying amount of these securities increased to €971.2 million (previous year: €965.5 million).

The portfolio of registered bonds, promissory notes, loans and other lending declined in the financial year just ended. The carrying amount fell to €370.2 million, mainly as a result of repayments of €419.7 million. The share of the total investment portfolio declined from 13.3% to 12.0%.

Despite investments in alternative investments and bond fund certificates, among others, the carrying amount of the interests in investment assets fell from €1,236.9 million to €1,129.9 million, including as a result of write-downs. The portfolio ratio of all investments dropped slightly from 39.2% to 36.5%.

Lower equity ratio

Due to persistent uncertainties on the equity markets, including as a result of geopolitical uncertainties and the more restrictive monetary policy stance taken by leading central banks, Württembergische Versicherung AG lowered its equity exposure in order to keep losses from renewed price declines as low as possible. Taking into account the futures entered into and the market value of the option positions, the calculated equity ratio thus amounted to 2.8% (previous year: 6.5%). As at the end of the year, 84.6% of the equity exposure was hedged.

Participations

The carrying amount of participations and interests in affiliated companies increased considerably year-on-year, coming in at €415.0 million (previous year: €307.0 million). This was mainly attributable to the transfer of buildings in own use to a wholly-owned subsidiary.

Investments in the private equity, private debt and infrastructure sectors are included in the balance sheet items “Interests in investment assets” and “Participations”. On a market value basis, these alternative investments make up 15.9% of total investments.

Real estate

In the 2022 financial year, the carrying amount of directly held real estate fell to €23.1 million (previous year: €54.5 million) mainly as a result of the sale of buildings in own use at the Feuersee site to a subsidiary, as well as other disposals.

Depreciation totalling €7.2 million was taken in the financial year just ended. This included unscheduled write-downs of €0.1 million.

The sale of real estate resulted in net disposal income of €115.0 million (previous year: €1.4 million).

The carrying amount of indirectly held real estate increased in 2022 from €180.6 million to €288.9 million, mainly as a result of the purchase of the building on the Feuersee site by a subsidiary, as well as a capital investment.

Lower measurement reserves

In 2022 net reserves, i.e. the balance of reserves and liabilities, fell to –€37.6 million (previous year: €303.6 million). The main reason for the dwindling reserves were losses in the value of bond investments and bond funds, both of which were adversely impacted by the steep rise in interest rates.

Hidden liabilities associated with investments accounted for in accordance with Section 341b (2) of the German Commercial Code (HGB) amounted to €198.2 million (previous year: €0.0 million). These hidden liabilities resulted from the rededication of bearer bonds, two bond funds and a mortgage fund from current assets to non-current assets. They were occasioned by interest rates and will not be considered permanent.

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. The required organisational structures, especially the strict separation of trading and settlement, were in place at all times.

Württembergische Versicherung AG also makes investments in currencies outside of the eurozone for diversification purposes and to generate additional income opportunities. The exposure is accompanied by corresponding risk management. Currency hedges play a key role here. The largest positions in the foreign currency exposure of Württembergische Versicherung AG in the 2022 financial year were in US dollars and Danish krones. In keeping with our strategic alignment, we extensively hedge currency positions.

Financial position

Capital structure

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

These amounted to €2,703.3 million (previous year: €2,624.5 million) and thus accounted for 76.8% (previous year: 74.6%) of the liabilities. Of this amount, the provision for outstanding insurance claims accounted for €2,033.0 million (previous year: €2,024,3 million), the claims equalisation reserves and similar provisions for €501.6 million (previous year: €417.6 million), the provision for unearned premiums for €148.4 million (previous year: €138,2 million), and the provision for future policy benefits and other technical provisions for €33.2 million (previous year: €44.4 million).

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

Liquidity

Württembergische Versicherung AG always had sufficient liquidity in the year under review, which it mainly derived from operational insurance business and investments. For more information, please see the risk report.

Exercise of discretion

General uncertainty continued to prevail in various areas in the financial year just ended as a result of the war in Ukraine and the still ongoing coronavirus pandemic. This includes areas relevant for the financial statements, such as discretionary decisions made by management and assumptions and estimates made with respect to the recognition and measurement of assets, liabilities and provisions and the associated presentation of the net assets, financial position and financial performance of Württembergische Versicherung AG.
The discretionary decisions, estimates and assumptions relevant for the financial statements were based on management's best knowledge and currently available information. Despite increased uncertainty, Württembergische Versicherung AG believes that the assumptions and estimates appropriately reflect the current situation. Nevertheless, actual developments may differ from these assumptions in light of the war in Ukraine and the coronavirus pandemic. More extensive information can be found in the notes.

Overall view

The net assets, financial position and financial performance of Württembergische Versicherung AG are stable and orderly. The year 2022 posed challenges, particularly on account of the war in Ukraine and the ongoing coronavirus pandemic. In our view, Württembergische Versicherung AG performed very well in this situation. Net income from investments was heavily influenced by developments on the capital markets and fell to €10.9 million (previous year: €28.2 million). In view of the difficult past year, we are satisfied with the results achieved.

Comparison of business performance with forecast

The following comparison of current business performance with the estimates made in last year's annual report shows that in our view, Württembergische Versicherung AG performed very well despite the difficult geopolitical situation and the fraught conditions on the capital markets in 2022.

As forecast, new and replacement business came in 2.2% below the figure for the previous year. As expected, the combined ratio (net) was at the level of the previous year.

Exogenous factors had an impact on the German economy in 2022. As assumed in the forecast, the effects of the pandemic waned during the summer. At the same time, the war in Ukraine brought about factors detrimental to growth, such as higher energy and commodity prices, economic sanctions and attendant disruptions to global supply chains, and a downturn in sentiment among economic operators. The extent of these continues to depend on the duration of the conflict and its escalation level, which cannot yet be reliably estimated at this time.

In all, net income before taxes amounted to €104.6 million, which was below the level of the previous year (€135.0 million). This was due to the high addition to the claims equalisation provisions and the poor net income from investments, despite the interest-rate-related relief afforded by the pension provision. Our forecast had predicted a moderate decline in net income before taxes.

Opportunity and risk report

Opportunity report

Recognising and exploiting opportunities is a fundamental requirement for the successful development of Württembergische Versicherung AG. Consequently, we aim 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 examine the orientation of our product portfolio, cost drivers and other critical success factors. The opportunities derived from this are discussed in the management's strategy meetings and then incorporated into strategic planning.

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

In the following, we focus on the main opportunities, and distinguish between opportunities arising from developments outside of the company and opportunities resulting from our specific strengths as the W&W Group.

External influences

Society and customers

Opportunities through changed customer needs
As Württembergische Versicherung AG, our aim is to provide people with financial planning from a single source. For us, this also includes offering our customers simple, transparent, individualised and flexible products, as well as networking across all interaction channels.

The need for financial security offers tremendous business opportunities. With our sustainable, holistic advisory approach and our target group strategies and solutions, we adapt strategically to the changed financial planning market.

The war in Ukraine, inflation and supply chain problems are unsettling the population. As a result of these events, people in Germany are demonstrating an increased need for safety and security. We offer customers a variety of ways for protecting themselves, such as with liability, residential building and household insurance.

Hybrid working, video conferences and digital offers have become the "new normal". The communication between customers, sales and companies today increasingly takes place on the basis of digital technology. In this regard, however, customers increasingly expect customised offers and approaches. The spread and use of digital media enables more targeted, closer customer contact and the sale opportunities that come with it. We act on these opportunities by combining our personalised advisory approach with new digital tools. In the age of the internet, social media and greater use of smartphones, speed is vital to achieving customer satisfaction and is thus increasingly becoming a critical success factor. Customers want to be able to contact us though 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 through rapid change and demographic shifts
Demographic shifts and a changing society offer new growth opportunities.

In our view, society is demanding more flexibility with regard to products, advice and communication to accommodate changing 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 and climate change
We have developed a Group-wide 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, customers and products, capital investment and funding, employees, society and organisation. We have defined and updated targets and measures in all of these action areas for us to achieve or execute by 2025.

We seek to operate our business in a way that is environmentally sound, socially responsible and economically successful. We believe that is what we owe current and future generations. In this regard, we view sustainability not only as the consequence of changed regulations (EU Taxonomy Regulation) but also as a way to accelerate the transformation of our business model.

Climate neutrality, sustainability and protecting the environment constitute important decision-making criteria for us as a company, as well as for our current and future customers. By focussing on the topic of sustainability, we are striving to reach this constantly growing target group.

In view of the intensity and increasing number of natural disasters, the consequences of climate change are now also palpable in Germany and are becoming more and more apparent from year to year. As a member of the German Insurance Association (GDV), we support the stance taken by German insurers on sustainability. For instance, insurance protection for home owners in the area of natural disaster cover offers us the potential to expand our private residential building insurance. Also, our redesigned household insurance offers PremiumSchutz with a focus on ecology and sustainability.

Economy

Opportunities through interest rate trends and capital markets

In 2022 Germany experienced rapidly rising interest rates and high inflation. If interest rates remain high over the long term, this will have a positive impact on our financial performance. If we optimise our investment portfolio by selling low-interest bonds, this might generate losses.

As an investor, we can influence structural change toward a more environmentally friendly, low-emission economy and society by investing in, for example, renewable energies like wind power. Moreover, our new investments and reinvestments in recent years have increasingly focused on green/sustainable bonds, because we can contribute in that way to the funding of environmentally friendly projects.

Politics

Opportunities through increasing 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 through digitalisation and technical progress

Technical advances facilitate such things as increasing process automation. The resultant productivity improvements and cost-cutting opportunities can be used to boost income but also to free up capital for investments in topics of relevance for the future.

In the wake of the coronavirus pandemic, remote working has become broadly accepted, and this is accelerating digital transformation in the business world.

Collaborative networks make it possible to better serve the needs of our customers. Digital networking can also dramatically reduce response times, which in the event of a claim, for instance, makes it possible to limit consequential damages or even to avoid them altogether. In addition, our in-house platforms, like the W&W customer portal as a smartphone app, also greatly aid customers and make it easier for them to find help and claim benefits. Tools like this are intended to enable Württembergische Versicherung AG to achieve greater customer orientation and rising customer satisfaction, as well as to simplify processes and procedures in day-to-day business.

At Adam Riese, the W&W Group's digital brand in the insurance area, AI is used in the risk assessment for dog owner liability insurance. That enables our customers to benefit from lower rates in many cases.

Opportunities in the data age

The responsible, targeted use of customer data enables us to create ever more personalised products. With additional information, we can better assess risks and avoid claims. Moreover, the legally permissible use of data can lead to additional sales opportunities.

Internal influencing factors

Opportunities through market position

Through our various sales channels with their different strengths, and owing to our good brand awareness, we can address a large, broad pool of millions of potential customers in our core market of Germany and sell them our financial planning products in a targeted manner. Our strategic aim is to meet the needs of our customers. When designing our products, we always focus on what they want.
Accordingly our products regularly receive the highest ratings. We also have opportunities through further optimisation of our sales channels. These consist, in particular, of the rigorous digitalisation of customer contact points and relieving employees of routine administrative tasks.

As an online insurer, our digital brand Adam Riese also reaches a further customer base, which complements our business at Württembergische Versicherung AG.

By expanding digital processes on the broker market, our digital brand Adam Riese is becoming more compatible and can offer process sequences that are more efficient and effective. Other important factors in acquiring customers are the expansion of partnership business and high customer satisfaction.

Opportunities through our employees

For Württembergische Versicherung AG as a service company, recruiting and retaining qualified employees is a key component for ensuring future viability and competitiveness.

Employer attractiveness is strengthened with the comprehensive benefits offered by the W&W Group and thus also by Württembergische Versicherung AG. For example, the “Beruf+” employer benefits package includes a variety of programmes and services relating to health management, mobility, family, qualification, and agile, networked and flexible working, particularly digitally and at the new W&W campus. Similarly, we offer various opportunities for retention and networking specifically for our trainees and working students from the Cooperative State University (Duale Hochschule).

Risk report

Risk management at Württembergische Versicherung AG

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

It comprises all internal and external regulations to ensure the structured handling of risks. In accordance with the principle of proportionality, we determine the scope and intensity of our risk management activities according to the risk level of the business engaged in. As part of the W&W Group, we consistently derive our risk management system from the Group requirements and are integrated in the risk management system of the W&W Group. There were no material changes to the risk management system compared with the previous year.

Core functions and objectives

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

- **Legal:** assuring 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.

In addition, risk management pursues the aim of protecting the reputation of Württembergische Versicherung AG and the digital brand Adam Riese, 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 elements of 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 the risk policy. It is derived from the business strategy and the risk strategy of the W&W Group, as well as the division strategy, and it describes the type and scope of the material risks at Württembergische Versicherung AG. It defines goals, risk tolerance, limits, measures and instruments to handle assumed or future risks. The risk strategy is adopted by the Executive Board and is discussed and affirmed in the Supervisory Board at least once a year.

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

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

Capital management

Württembergische Versicherung AG maintains risk capital. It serves to cover any losses from assumed risks. Risk management controls and monitors capital adequacy and risk-bearing capacity. This indicator represents the ratio of risk capital to the risk capital requirement. It is controlled in parallel from two perspectives:

1. Regulatory capital adequacy
Regulatory capital adequacy looks at ratio of eligible own funds to the solvency capital requirements. For this, we use the standard model of the European Insurance and Occupational Pensions Authority (EIOPA). We also communicate our risk position to the public using this indicator.

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

Responsibilities in the risk management system/risk governance

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

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

In its role as the control body overseeing the Executive Board, the **Supervisory Board** of Württembergische Versicherung AG also monitors the appropriateness and effectiveness of the risk management system. In addition, it is regularly informed about the current risk situation. Certain types of transactions require the Supervisory Board's approval.

The **Audit Committee** regularly assures itself that the organisation of risk management in each area of responsibility is appropriate and effective. It reports to the Supervisory Board on this.

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

The **Controlling/Risk Management departments** at Württembergische Versicherung AG provide advice and support to the Risk Board Insurance in determining risk management standards. In collaboration with Group Controlling/Risk Management, they develop methods and processes for identifying, evaluating, managing, monitoring and reporting risks. Moreover, the departments create qualitative and quantitative risk analyses.

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

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

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

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

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

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

Persons or business lines charged with exercising this function must be able to perform their tasks objectively, fairly and independently. For this reason, they are set up as strictly separate from risk-taking units (functional separation to avoid conflicts of interest). This principle is already observed at the Executive Board level by means of stringent bylaws and assignment of responsibilities.

In our structural and procedural organisation, the individual duties of all aforementioned bodies, committees and key functions as well as their connections and reporting lines among each other are defined.
This guarantees the regular, timely flow of information both within Württembergische Versicherung AG and across all levels of the W&W Group.

The Controlling/Risk Management departments are in charge of operational risk management for Württembergische Versicherung AG. A head of the Controlling/Risk Management departments serves as the key risk management function holder. The risk management function is involved in all risk-relevant decisions. To fulfil its tasks, it has a right to complete, unlimited information at all levels of Württembergische Versicherung AG, which is ensured by means of due information and reporting routes as well as escalation and decision processes.

Risk management process

The risk management process takes the form of an iterative control loop with five process steps.

Risk identification

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

Risk assessment

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

Risk taking and risk governance

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

Risk monitoring

We constantly monitor compliance with the basic requirements of the risk strategy and risk organisation and whether the quality and grade of risk governance are appropriate. Compliance with the limits and lines determined within the scope of the risk governance forms the key basis for monitoring the risk profile and the capitalisation.

Risk reporting

We 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 in a timely manner about the risk position of Württembergische Versicherung AG. Among other things, these reports present the amount of available own funds, the risk capital requirement, the compliance with limits and lines and the risk governance measures that have already been taken and that still need to be taken. Ad-hoc risk communication takes place when material events occur.

Risk profile and material risks

To present our risks transparently, we uniformly group similar risks throughout the Group into risk areas. The following risk areas are relevant:

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

The risk areas are quantified according to our economic model. Market price risks accounted for 43.4% (previous year: 46.5%), counterparty credit risks for 6.1% (previous year: 8.3%), underwriting risks for 45.2% (previous year: 39.7%) and operational risks for 5.4% (previous year: 5.5%).
We take business risks into consideration in our calculation of risk-bearing capacity by applying a discount when determining the capital available for risk coverage. For Württembergische Versicherung AG, the main liquidity risk takes the form of the risk of illiquidity as a result of settling claims after unusually high losses. As these are already shown as part of underwriting risk, no separate risk capital requirement is presented.

The individual risk areas and – where relevant to the overall assessment – the individual risk types are described in the following sections.

Market price risks

We define market price risk as potential losses resulting from the uncertainty concerning future trends (size, volatility and structure) in market risk factors. Such market risk factors include interest rates, stock prices, currency exchange rates, commodities prices, real estate prices and corporate assets, as well as risk premiums (credit spreads) for a given credit risk and foreign currency risks.

Strategic asset allocation forms the basis of our investment policy and thus is one of the most significant factors that influence our risk situation in the market price risk area. In this context, we place emphasis on an appropriate mix and spread of asset classes, as well as on broad diversification by industry, region and investment style. With our investments, we pursue a security-oriented investment policy. The principle of corporate prudence, which is codified in the German Act on the Supervision of Insurance Undertakings (VAG) and constitutes a principles-based approach, forms the regulatory framework for our investment policy. Additionally, various investment-related interpretation decisions of the German Federal Financial Supervisory Authority (BaFin) are taken into consideration. When making investments, the security, quality, liquidity and profitability of the portfolio as a whole must be ensured. This principle of corporate prudence is at the heart of our internal investment policy, which contains precise rules concerning compliance with investment principles and a company-specific schedule of investments with respect to both quality and quantity.

Apart from the general internal policy, there are special policies for the use of items such as forward purchases, forward sales, derivative financial instruments, structured products and asset-backed securities.

These internal policies, which govern the operational investment activities, 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 (environmental, social, governance) risks. Württembergische Versicherung AG endeavours to consider sustainability criteria in its investments. To underscore this, it signed on to the Principles for Responsible Investment (PRI), among other things. We thus acknowledge the PRI and publicly undertake to introduce and implement them. With regard to our new and existing commitments in the area of alternative investments, compliance with ESG criteria is extensively analysed and evaluated by the back office. We also pay close attention that these principles are applied by our chosen external managers when trading in equity, bond or real estate funds. The PRI can also be replaced by adequate ESG guidelines in individual cases. We work with an outside service provider to analyse the investment portfolios (specifically for companies and countries). The analysis also takes into account special environmental and social risks and those concerning corporate governance that are associated with investment, insofar as these ESG risks are related to the investment portfolio and its management, e.g. through exclusion criteria or requirements concerning the energy efficiency of real estate properties. 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 strive to consider green bonds for new investments and reinvestments, because in that way we can contribute to the funding of environmentally friendly projects.

Interest rate risk
As a general rule, higher interest rates will, over the medium to long term, boost current capital income and strengthen economic risk-bearing capacity. A very rapid, steep rise in interest rates harbours the risk of rising hidden liabilities. This can create a need for write-downs and

influence the ability to control results. Therefore, Württembergische Versicherung AG uses Section 341b of the German Commercial Code (HGB) to avoid write-downs, since they are not considered permanent.

Persistent inflation can result in a rise in liabilities because, among other things, claims expenses are higher. Moreover, the macroeconomic consequences of inflation, such as in the form of diminished purchasing power, wealth depletion and, possibly, a wage-price spiral, may adversely affect the risk position of Württembergische Versicherung AG and its net assets and financial performance.

We regularly conduct simulations for our fixed-interest investments (including interest rate derivatives) to assess market price risks. The simulations show us how market fluctuations affect the value of our portfolio. If the applicable yield curve were to change by +/-50 or +/-100 basis points, all fixed-interest securities would undergo the following market value changes:

- Increase by 50 basis points – €59.7 million
- Increase by 100 basis points – €116.4 million
- Decline by 100 basis points + €128.8 million
- Decline by 50 basis points + €62.9 million

Stock price risk

Sudden and steep price declines on equity markets can impair risk-bearing capacity through write-downs recognised in the income statement. Stock price risks are reduced with corresponding hedging strategies using derivatives (e.g. put options, short futures). We continued to extensively use hedges in our equity portfolio in 2022. Further disclosures concerning hedges are presented in the chapter "Notes concerning assets". We regularly conduct simulations for our equity portfolios (including equity-based derivatives) to assess market price risks. Were the price to fluctuate by +/-10% or +/-20%, the market value of all equities would change as follows:

- Increase by 20% + €10.7 million
- Increase by 10% + €5.0 million
- Decline by 10% – €4.0 million
- Decline by 20% – €7.1 million

Real estate risk

Sudden and steep declines in real estate prices can impair the income situation and risk-bearing capacity. A substantial portion of our real estate portfolio is used by entities of the W&W Group. In addition, properties in third-party use are a core element of our investment portfolio. As a general rule, we consider the risk to be low overall, since we mainly invest in prime locations for own use. We cannot rule out the possibility that various overall economic conditions – such a further rapid interest rate hike or high inflation – will negatively affect the value of our real estate portfolio.

Foreign exchange risk

Foreign exchange risks may result from open net foreign exchange positions in globally aligned investment funds, as well as from foreign currency bonds or equity instruments. We hedge most currency positions and essentially 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 in other currencies. In addition, our foreign business generates liabilities denominated in foreign currency, which we cover congruently with matching investments.

Credit spread risk

Credit spread risk comprises the risk that the value of receivables may change when the applicable credit spread for the respective issuer or counterparty experiences a change. The credit spread refers to the risk premium in the form of higher interest on a security subject to credit risk in relation to a comparable security without risk. Thus, a clear distinction is made between credit spread risk, migration risk and expected default risk. For securities, therefore, the only credit spread changes that are considered are those do not result from a change (migration, including default) in the rating. Rising credit spreads have been observed on the market in light of higher interest rates and general uncertainties. Risk capital requirements are calculated as value at risk with a confidence level of 99.5% on the basis of changes in the credit spread over a one-year period.

The key elements of our risk management methods and our risk controlling in the area of market price risk mainly comprise asset liability management (ALM), limit system and economic risk-bearing capacity model, risk line system, participation controlling, matching coverage, new products process and market monitoring. The key objective of ALM is to ensure in the area of interest rate risks that cash flow from investments is tailored to the requirements of the liabilities side.

Because of current uncertainties about further economic and geopolitical developments, we continue to believe that Württembergische Versicherung AG will be exposed to increased market price risks.

Counterparty credit risks

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

We limit counterparty credit risks through the careful selection of issuers and reinsurance partners, as well as through broadly diversified investments. In this context, we observe the regulations applicable to insurance companies for handling counterparty credit risks. This includes making our own assessments of credit risks as required. Contracting partners and securities are mainly limited to top credit ratings in the investment grade range. Counterparty credit risks are strategically and structurally managed by the risk bodies at Württembergische Versicherung AG on the basis of the specifications adopted in the risk strategy.

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

Counterparty credit risk associated with investments
In line with our strategic orientation, our bond portfolio has a conservative credit rating structure, with 89.9% (previous year: 89.2%) of investments being in the investment grade area. Our bond exposure generally has a good collateralisation structure. Most of the investments with financial institutions are secured by government guarantees or cover assets.

By way of various special securities funds, we hold investments in bonds of issuers in the field of emerging markets. This market segment is impaired by global economic and political risks as well as country-specific problems that are attributable to various causes. All signs currently point to continued volatility on the markets. The exposure is therefore carefully monitored. Especially problematic debtors are subject to investment and reinvestment bans. Currently, no specific defaults are evident in our fund mandates.

As at 31 December 2022, the volume of emerging market bonds totalled €215.9 million based on market value, representing a share of 7.1% of our investment portfolio. We will maintain this exposure, as we can see long-term performance potential with attractive returns.

Other counterparty credit risks
The risk of receivables default in reinsurance business has consistently remained at a low level. Currently, no material risks are foreseeable. Our retrocessionaires also have good credit ratings. As at the end of the reporting period, recognised receivables from reinsurance business amounted to €48.4 million (previous year: €28.0 million). Of this amount, 6.2% (previous year: 10.5%) was owed by companies rated "A-" or better and 93.5% (previous year: 89.5%) by companies rated "BBB" by Standard & Poor's. Disclosures concerning receivables from policyholders, insurance agents and others are presented in the chapter "Notes concerning assets" in the notes.

Because of current uncertainties about further economic and geopolitical developments, we continue to believe that Württembergische Versicherung AG will be exposed to increased counterparty credit risks.

Underwriting risks

In property and casualty insurance, underwriting risks arise from premium and reserve risks. We define these as potential losses that may result from uncertain future developments with regard to claims, benefits and costs under concluded insurance contracts in connection with premiums calculated in advance.

Württembergische Versicherung AG conducts primary insurance business in property and casualty insurance for retail and commercial customers in its core market Germany. In doing so, it also relies on digital sales channels (e.g. the digital brand Adam Riese). The discontinuation of new underwriting at the UK branch of Württembergische Versicherung AG at the end of 2007 has greatly reduced the international risk exposure of our company. In accordance with internal provisions, we enter only into insurance transactions whose risks do not pose a threat to the company as a going concern. This is supported by means of optimisation of cost and claims management. Incidental risks that cannot be influenced are limited with suitable and adequate protective instruments (e.g. reinsurance).

Industrial risks are underwritten only to a limited and clearly defined extent and are furthermore extensively reinsured, meaning that our portfolio is not jeopardised by large individual risks. Owing to the expansion of corporate customer business through integrated insurance programmes for German policyholders with primary domicile or primary risk in Germany, Württembergische

Versicherung AG underwrites a small amount of facultative indirect business and foreign insurance pools. Württembergische Versicherung AG does not conduct other active reinsurance business.

Facts and analysis results that have a bearing on risk are depicted in the quarterly risk report and discussed in the Executive Board, in bodies that meet on a regular basis and in diverse workgroups and projects. To measure underwriting risks in the economic model, we use a stochastic model. We collaborate with specialised reinsurance companies and brokers for the purpose of simulating natural disaster events.

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

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

As a property/casualty insurer, a key part of our business is dealing with inflation. We continuously take steps to address price increases that exceed the long-term inflation target.
For that reason, we have established operational processes that take price increases into consideration both in the claims system and in ongoing evaluation.

Interest rate risk in provisions

With regard to technical provisions, we lowered in the previous year both the interest rate factor associated with reserving for long-term losses in the motor liability segment and the actuarial interest rate used to calculate the provisions for future annuity benefits in the motor liability insurance, casualty insurance and liability insurance business lines so that both of them were in line with the overall lower interest rate level.

Premium risk

If premiums fall or are not calculated in line with needs, underwriting losses may result if costs and claims remain stable or increase. Premium risks mainly result from large individual damages as well as accumulation and catastrophic events (e.g. natural disasters).

When we set the rates for our products, we look separately and explicitly at the effects of higher inflation. We also do this when we adjust rates in the portfolio based on premium adjustment clauses: we take into account the expected effects of inflation when setting the amount of the adjustments, provided that the adjustment mechanisms in the various clauses allow for this.

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 and settlement ratios

	Loss ratios	Run-off ratios
in %		
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
2022	61.1	7.8

Despite the challenges in the 2022 financial year, the net loss ratio was very good at 61.1% (previous year: 62.6%). Compared with the previous year, which was marked by severe storms, claims paid for natural disasters (gross) declined but were still considerably higher than in the years before. Although reinsurance bolstered the net loss ratio considerably in 2021, natural disasters in the financial year impacted net income nearly in their entirety.

Consequently, claims paid for natural disasters (net) fell only moderately year-on-year to €103.2 million (previous year: €135.8 million). The slight rise in the settlement matched the trend in initial loss provisions, such that the settlement ratio remained constant at 7.8% (previous year: 7.8%).

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. Owing to our forward-looking policy concerning settlement and reserves in recent years, sufficient claims reserves were created in accordance with the German Commercial Code (HGB), including enough to cover higher claims due to inflation. Moreover, despite the discontinuation of new underwriting for the UK subsidiary, Württembergische Versicherung AG is liable for the business underwritten until and including 2007. The volume of claims reserves dropped to €45.7 million (previous year: €57.1 million), which is still considered adequate, as a result of the continued successful run-off in 2022.

The key elements of our risk management methods and our risk controlling in the area of underwriting risk are mainly: asset liability management, limit system and economic risk-bearing capacity model, risk line system, new products process and market monitoring.

Business closure insurance

On the issue of business closure insurance cover, the German Federal Court of Justice ruled in our favour with respect to the General Terms and Conditions of Insurance that we use and urged the parties suing Württembergische Versicherung AG to withdraw their appeal on points of law. The legal issue has thus been resolved in favour of Württembergische Versicherung AG, and there are no significant residual legal risks from this.

Because of current uncertainties about further economic and geopolitical developments, we continue to believe that Württembergische Versicherung AG may be exposed to increased underwriting risks.

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. In order to understand operational risks, experts regularly estimate them 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 key elements of our risk management methods and our risk controlling in the area of operational risks are mainly: risk assessments, claims database, information security management, business continuity management, internal control system, personnel management, compliance management system, limit system and economic risk-bearing capacity model.

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 recovery claims affecting Württembergische Versicherung AG. New legal interpretations by administrative authorities and judicial rulings, in particular, pose considerable risks and may have a significant impact on future financial performance. Württembergische Versicherung AG has classified the legal risk category as immaterial.

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 storage media, technical facilities or buildings that are relevant to the storage and processing of data. As a financial services provider, the W&W Group is highly dependent on IT systems, which are exposed to information security risks with regard to protection goals, application availability and data integrity and confidentiality, as well as to cyber risks. 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. The risk of cyber attacks in Germany increased when the war in Ukraine began, and Württembergische Versicherung AG is not immune to them. The company has taken proactive steps to manage potential increased threats of cyber attacks and strengthen information security, particularly in light of the war in Ukraine. Among other things, the company has set up a cyber resilience centre that constantly monitors cyber threats, using a combination of preventive and reactive measures to identify and defend against cyber attacks. Protection needs analyses are done regularly to identify data protection needs and institute appropriate protective measures.

In response to upheavals on the energy markets and rising energy costs, the company has formed an energy task force to coordinate steps to ensure the security of operational supply. To date, no significant operational risks to business processes have emerged as a result of the war in Ukraine or the energy crisis.

Because of current uncertainties about further economic and geopolitical developments, we continue to believe that Württembergische Versicherung AG will be exposed to increased operational risks.

Business risks

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

Business risks are unavoidable when engaging in general business activities or in the event of changes in the industry environment. We regularly analyse all business risks in connection with the risk inventory. If the company's reputation or brand were to suffer damage, there is a risk of losing business volume immediately or in the future. This could lower the enterprise value. We continuously monitor Württembergische Versicherung AG's public image, and when critical events occur, we strive to maintain our reputation through transparent communication policies.

The strategic goals of Württembergische Versicherung AG are operationalised and advanced by means of strategic measures in connection with projects. This has resulted in the programme "Komposit.Besser", which is intended to position Württembergische Versicherung AG more strongly through the comprehensive, innovative transformation of its products, processes, structures and IT systems. In addition, the programme provides for intensive monitoring and implementation of appropriate market trends.

External risk

External risk means the risk of loss from potential changes in basic external conditions (e.g. political/legal, economic, technological).

Significant potential for risks is emanating, in particular, from the political and social environment (geopolitical, global trends, e.g. from military conflicts, trade disputes, terrorism, social unrest, migration/refugee movements).

Particularly noteworthy here is the Russian invasion of Ukraine in February 2022, which is putting considerable strain on economic development and creating greater risks. Economic risks through negative growth are already affecting economic growth, such as in the form of higher energy and commodity prices, economic sanctions, attendant disruptions to global supply chains and a downturn in sentiment among economic operators, and are expected to continue to do so. Although government assistance programmes can attenuate these risks, capital market risks are expected to increase (including those relating to interest rates, equities, credit spreads, counterparty credit and inflation). The company has set up a task force to oversee all activities with respect to the impact of the war in Ukraine.

Accordingly, depending on future developments, the war in Ukraine or the coronavirus pandemic may trigger a decline in results and put pressure on the company's financial position, net assets and risk position, particularly if the war in Ukraine or the coronavirus pandemic persists for an extended period.

The principles and objectives of business policies and the sales and revenue goals derived from them are contained in the business strategy and the sales forecasts. The Executive Board is responsible for managing business risks. Depending on their reach, decisions may need to be coordinated with the W&W Group and with the Supervisory Board.

Liquidity risks

Liquidity risk means the risk that liquidity is not sufficiently available or can be realised only 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. When crises occur, it may be not be possible to sell investments or, if so, only in small volumes or at a discount. The current capital market situation does not indicate any acute material market liquidity risks for investments despite the war in Ukraine and other 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 war in Ukraine, inflation and higher capital market interest rates. Existing processes for liquidity risk management have 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. As at the reporting date, regulatory risk-bearing capacity was likely well above 100%. The final results will be published in the second quarter. The published ratio was 206.2% as at the reporting date of 31 December 2021. Existing measurement reserves are included in the calculation of economic and regulatory risk-bearing capacity.

At this time, the W&W Group and thus Württembergische Versicherung AG are only marginally affected by the direct, currently identifiable effects of the war in Ukraine. All investments in the Russian Federation, Belarus and Ukraine were liquidated in the financial year. In our view, the war in Ukraine does not change the situation with respect to underwriting risks. In light of the hostilities, measures to manage risks have been stepped up. New and reinvestment bans were adopted in order to rigorously manage investment risk.
The risk situation may be indirectly affected by factors such as economic and capital market risks (including inflation and trends in interest rates, equity prices and credit spreads).

Interest rate risk continues to be of prime importance to Württembergische Versicherung AG, and the company has adopted risk-mitigating measures to manage it. A prolonged rise in interest rates would also adversely affect investment reserves. Under commercial law, that situation would cause valuation reserves to evaporate, and hidden liabilities might arise. Therefore, Württembergische Versicherung AG uses Section 341b of the German Commercial Code (HGB) to avoid write-downs, since they are not considered permanent. As a general rule, however, higher interest rates will, over the medium to long term, boost current capital income and strengthen risk-bearing capacity.

The company continues to be exposed to the risk of financial losses as a consequence of geopolitical crises (particularly the war in Ukraine) and other geopolitical conflicts, as well as economic developments (including the further course of the coronavirus pandemic, the sustainability of the economic recovery, rising inflation, the potential reemergence of the sovereign debt crisis, capital market volatility, current interest rates and the trend in interest rates and credit spreads). The extraordinarily high inflation rates witnessed in 2022 may cause Württembergische Versicherung AG to incur higher claims expenses in future. The company will continue to calculate premiums cautiously and adhere to its defensive reserving policy. Higher claims expenses can be offset with premium adjustments. Württembergische Versicherung AG has taken the effects of inflation into account in its enterprise planning.

Württembergische Versicherung AG has a risk management and risk controlling 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 at 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. Based on current information, the direct effects of inflation are manageable, assuming the wage-price spiral does not become worse.

Enhancements and planned measures

We account for changes in the basic internal and external conditions and their effects on our company's risk position 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, the company is building on the internal project that was set up together with 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 rigorously raise our risk management standards in the 2023 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, which in turn are based on relevant analyses and publications of various well-respected business research institutes, Germany's federal government, the Bundesbank, Bloomberg consensus reporting and industry and business associations.

Macroeconomic outlook

Several circumstances are dampening the outlook for the German economy. For instance, private households are losing purchasing power as a result of inflation that is well above average in historical terms, meaning that weak consumer demand can be expected. The adverse impact will be attenuated at least somewhat by the lower inflation that has been forecast for 2023, the assistance measures that have been enacted by the German federal government, such as the cap on energy prices, and a faster rise in nominal wages. In addition, the ECB has now adopted a more restrictive monetary policy, which is burdening areas of the economy that are sensitive to interest rates, such as corporate and construction investments. Finally, export business is expected to be modest due to the growth strategy in key importing countries, such as the USA, and the basic geopolitical conditions. In summary, the most likely scenario for the German economy is a stagnation of economic output in 2023. For instance, the German federal government is forecasting a rise in GDP of just 0.2%.

Key indicators suggest that the upward trend in prices will gradually level out over the course of 2023. The most likely scenario is that energy and raw materials prices will rise less steeply than in the previous year, meaning that the annual rates relevant for calculating inflation will drop back down in future. Supply shortages for raw materials and component parts should also ease, suggesting justifiable hope for improvement of the situation. On the other hand, wages in Germany are rising at above-average rates with the aim of preserving real income, among other reasons. With climate neutrality having now become a factor in the economy, prices will rise across the board. In sum, while inflation is expected to abate in 2023, it will still likely remain higher than before the coronavirus pandemic.

The trend in short-term interest rates is closely tied to the trend in benchmark interest rates. At its meeting in December 2022, the ECB announced that it planned to continue raising benchmark interest rates significantly and, after reaching the target level, to maintain it for an extended period. As a result, the most likely scenario for 2023 is that short-term interest rates will rise somewhat further. The outlook for long-term interest rates is less clear. Yields on bonds with long maturities will likely rise if benchmark interest rates increase further, above-average inflation remains unchecked and real interest rates stay negative like they are today. However, inflation will likely tend downward at least over the course of the year, and the ECB is expected to end its benchmark interest rate hikes. Coupled with anticipated weak economic development, this could gradually put pressure on long-term interest rates again.

In terms of the further outlook for the European equity markets, several scenarios are conceivable. Expected further rises in benchmark interest rates by leading central banks will essentially create a less favourable monetary environment and will therefore be detrimental to equity prices. Moreover, higher interest rates have made bonds more attractive in relation to equities. In addition, the economic environment is expected to be difficult for companies in 2023, meaning that positive profit developments cannot be guaranteed. Disappointing company reports in this respect could also lead to price declines. Finally, it appears that the geopolitical situation will remain tense in 2023, and as a result, the risk appetite of investors and their willingness to buy equities will likely remain limited due to political and economic uncertainties. On the other hand, price corrections in 2022 led to a drop in the valuation level of equities, making them appear more reasonably priced again. Moreover, the leading central banks are like to curtail, if not end, their benchmark interest rate hikes over the course of the year. This outlook alone – that monetary policy will not become even more restrictive – could buoy the equity markets. Toward the end of the year, market participants could also be looking ahead to next year and the hoped-for economic recovery. Since equity markets often anticipate future economic developments, these more encouraging perspectives could ensure that prices will rise again. Finally, positive geopolitical developments, such as an end to the hostilities in Ukraine, would also benefit the equity markets.

Industry outlook

The GDV expects a 6.1% increase in property and casualty insurance premium income in 2023 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 2022 financial year was marked by the war in Ukraine and a significant rise in interest rates and inflation. Even though the pandemic is abating at the start of 2023, there are still significant economic and political uncertainties associated with it.

In deriving our forecasts for 2023, we assumed stagnating basic macroeconomic conditions, We also assumed that interest rates would remain elevated through the end of the year, that equity prices would rise moderately and that there would be no significant counterparty defaults. A further deterioration in basic conditions would also affect the subsequent forecasts.

We will continue to aim to sell more insurance to retail and corporate customers. We expect new and replacement business to be slightly higher in 2023 following strong growth in 2022. We expect the claims situation to normalise overall in 2023. The combined ratio (net) is expected to be slightly higher than the level in 2022.

We expect that net income before taxes will rise slightly in 2023. The main reason for this assumption is that net investment income will increase significantly. It is very difficult to make a forecast at this time due to the unpredictable further consequences of the war in Ukraine.

Overall view

Despite political, foreign trade and economic risks, Württembergische Versicherung AG as part of the W&W Group continues to operate in an environment characterised by a 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 2023, too. For further information about the liquidity position, please see the section “Liquidity risks” in the the opportunity and risk report.

If the trend in interest rates stabilises, we expect net investment income to rise. If this is accompanied by moderately lower net underwriting income, we expect a rise in net income before taxes in 2023. Our net income for the year may be significantly affected by additional risks from the further development of the war in Ukraine, extreme natural disasters or major losses, special capital market events or political uncertainty, in addition to the challenges mentioned earlier.

Proviso concerning forward-looking statements

This Annual Report and, in particular, the outlook contain 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 can be associated with known and unknown risks and uncertainties, but also with opportunities. Because of the variety of factors that influence our business operations, actual results may differ from those currently anticipated.

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

Other disclosures

Relationships with affiliated companies

W&W AG, Kornwestheim, Germany, holds 100% of our share capital. The shareholder structure of W&W AG remained stable in the reporting year. Our anchor investor is the non-profit Wüstenrot Foundation (Wüstenrot Stiftung, Gemeinschaft der Freunde Deutscher Eigenheimverein e. V., Ludwigsburg). It maintains an indirect participation of 67.16% through two holding companies. Of this, 27.25% 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, 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.

In connection with the relocation of the W&W Group from Stuttgart to Kornwestheim scheduled for 2023, the project company Feuersee Entwicklungsgesellschaft mbH &

Co. KG with registered office in Kornwestheim was formed in 2022 for the purpose of developing options for using the Feuersee site in Stuttgart. Württembergische Versicherung AG is the sole limited partner. WHS Entwicklungs-GmbH, Kornwestheim, is the general partner of Feuersee Entwicklungsgesellschaft mbH & Co. KG.

WürttVers Alternative Investments GmbH (WVAI) was established on 5 November 2014 for the purpose of making alternative investments, especially in the fields of private equity, renewable energies 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 with 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 the full cost pricing principle.

Our company is part of the W&W Group, whose parent company is W&W AG, Kornwestheim, 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) of the German Commercial Code (HGB) are met.

Domestic reinsurance business is largely reinsured by W&W AG, which in turn cedes some of the assumed risks to external reinsurers via 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.

Corporate governance statement

The target quota of 25% women on the Supervisory Board and 20% on the Executive Board with a target deadline of 30 June 2022 has been achieved.

The Supervisory Board of Württembergische Versicherung AG has adopted a target quota of one-third women on the Supervisory Board and at least one woman (corresponds to one fifth) on the Executive Board, in both cases with a target deadline of 30 June 2027. The target ratios have been achieved.

The target quota of 25% women on the first executive level below the Executive Board and 30% on the second executive level, both with a target deadline of 30 June 2022, has not been achieved. This is mainly due to the low staff turnover on the first and second executive levels. In addition, there has occasionally been a lack of women candidates.

The Executive Board of Württembergische Versicherung AG has therefore 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 2027 for doing so.

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

Wüstenrot & Württembergische AG is subject to the German Transparency in Remuneration Act (EntgTranspG) and is therefore obliged to prepare and publish a report on equality that covers, in particular, equal pay for women and men. In accordance with the five-year rule in Section 22 (1) EntgTranspG, we prepared a report for 2022.

Measures to promote the equality between women and men

Female and male employees are an important asset and play a special role at our Group. To keep our Group viable and competitive for a long time to come, it is necessary not only to pay attention to costs and earnings, but also to invest sustainably in people. Value creation and appreciation – these values are the foundation of the W&W Group's human resources strategy as well as that of Württembergische Versicherung AG. W&W's understanding of leadership involves working together constructively as equal partners and empowering employees to take on the authority to make decisions.
Safeguarding employee rights and promoting diversity represent an important basis for the W&W Group's human resources activities.

Diversity and the utilisation of the potential unleashed by diversity are therefore regarded as tremendous assets and supported accordingly. A strong focus is placed on equal opportunities for women and men. Based on the commitment to the Diversity Charter, various communication programmes, events and activities on diversity were implemented in 2022, including participation in German Diversity Day and a workshop on unconscious bias. The W&W Group also offers advisory services such as career counselling and coaching as well as the established women's network FiT ("Frauen in Toppositionen" – Women in Top Positions), which regularly holds events.

To promote diversity, the W&W Group and thus also Württembergische Versicherung AG offer employees equal access to career development programmes regardless of gender.

The "potential development process" guides and supports employees as they work toward a desired target position as a manager, expert or project manager. It includes systematic career and development counselling as well as personal development plans for employees.

Among other things, W&W and thus also Württembergische Versicherung AG offer flexible time management and working conditions that can be adapted to an employee's personal situation as part of "Beruf+" so that employees can achieve a healthy work-life balance. This also includes the possibility of taking on leadership responsibility temporarily or permanently. In addition, the collaboration partner "pme Familienservice" offers a range of options such as childcare services as well as free support, information and advice on family caregiving.

Measures to achieve equal pay for women and men

W&W AG is subject to the collective bargaining agreement for the private insurance industry. This ensures equal pay for women and men.

Exempt women and men and executives are remunerated according to their position. This is ensured by an external evaluation system. Only the function or position is described and evaluated within the system. No distinction is made between genders in the evaluation.

Württembergische Versicherung AG has assumed the responsibility for providing the information in accordance with Section 14 (2) EntgTranspG.

Disclosures concerning employees of Württembergische Versicherung AG

Employee disclosures

Annual average	2022 Female	2022 Male	2017 Female	2017 Male
Total employees	**1,459**	**1,609**	**1,430**	**1,677**
Full-time employees	881	1,546	822	1,626
Part-time employees	578	63	608	51

Württembergische Versicherung AG
Annual financial statements

Balance sheet as at 31 December 2022

Assets

in € thousands	See notes, no.[1]	31.12.2022	31.12.2022	31.12.2022	31.12.2021
A. Intangible assets					
Licenses acquired against payment, industrial property rights and similar rights and assets, as well as licenses for such rights and assets				22	–
B. Investments					
I. Land, land-type rights and buildings, including buildings on third-party land	1		23,073		54,494
II. Investments in affiliated companies and participations	2				
1. Interests in affiliated companies		358,813			240,908
2. Loans to affiliated companies		99,725			52,050
3. Participations		56,164			66,089
			514,702		359,047
III. Other investments					
1. Shares, units or shares in investment funds and other variable-yield securities		1,132,359			1,239,620
2. Bearer bonds and other fixed-income securities	3	971,218			965,461
3. Receivables from mortgages, land charges and annuity land charges	4	61,941			68,868
4. Other loans	5	370,172			419,657
5. Deposits with credit institutions		24,884			44,720
6. Other investments		2			2
			2,560,576		2,738,328
IV. Deposits from reinsurance accepted			118		–
				3,098,469	3,151,869
C. Receivables					
I. Receivables from direct insurance business due from:	6				
1. Policyholders		23,766			17,363
2. Insurance brokers		60,759			41,207
			84,525		58,570
II. Amounts receivable from reinsurance business			48,413		28,034
thereof from affiliated companies: €45,300 thousand (previous year: €25,093 thousand)					
III. Other receivables	7		231,136		210,786
thereof from affiliated companies: €199,530 thousand (previous year: €181,207 thousand)				364,074	297,390
Carryover				**3,462,565**	**3,449,259**

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

Assets

in € thousands		31.12.2022	31.12.2022	31.12.2022	31.12.2021
Carryover				**3,462,565**	**3,449,259**
D. Other assets					
I. Property, plant and equipment and inventories	8		9,296		9,621
II. Current bank account balances, cheques, and cash			40,488		38,345
				49,784	47,966
E. Prepaid expenses and accrued income					
I. Accrued interest and rent			13,987		13,282
II. Other prepaid expenses and accrued income	9		2,112		908
				16,099	14,190
E. Excess of plan assets over pension liabilities	10			6,464	5,423
Total				**3,534,912**	**3,516,838**

Liabilities

in € thousands		31.12.2022	31.12.2022	31.12.2022	31.12.2021
A. Equity					
I. Called-up capital	11				
Share capital			109,312		109,312
II. Capital reserve	12		76,694		76,694
III. Retained earnings					
Other retained earnings			206,557		206,557
				392,563	392,563
B. Technical provisions	13				
I. Provision for unearned premiums					
1. Gross amount		166,546			155,774
2. thereof less: portion for ceded reinsurance business		18,129			17,601
			148,417		138,173
II. Provision for future policy benefits					
1. Gross amount		81			81
2. thereof less: portion for ceded reinsurance business		12			12
			69		69
III. Provision for outstanding insurance claims					
1. Gross amount		2,679,766			2,800,887
2. thereof less: portion for ceded reinsurance business		646,770			776,634
			2,032,996		2,024,253
IV. Claims equalisation provision and similar provisions			501,554		417,649
V. Other technical provisions					
1. Gross amount		34,035			34,396
2. thereof less: portion for ceded reinsurance business		912			–9,947
			33,123		44,343
				2,716,159	2,624,487
Carryover				**3,108,722**	**3,017,050**

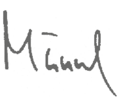
Liabilities

in € thousands		31.12.2022	31.12.2022	31.12.2022	31.12.2021
Carryover				**3,108,722**	**3,017,050**
C. Other provisions					
I. Tax provisions			4,293		5,661
II. Miscellaneous provisions	14		71,866		70,540
				76,159	76,201
D. Deposits retained from ceded reinsurance business				–	25
E. Other liabilities					
I. Liabilities from direct insurance business owed to:	15				
1. Policyholders		100,215			92,542
2. Insurance brokers		51,693			41,752
			151,908		134,294
II. Accounts payable on reinsurance business			–		1
III. Miscellaneous liabilities	16		198,118		289,239
thereof for taxes: €26,415 thousand (previous year: €20,324 thousand) thereof to affiliated companies: €151,146 thousand (previous year: €246,943 thousand)				350,026	423,534
F. Accrued expenses and deferred income	17			5	28
Total liabilities				**3,534,912**	**3,516,838**

Casualty and liability insurance

We confirm that the provision for future policy benefits as presented in the balance sheet under the liability items B. II. 1. and B. III. 1. in the amount of €172,480 thousand was created in accordance with Section 341f of the German Commercial Code (HGB) and the legal regulations issued on the basis of Section 88 (3) of the German Act on the Supervision of Insurance Undertakings (VAG) (actuarial confirmation).

Kornwestheim, 31 January 2023



Responsible actuary
Daniel Männle

Income statement
for the period 1 January to 31 December 2022

in € thousands		1.1.2022 to 31.12.2022	1.1.2022 to 31.12.2022	1.1.2022 to 31.12.2022	1.1.2021 to 31.12.2021
I. Technical account					
1. Earned premiums for own account	18				
a) Gross premiums written		2,336,205			2,191,944
b) Premiums ceded to reinsurers		499,123			454,486
			1,837,082		1,737,458
c) Change in the gross provision for unearned premiums		−10,772			−6,554
d) Change in the reinsurers' portion of the gross provision for unearned premiums		528			853
			−10,244		−5,701
				1,826,838	1,731,757
2. Technical interest income for own account	19			439	439
3. Other underwriting income for own account				2,226	2,050
4. Expenses for insurance claims for own account					
a) Payments for insurance claims					
aa) Gross amount		1,533,940			1,354,444
bb) Reinsurers' share		424,655			368,344
			1,109,285		986,100
b) Change in the provision for outstanding insurance claims	20				
aa) Gross amount		−122,845			373,013
bb) Reinsurers' share		−130,584			275,525
			7,739		97,488
				1,117,024	1,083,588
5. Change in other net technical provisions					
a) Net provision for future policy benefits			–		−2
b) Other net technical provisions			11,219		−11,398
				11,219	−11,400
6. Expenses for insurance operations for own account					
a) Gross expenses for insurance operations	21		628,351		576,341
b) thereof less: received commissions and profit participations from ceded insurance business			153,973		141,197
				474,378	435,144
7. Other underwriting expenses for own account				11,666	10,528
8. Subtotal				**237,654**	**193,586**
9. Change in the claims equalisation provision and similar provisions				−83,905	14,915
10. Net underwriting income for own account				153,749	208,501
Carryover				**153,749**	**208,501**

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				**153,749**	**208,501**
II. Non-technical account					
1. Income from investments					
a) Income from participations thereof from affiliated companies €6,719 thousand (previous year: €4,215 thousand)			10,675		11,488
b) Income from other investments thereof from affiliated companies €12,128 thousand (previous year: €11,030 thousand)					
aa) Income from land, land-type rights and buildings, including buildings on third-party land		11,187			10,863
bb) Income from other investments		79,536			79,271
			90,723		90,134
c) Income from write-ups	22		6,534		20,269
d) Gains from the disposal of investments	23		169,479		7,154
e) Income from profit pools and profit transfer and partial profit transfer agreements			12,404		8,721
			289,815		137,766
2. Expenses for investments					
a) Expenses for the management of investments, interest expenses and other expenses for investments		9,753			12,238
b) Write-downs on investments	24	211,442			75,232
c) Losses from the disposal of investments	25	45,359			10,126
d) Expenses from loss assumption		11,940			11,938
			278,494		109,534
			11,321		28,232
3. Technical interest income			439		439
				10,882	27,793
4. Other income	26		240,895		257,170
5. Other expenses	27		300,880		358,510
				−59,985	−101,340
6. Result from normal business operations				104,646	134,954
7. Income taxes	28		1,433		1,344
8. Other taxes			7		112
				1,440	1,456
9. Profits transferred under a profit transfer agreement				103,206	133,498
10. Net profit				–	–

Notes

Notes concerning the annual financial statements

Accounting policies: Assets

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

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

Interests in affiliated companies

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

Loans to affiliated companies

Recognised under the item “Loans to affiliated companies” are bearer bonds. These receivables are measured according to the rules applicable to non-current assets. Further disclosures concerning measurement can be found in the comments on the balance sheet items below.

Participations

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

Shares, units or shares in investment funds and other variable-yield securities

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

Securities within this item that are intended to support business operations on a long-term basis are recognised in accordance with the provisions of Section 341b (2) clause 2 HGB in conjunction with Section 253 (3) sentence 5 HGB and measured at cost or fair value, whichever is lower, in accordance with the moderate lower-of-cost-or-market rule. As a rule, allocations to non-current assets are decided on a case-by-case basis. Special funds are reviewed through to the individual underlying securities. Unscheduled write-downs are taken only in the event of expected permanent impairment.

Bearer bonds and other fixed-income securities

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

Securities within this item that are intended to support business operations on a long-term basis are recognised in accordance with the provisions of Section 341b (2) clause 2 HGB in conjunction with Section 253 (3) sentence 5 HGB and measured at cost or fair value, whichever is lower, in accordance with the moderate lower-of-cost-or-market rule.

By reason of an Executive Board resolution, fixed-income securities previously held in current assets were reclassified to non-current assets for the first time in the reporting year with effect from 1 January 2022 based on the carrying amounts on 31 December 2021. In the reporting year, the majority of bearer bonds were reclassified from current assets to non-current assets.

Creditworthiness analyses are conducted 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. To do this, permanence is assessed on the basis of standard applicability criteria relevant for the company or environment. Furthermore, critical issuers are discussed in the Group Credit Committee. 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.

Receivables from mortgages, land charges and annuity land charges

Recognised under the item "Receivables from mortgages, land charges and annuity land charges" are predominantly receivables for which liens on real property have been granted. These receivables are measured according to the rules applicable to non-current assets. In departure from this, these receivables are measured pursuant to Section 341c (3) of the German Commercial Code (HGB) at amortised cost by spreading the difference between cost and the repayment amount over the remaining term using the effective interest method.

Individual and collective impairment allowances are created for discernible risks, with the amount of the provision being deducted directly from the carrying amount. In the case of receivables from mortgages, land charges and annuity land charges, individual impairment allowances are created in order to cover current default risks. Furthermore, collective impairment allowances are created on a portfolio basis using empirical data from recent years.

Other loans

The item "Other loans" includes registered bonds, promissory notes, loans and miscellaneous loans. These receivables are measured according to the rules applicable to non-current assets.

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

Pursuant to Section 341c (3) HGB, promissory notes, loans and miscellaneous loans are measured at amortised cost 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 impairment 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. In addition, collective impairment allowances are created for registered bonds on a portfolio basis using empirical data from recent years.

Deposits with credit institutions

Deposits with credit institutions are recognised at their nominal amounts.

Other investments

Other investments are measured at cost.

Deposits from reinsurance accepted and amounts receivable on reinsurance business

As a rule, deposits from reinsurance accepted and amounts receivable on reinsurance business are recognised at nominal values.

Other assets

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

Property, plant and equipment are measured at cost less scheduled straight-line depreciation over their normal useful life. Assets with a net cost of up to €800 are depreciated in full in the year of acquisition. Until 2019 assets with a net 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 a period of five years. The excess of plan assets over pension liabilities relates to a surplus that results when reinsurance claims measured at fair value are offset against liabilities under phased-in early retirement agreements. Insolvency-proof reinsurance claims are measured in the amount of the coverage capital specified in the business plan, plus irrevocably committed profit participation, which, under compliance with the strict lower-of-cost-or-market rule, corresponds to amortised cost in accordance with Section 253 (4) of the German Commercial Code (HGB) and thus, in the absence of other measurement methods, to fair value within the meaning of Section 255 (4) sentence 4 HGB.

The option to recognise deferred tax assets on the basis of the tax relief resulting under Section 274 (1) sentence 2 HGB is not used.

Reversals of impairment losses

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

Derivatives

Currency forwards are concluded to hedge participations, investment fund units and fixed-interest securities. They are measured on a transaction-specific basis. Provisions are created for contingent losses from these transactions.

Acquired option rights are measured at cost in the amount of the option premium less write-downs in accordance with the strict lower-of-cost-or-market rule, taking into account the requirement to reverse impairment losses. Premiums for sold options are recognised under “Miscellaneous liabilities” for as long as there is an obligation to perform under the option. A risk of excess liability surplus under written options is accounted for by creating provisions for impending losses.

Valuation units

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

In the accounts, these valuation units are presented according to the “freeze method” pursuant to Section 254 HGB. According to 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. Value changes resulting from ineffectiveness are recognised pursuant to Sections 252 et seq. HGB.

Determination of fair value

The fair value of land, land-type rights and buildings, including buildings on third-party land, is continuously verified using the discounted cash flow method. 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 capitalised earnings method pursuant to Sections 17 to 20 of the German Property Value Determination Ordinance (ImmoWertV); it is also determined in order to verify the capitalised earnings value of the property in accordance with Section 21 ImmoWertV.

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

As a rule, the fair value of alternative investment funds is determined on the basis of the prorated net asset value.

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

Investment fund units are recognised at the most recently available redemption price.

Accounting policies: Liabilities

Technical provisions

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

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

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

For claims that have not yet been reported, a collective provision for late outstanding claims is created in accordance with experience in recent years.

For transport, including secondary business lines, a collective reserve is calculated for direct German business according to established actuarial procedures, taking supplementary premiums into consideration. This is done on the basis of the calculation of the best estimate of the final claims level per underwriting year by means of a modified chain ladder procedure.

The provision for future annuity benefits 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. The mortality tables recommended by the German Association of Actuaries (DAV), DAV HUR 2006, were used, and they contain suitable safety margins. For all annuity commitments, an actuarial interest rate of 0.25% was used to calculate the provision for future annuity benefits. Future administrative costs were measured at 2.0% of the provision for future annuity benefits, a rate that is deemed sufficiently conservative. The reinsurers' portion is calculated on the basis of the individual reinsurance policies.

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

We take into consideration the anticipated expenses for the settlement of outstanding claims by creating a provision pursuant to the guidance note of the German Federal Ministry of Finance (BMF) dated 2 February 1973. In the transport business line, lump-sum procedures are applied. The reinsurers' portion is calculated in accordance with the quota share.

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

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

The provision for unused premiums from dormant motor insurance is calculated per policy, and the provision for cancellations is calculated on the basis of statistical surveys. The provision for the "Unfall 60 plus" policy, which covers claims requirements that increase with age, is calculated per policyholder on an actuarial basis. For obligations from the membership in Verkehrsopferhilfe e. V., a provision for outstanding claims is recognised according to the association's mandate. The reinsurers' portions are deducted from the aforementioned provisions as contractually agreed.

Other provisions

Tax provisions and miscellaneous provisions
Miscellaneous provisions and tax provisions are recognised in the amount needed to satisfy the obligation. In accordance with Section 253 (1) sentence 2 of the German Commercial Code (HGB), provisions with a term of longer than one year are generally determined in the amount needed to satisfy the obligation, taking into account future price and cost increases.
Price and cost increases are in line with the inflation rate and are taken into account over the respective term of the provision at a rate of 2.5%. The rate used to discount miscellaneous provisions corresponds to the average rate of the past seven years published by the Deutsche Bundesbank pursuant to the German Regulation on the Discounting of Provisions (RückAbzinsV) for the respective assumed remaining term. Results from discounting and compounding, from changes in the discounting rate and from the interest rate effects of a changed estimate of the remaining term are recognised as interest income or interest expenses under "Other income" or "Other expenses", as the case may be. Tax interest accrued as at the reporting date is recognised under "Miscellaneous provisions". Tax provisions are recognised in the amount needed to satisfy the obligation. If they are long term, then pursuant to IDW RS HFA 34, they are discounted in accordance with Section 233a of the German Fiscal Code (AO). Tax provisions usually have a term of less than one year and are not discounted (pursuant to the AO, interest starts to apply after 15 months).

A provision is created for legal commitments under phased-in early retirement contracts existing on the reporting date, taking into account employer expenses for social insurance, in the amount of the present value of future top-up benefits (salary and supplemental contributions towards pension insurance) and compensation payments due to reduced pension insurance claims and the satisfaction arrears from advance work performed by the employee. The provision is discounted in accordance with the specific terms using the corresponding interest rates published by the Deutsche Bundesbank in accordance with the RückAbzinsV. In addition, a salary trend of 2.5% p.a. is taken into account during measurement. Biometric factors are taken into account when calculating the provision via a flat-rate discount of 2.0%. In addition, pursuant to Section 285, no. 25 in conjunction with Section 246 (2) sentence 2 HGB, pledged reinsurance policies are taken into account at fair value and netted as coverage assets with the phased-in early retirement commitments. The fair value consists of coverage capital, which corresponds to the acquisition costs, plus irrevocably committed surplus participation.

In accordance with Section 253 (1) sentence 2 HGB, the provisions for social affairs and for long-term service emoluments are calculated in the amount needed to satisfy the obligations by applying the Heubeck mortality tables 2018 G and an interest rate of 0.83% under the projected benefit obligation method. Fluctuation and future salary increases are taken into account.

Retained deposits and other liabilities

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

Amounts payable for reinsurance business, liabilities from direct insurance business and miscellaneous liabilities are recognised in the amount needed to satisfy the obligation.

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

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

As a rule, we generally measure investments denominated in foreign currency on an item-by-item basis in conformity with the lower-of-cost-or-market rule. They are subsequently measured at the ECB's average spot exchange rate.

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

Pursuant to Section 256a HGB, translation gains and losses are recognised in the income statement where the remaining terms are one year or less.

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

1 See balance sheet and income statement chapters.

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

Exchange rate gains and losses from current bank account balances denominated in foreign currency are recognised under "Other income" or "Other expenses", as the case may be.

Recording of income and expenses on an accrual basis

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

As a result of later posting, premium income for 2021 in the amount of €1,792 thousand was recognised in the year under review.

Notes concerning assets

B. Investments

The change in investments is depicted in the notes under "Individual disclosures concerning assets".

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

As at the reporting date, our land consisted of 19 (previous year: 20) mostly developed properties with a carrying amount of €23,073 thousand (previous year: €54,494 thousand). This decline was mainly attributable to the transfer of the building in own use at the Feuersee site to a wholly-owned subsidiary.

The fair value of our land and buildings amounted to €70,169 thousand (previous year: €136,449 thousand).

No properties were acquired in the year under review. Four properties were sold.

The useful lives of the properties are between 40 and 50 years.

Of our property, undivided ownership interests accounted for €3,181 thousand (previous year: €3,295 thousand).

Of our real estate portfolio, land and buildings with a carrying amount of €12,770 thousand (previous year: €42,987 thousand) are used by the Group.

II. Investments in affiliated companies and participations (2)

Pursuant to Section 285, no.11 in conjunction with Section 271 (1) of the German Commercial Code (HGB), the disclosures concerning participations are set forth in the "List of ownership interests" in the notes. The list sets forth all companies in which Württembergische Versicherung AG holds at least 5% of the interests.

III. Other investments

2. Bearer bonds and other fixed-income securities (3)
We invest in securities denominated in foreign currency, which serve as congruent cover for our obligations under direct insurance business that we engage in 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	31.12.2022	31.12.2021
Registered bonds	217,952	264,035
Promissory notes and loans	130,444	133,835
Miscellaneous loans	21,776	21,787
Total	**370,172**	**419,657**

Miscellaneous loans include non-negotiable profit participation certificates totalling €9,775 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 2022	Fair value 2022	Valuation reserves, by liability[1] 2022	Carrying amount 2021	Fair value 2021	Valuation reserves, by liability[1] 2021
Land, land-type rights and buildings, including buildings on third-party land	23,073	70,169	47,096	54,494	136,449	81,955
Interests in affiliated companies	358,813	442,412	83,599	240,908	315,972	75,064
Loans to affiliated companies	99,725	95,082	–4,643	52,050	53,768	1,718
Participations	56,164	88,179	32,015	66,089	102,980	36,891
Shares, units or shares in investment funds and other variable-yield securities	1,132,359	1,120,214	–12,145	1,239,620	1,302,444	62,824
Bearer bonds and other fixed-income securities	971,218	819,522	–151,696	965,461	972,566	7,105
Receivables from mortgages, land charges and annuity land charges	61,941	57,058	–4,883	68,868	71,116	2,248
Other loans						
Registered bonds	217,952	201,879	–16,073	264,035	286,089	22,054
Promissory notes and loans	130,444	122,046	–8,398	133,835	141,016	7,181
Miscellaneous loans	21,776	19,236	–2,540	21,787	28,329	6,542
Deposits with credit institutions	24,884	24,941	57	44,720	44,720	–
Other investments	2	2	0	2	2	–
Deposits from reinsurance accepted	118	118	–	–	–	–
Total	**3,098,469**	**3,060,858**	**–37,611**	**3,151,869**	**3,455,451**	**303,582**
Carrying amount of all investments, in %			**–1.2**			**9.6**

1 Net, balance of valuation reserves and hidden liabilities

The figures provided above include the following amounts for securities serving a long-term investment: in € thousands	Carrying amount 2022	Fair value 2022	Hidden liabilities 2022	Carrying amount 2021	Fair value 2021	Hidden liabilities 2021
Loans to affiliated companies	99,725	95,082	3,887	–	–	–
Shares, units or shares in investment funds and other variable-yield securities	228,254	183,820	44,434	–	–	–
Bearer bonds and other fixed-income securities	774,231	625,362	149,831	–	–	–
Total	**1,102,210**	**904,264**	**198,152**	**–**	**–**	**–**

Section 285, no. 18 of the German Commercial Code (HGB) – disclosures concerning investments recognised at greater than fair value

With regard to other loans in the form of registered bonds and promissory note loans, these positions have a carrying amount of €250,380 thousand and market values that are €26,073 thousand below the carrying amount. They were not written down because the impairment is merely induced by interest rates and is expected to be only temporary due to the issuer rating. Interest and principal payments are expected be made as scheduled.

Write-downs of €4,643 thousand were not taken on loans to affiliated companies with a carrying amount of €99,725 thousand, as these impairments are only temporary.

Write-downs of €44,434 thousand were avoided on units or shares in investment funds with a carrying amount of €224,524 thousand. In this case, impairment is expected to be only temporary based on market expectations.

Write-downs of €149,831 thousand were avoided on bearer bonds of €756,294 thousand, as the impairment is merely induced by interest rates and is expected to be only temporary due to the issuer rating. The securities are held on a long-term basis to ensure redemption at nominal value.

In the case of miscellaneous loans and other investments with a carrying amount of €12,000 thousand, the market value was €2,762 thousand below the carrying amount. They were not written down, because the impairment is expected to be only temporary.

Section 285, no. 19 of the German Commercial Code (HGB) – disclosures concerning derivative instruments not recognised at fair value

Derivative financial instrument/group	Type	Nominal value	Fair value	Applied measurement method	Carrying amount and item[1]
		in € thousands	in € thousands		in € thousands
Share/index-related transactions	Option-OTC	138	2,332	Option price model	1,165
Currency-related transactions	Currency forwards	334,871	166	Discounted cash flow method	

1 Derivatives have to do with pending transactions that are not accounted for.
An exception to this are paid option premiums.
Negative items correspond to the loss provision created.

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

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

Section 285, no. 23 of the German Commercial Code (HGB) – disclosures concerning 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 pending transactions not accounted for	Carrying amount of the included hedged items	Amount of risks hedged[1] (nominal)
			in € thousands	in € thousands
Micro hedge	Risk of changes in interest rates	Bonds (HI), swaps (HE)	9,155	–458

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

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

Abbreviations:

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

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

Definition of macro hedge:
A "macro hedge" means the hedging of one or more similar hedged items by means of one or more hedging instruments.

Section 285, no. 26 of the German Commercial Code (HGB) – Disclosures concerning shares, units or shares in investment funds

Fund name	Investment objective	Fair value	Carrying amount[1]	Discrepancy from the carrying amount	Distributions for the financial year
		in € thousands	in € thousands	in € thousands	in € thousands
LBBW AM-USD Corp. Bonds Fonds 2	Bond fund	210,491	210,491	–	5,141
LBBW AM-EMB2	Bond fund	211,394	211,394	–	10,993
LBBW AM-WV P&F	Mixed fund (equities share of up to 70%)	36,911	36,911	–	331
W+W Gl.In.-W+W F.Pr.li Eo	Mixed fund (equities share of up to 70%)	37,500	37,500	–	199
LBBW AM-WV Corp Bonds Fonds	Bond fund	52,292	57,966	–5,674	561
W+W Gl.Strat.-Se Asi.Eq.	Equity fund	44,967	39,561	5,406	707
LBBW AM-US Municipals 2	Bond fund	99,544	131,046	–31,502	3,917
Total		**693,099**	**724,869**	**–31,770**	**21,849**

1 Based on an analysis of the fund inventory, the impairment is assumed to be only temporary. There are no discernible impairments due to credit rating.

None of the funds have any restrictions with respect to the daily sell option or to the termination notice period of three months in the event that all fund units are sold.

C. Receivables

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

1. Policyholders

A collective impairment allowance of €2,528 thousand (previous year: €2,214 thousand) was created for outstanding amounts on the basis of statistical surveys.

2. Insurance brokers

Receivables from direct insurance business due from insurance brokers amounted to €60,758 thousand (previous year: €41,207 thousand).

III. Other receivables (7)

in € thousands	31.12.2022	31.12.2021
Loans and advances to employees and agents	11	15
Submission of claims settled for the account of foreign companies	1,493	1,450
Receivables from non-group lead business	12,805	13,759
Interest and rent arrears	87	104
Assets that have been pledged, deposited or assigned for the purposes of security[1]	135,721	133,280
Miscellaneous other receivables	12,650	8,301
Receivables from affiliated companies and participations	68,369	53,877
Total	**231,136**	**210,786**

1 Thereof pledged cash collateral from margin exposures relating to OTC derivatives in the amount of €4,560 thousand (previous year: €5,950 thousand) as well as reinsurance policies with affiliated companies for protecting pension commitments against insolvency in the amount of €131,161 thousand (previous year: €127,330 thousand).

Miscellaneous other receivables consisted of accrued, unbilled, prepaid allocable operating expenses of €380 thousand (previous year: €360 thousand).

Remaining terms to maturity of receivables

Receivables with a remaining term to maturity of more than one year amounted to €143,735 thousand and mostly related to receivables from reinsurance policies for pension commitments.

D. Other assets

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

Depreciation of €590 thousand (previous year: €624 thousand) was taken on durable assets at the rates permissible under tax regulations.
Medium- and low-value assets were depreciated in the amount of €266 thousand (previous year: €354 thousand).

E. Prepaid expenses and accrued income

II. Other prepaid expenses and accrued income (9)

Recognised under this item is the premium from the purchase of registered bonds in the amount of €1,367 thousand (previous year: €418 thousand).

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

Assets that serve to cover liabilities under pension commitments or similar long-term commitments and that are inaccessible to all other creditors are required to be netted against the provisions for such commitments. If, in the process, the fair value of such assets exceeds the carrying amount of the provisions, the item “Excess of plan assets over pension liabilities” is to be created on the assets side of the balance sheet. The offsetting of claims under reinsurance policies in the amount of €11,494 thousand (previous year: €11,979 thousand) against portions of the phased-in early retirement provisions used for settlement arrears totalling €5,050 thousand (previous year: €6,576 thousand) pursuant to Section 246 (2) sentence 3 of the German Commercial Code (HGB) resulted in an excess of €6,444 thousand (previous year: €5,403 thousand).

Notes concerning liabilities

A. Equity

I. Share capital (11)

As at 31 December 2022, the company's share capital amounted to €109,312 thousand. It is divided into 4,270,000 registered no-par-value shares that are fully paid up, each with a notional value of €25.60.

II. Capital reserve (12)

This item relates to the premium from capital contributions.

B. Technical provisions (13)

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

C. Other provisions

II. Miscellaneous provisions (14)

in € thousands	31.12.2022	31.12.2021
Phased-in early retirement	2,893	3,621
Restructuring measures[1]	1,551	5,684
Expenses for the annual financial statements	805	1,207
Holiday obligations and flex-time credits	11,778	11,175
Bonuses, executive and differential commission	22,454	17,329
Profit shares and competition awards	23,284	22,603
Employee long-term service obligations and sales agent compensation obligations	3,606	3,066
Other	5,495	5,855
Total	**71,866**	**70,540**

1 In the financial year and in the previous year, a restructuring provision was recognised to improve the processes of the back office and the mobile sales force.

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

Pledged reinsurance policies for the credit balances under phased-in early retirement agreements, which are inaccessible to all other creditors and serve solely to satisfy phased-in early retirement commitments, are netted with these pursuant to Section 246 (2) sentence 2 of the German Commercial Code (HGB). Expenses from compounding and income from discounting and from the assets to be offset are treated in the same way. Pledged reinsurance policies are recognised at their fair value. This is composed of the coverage capital plus irrevocably committed surplus participation.

The item "Phased-in early retirement" was calculated as follows:

in € thousands	31.12.2022	31.12.2021
Amount needed to satisfy vested claims	7,943	10,197
thereof capable of being netted with the coverage capital of reinsurance	5,050	6,576
Carrying amount	**2,893**	**3,621**

E. Other liabilities

I. Liabilities from direct insurance business owed to (15):

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

2. Insurance brokers
Liabilities to insurance brokers from direct insurance business amounted to €51,693 thousand (previous year: €41,752 thousand).

Remaining terms of the item "Liabilities from direct insurance business"
Liabilities with a remaining term to maturity of more than one year amounted to €15,798 thousand, of which €1,021 thousand had a remaining term of five years.

III. Miscellaneous liabilities (16)

in € thousands	31.12.2022	31.12.2021
Miscellaneous liabilities to affiliated companies	151,146	246,943
Taxes	26,415	20,324
Other miscellaneous liabilities	20,557	21,972
Total	**198,118**	**289,239**

Prepayments of operating expenses in the amount of €513 thousand (previous year: €480 thousand) were accrued in the financial year and recognised under the item "Miscellaneous liabilities".

Remaining terms of the item "Miscellaneous liabilities"
Liabilities with a remaining term of more than one year amounted to €5,272 thousand, of which €3,949 thousand had a remaining term of more than five years.

F. Accrued expenses and deferred income (17)

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

Notes concerning the income statement

I. Technical account

1. Premiums earned for own account (18)

Pursuant to Section 51 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV), the premiums are described in the notes under “Individual disclosures concerning the income statement”. Domestic gross premiums written amounted to €2,335,981 thousand (previous year: €2,191,628 thousand). Premiums from indirect business amounted to €4,078 thousand (previous year: €3,323 thousand). The number of at least one-year insurance policies is shown in the notes under “Annex to the notes”.

2. Technical interest income for own account (19)

Pursuant to Section 38 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV), recognised under this item is the interest earned on the provisions for future annuity benefits and for future policy benefits, less the pro-rata costs for asset management and the reinsurer.

4. Expenses for insurance claims for own account

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

b) Change in the provision for outstanding insurance claims (20)
The run-off of the provision for outstanding insurance claims, which was carried forward from the previous year, resulted in run-off gains for own account in the amount of €157,268 thousand (previous year: €149,755 thousand).

6. Expenses for insurance operations for own account

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

a) Gross expenses for insurance business (21)
The breakdown of this item is shown in the notes under “Individual disclosures concerning the income statement”. Expenses for the annual financial statements amounted to €189,735 thousand (previous year: €176,934 thousand), and general administrative expenses to €438,616 thousand (previous year: €399,407 thousand).

II. Non-technical account

1. Income from investments

c) Income from write-ups (22)

Income from write-ups includes exchange rate gains of €1,024 thousand (previous year: €7,953 thousand). The breakdown of this item is depicted in the notes under "Individual disclosures concerning assets".

d) Gains from the disposal of investments (23)

in € thousands	2022	2021
Land, land-type rights and buildings, including buildings on third-party land [1]	3,517	13,049
Participations[2]	1,514	8,945
Bearer bonds and other fixed-income securities[3]	–	12,648
Registered bonds and promissory note loans		
Deposits with credit institutions[4]	1,189	1,027
Shares, units or shares in investment funds and other variable-yield securities[5]	933	3,654
Total	**7,153**	**39,323**

1 1 Part of the Stuttgart Feuersee site at which the building previously in own use is located was transferred to a wholly-owned subsidiary of Württembergische Versicherung AG for possible future project development. The disposal of the property resulted in a gain of €112.1 million.
2 Thereof exchange rate gains of €401 thousand (previous year: €12 thousand).
3 Thereof exchange rate gains of €351 thousand (previous year: €717 thousand).
4 Thereof exchange rate gains of €1,817 thousand (previous year: €1,189 thousand).
5 Thereof exchange rate gains of €4,935 thousand (previous year: €247 thousand).

2. Expenses for investments

b) Write-downs on investments (24)

The item includes unscheduled write-downs that were taken in accordance with Section 253 (3) sentences 5 and 6 and (4) of the German Commercial Code (HGB) in conjunction with Section 277 (3) sentence 1 HGB. They can be broken down as follows:

in € thousands	31.12.2022	31.12.2021
Land (unscheduled)	64	27
Interests in affiliated companies	1	71
Loans to affiliated companies	60	–
Participations	1,124	1,712
Shares, units or shares in investment funds and other variable-yield securities	140,999	37,913
Bearer bonds and other fixed-income securities	61,054	28,109
Receivables from mortgages, land charges and annuity land charges	32	21
Other loans	–	123
Deposits with credit institutions	921	–
Other miscellaneous liabilities	204,255	67,976
Total	**198,118**	**289,239**

The amounts for affiliated companies and participations and for land and mortgages relates to all balance sheet items that are measured like non-current assets. In the case of securities and units or shares in investment funds, €6,344 thousand was allocated to balance sheet items that are measured like non-current assets.
In the case of securities and units or shares in investment funds, €195,709 thousand was allocated to balance sheet items that are measured like current assets. Currency write-downs in the amount of €960 thousand were recorded in 2022.

c) Losses from the disposal of investments (25)

in € thousands	2022	2021
Participations[1]	28,274	6,876
Shares, units or shares in investment funds and other variable-yield securities[2]	16,102	2,727
Bearer bonds and other fixed-income securities[3]	411	497
Deposits with credit institutions[4]	572	26
Total	**45,359**	**10,126**

1 Thereof exchange rate losses of €3 thousand (previous year: €17 thousand).
2 Thereof exchange rate losses of €5 thousand (previous year: €83 thousand).
3 Thereof exchange rate losses of €1 thousand (previous year: €0 thousand).
4 Thereof exchange rate losses of €572 thousand (previous year: €26 thousand).

4. Other income (26)

Material items were:

in € thousands	2022	2021
Commissions from the brokering of insurance policies and home loan savings contracts for other companies	14,963	14,570
Other cost refunds (management tasks, etc.)	201,944	205,919
Exchange rate gains[1]	319	219
Income from pension scheme	12,723	16,379
Income from the release of miscellaneous provisions	5,233	4,360

1 Thereof realised exchange rate gains of €0 thousand (previous year: €3 thousand).

5. Other charges (27)

Material items were:

in € thousands	2022	2021
Commission payments, competition awards and sales expenses from the brokering of insurance policies and home loan savings contracts for other companies	27,238	25,696
Costs of other services (e.g. management tasks)	199,958	204,104
Interest expenses from the compounding of long-term provisions	29	68
Addition of interest to the pension provision	18,155	58,393
Exchange rate losses[1]	2,077	4,592
Negative interest	388	301
Expenses for the pension scheme	10,576	13,934
Supplemental payment to WürttPK[2]	7,613	26,699
Other expenses that affect the company as a whole:		
Costs for preparing the annual financial statements	2,243	1,657
Contributions to professional associations, chambers of industry and trade and insurance supervision fees	2,157	2,030
Legal and tax consulting expenses	778	699
Projects[3]	7,277	8,597

1 Thereof unrealised exchange rate losses of €2,026 thousand (previous year: €4,592 thousand).
2 Includes in the previous year a voluntary special contribution for the purpose of generally strengthening the provision for future policy benefits.
3 Higher project costs were recognised due to the recognition of a provision to improve the processes of the back office and of the mobile sales force.

With respect to phased-in early retirement agreements, expenses of €18 thousand (previous year: €33 thousand) from compounding and income of €252 thousand (previous year: €303 thousand) from the discounting of the assets to be netted were offset against each other pursuant to Section 246 (2) sentence 2 of the German Commercial Code (HGB).

7. Income taxes (28)

The tax item amounting to €1,433 thousand (previous year: €1,344 thousand) mainly includes foreign income taxes and withholding taxes.

The carrying amounts for land, land-type rights and buildings, participations, affiliated companies, shares, investment fund units and other variable-yield securities, bearer bonds, technical provisions, miscellaneous provisions as well as adjustment items pursuant to Section 4f of the German Income Tax Act (EStG) in connection with provisions for pensions differ from one another under commercial law and tax law accounting rules. This resulted in deferred tax assets and deferred tax liabilities. Deferred taxes were calculated using a tax rate of 30.36%. After exercising the option in Section 274 (1) sentence 2 of the German Commercial Code (HGB), deferred tax assets were not capitalised.

Other mandatory disclosures

Mandates

The members of the Executive Board and of the Supervisory Board are listed on pages 4 and 5. These pages are part of the notes.

Legal bases

Württembergische Versicherung Aktiengesellschaft maintains its registered office in Kornwestheim, Germany, and is recorded in the Commercial Register of the Local Court of Stuttgart under Number HRB 14327.

Events after the reporting date

No material events that require reporting occurred after the reporting date.

Supplementary disclosures

Commissions and other remuneration paid to insurance agents, personnel expenses

in € thousands	2022	2021
Commissions of any nature paid to insurance agents within the meaning of Section 92 of the German Commercial Code (HGB) for direct business	404,847	374,990
Other remuneration paid to insurance agents within the meaning of Section 92 HGB	56,661	40,811
Wages and salaries	207,281	194,366
Remittances for social security and other employee benefits	38,686	37,377
Expenses for the pension scheme	22,362	40,901
Total	**729,837**	**688,445**

Employees

Number[1]	2022	2021
In-house staff	2,504	2,466
Mobile sales force staff	565	612
Trainees	97	108
Total	**3,166**	**3,186**

1 Average employee headcount for the year pursuant to Section 285, no. 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

The remuneration paid to the members of the Supervisory Board amounted to €266 thousand (previous year: €267 thousand), and that paid to the members of the Executive Board to €1,996 thousand (previous year: €1,154 thousand). Former members of the Executive Board were paid €1,185 thousand (previous year: €1,265 thousand). In the financial year, pension commitments for former members of the Executive Board amounted to €16,728 thousand (previous year: €17,336 thousand). As at the reporting date, no loan claims existed against members of the Executive Board. As at the reporting date, no loan claims existed against members of the Supervisory Board.

Related party disclosures

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

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

Auditor fee

In addition to auditing the annual financial statements, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft also audited the annual financial statements of the subsidiaries. It also provided assurance services in connection with foreign bonuses.

Disclosures concerning auditor fees are contained in the consolidated financial statements of Wüstenrot & Württembergische AG. Based on the exemption for groups set forth in Section 285, no. 17 of the German Commercial Code (HGB), we have elected to dispense with publication here.

Contingent liabilities and other financial obligations

As a result of membership in Verkehrsopferhilfe e.V., which is an association that assists road accident victims through a guarantee fund established by German motor liability insurers, the W&W Group is obligated to provide this association with the resources necessary for carrying out its purpose. The amount that it is required to pay in each year is determined by its share of the motor liability premium revenue that member companies earned from direct insurance in the calendar year before last.

Outstanding contribution obligations for participation and fund investments made amounted to €246.5 million (thereof to affiliated companies: €167.0 million).

As at the reporting date, there were no irrevocable loan commitments representing remaining obligations under loans and credit lines that have been granted but not yet drawn down or fully drawn down.

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

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 that time.
Württembergische Versicherung AG settles income and expenses from the change in the pension commitments with W&W AG in cash each year. The pension commitment to employees of Württembergische Versicherung AG, which amounted to €784,944 thousand as at the reporting date, was offset by an indemnification claim against W&W AG in 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 commitments, which would result in recourse against WV.
Where reinsurance policies exist, IDW accounting note IDW RH FAB 1.021 was applied to the measurement of pension provisions, using the coverage capital procedure and so-called “liability primacy”.

Pursuant to Section 253 (2) sentence 1 of the German Commercial Code (HGB), the actual interest rate applied is the average market interest rate over the past 10 years. The discount rates published by the Deutsche Bundesbank as at 31 October 2022 with a 10-year average interest rate were adjusted by extrapolating the interest rate as at 31 October 2022 for the months of November and December 2022 so as to obtain the interest rate as at 31 December 2022.
The difference between the measurement of the provision for pensions and similar commitments using the 10-year average and the 7-year average interest rate pursuant to Section 253 (6) HGB amounted to €38.4 million.

Under a 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 brokering 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 advisory errors made 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 insurance cover 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.

To the best of our current knowledge, we also believe going forward that the risk of a claim under the aforementioned contingent liabilities, as in the past, will not lead to any additional expense for the company.

Other financial obligations from various leases amounted to €4.5 million.

Expenses for internal Group services are expected to amount to €209.4 million in 2023.

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

As a result of existing control and profit-and-loss transfer agreements, we expect compensatory payments in the amount of €43,688 thousand over the next three years for losses incurred by start-ups.

Group affiliation

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

Württembergische Versicherung AG, Kornwestheim, Germany, 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 (Bundesanzeiger).

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) of the German Commercial Code (HGB) are met.

The accounting policies applied in departure from German law in the separate consolidated financial statements include, in particular, the prohibition of creating claims equalisation reserves and the recognition of certain financial assets at fair value, whereas the HGB provides for uniform measurement at amortised cost and recognition at the nominal value less repayments made. As a rule, the category "Financial assets at fair value through other comprehensive income" is measured at fair value directly in other comprehensive income.

Kornwestheim, 9 March 2023

The Executive Board

Zeliha Hanning

Dr Per-Johan Horgby

Jens Lison

Alexander Mayer

Jens Wieland

Individual disclosures concerning assets

Changes in investments

Notes concerning assets

	Carrying amounts 2021
in Tsd €	
Changes in the asset items A., B.I.-IV. in the 2022 financial year	
A. Intangible assets	
Licences acquired against payment, industrial property rights and similar rights, as well as licences for such rights and assets	–
B.I. Land, land-type rights and buildings, including buildings on third-party land	**54,494**
B.II. Investments in affiliated companies and participations	
1. Interests in affiliated companies	240,908
2. Loans to affiliated companies	52,050
3. Participations	66,089
4. Total B.II.	**359,047**
B.III. Other investments	
1. Shares, units or shares in investment funds and other variable-yield securities	1,239,620
2. Bearer bonds and other fixed-income securities	965,461
3. Receivables from mortgages, land charges and annuity land charges	68,868
4. Other loans	
a) Registered bonds	264,035
b) Promissory notes and loans	133,835
c) Miscellaneous loans	21,787
5. Deposits with credit institutions	44,720
6. Other investments	2
8. Total B.III.	**2,738,328**
B.IV. Deposits from reinsurance accepted	**–**
Total	**3,151,869**

Additions	Reclassifications	Disposals	Write-ups	Write-downs	Carrying amounts 2022
25	–	–	–	3	22
—	**—**	**24,183**	**—**	**7,238**	**23,073**
113,899	–	–	4,006	–	358,813
47,735	–	–	–	60	99,725
316	–4,752	4,639	274	1,124	56,164
161,950	**—4,752**	**4,639**	**4,280**	**1,184**	**514,702**
225,755	4,752	199,009	2,239	140,998	1,132,359
164,551	–	97,739	–	61,055	971,218
–	–	6,899	4	32	61,941
23,000	–	69,080	11	14	217,952
13,609	–	17,000	–	–	130,444
16	–	27	–	–	21,776
7,454,255	–	7,473,170	–	921	24,884
–	–	–	–	–	2
7,881,186	**4,752**	**7,862,924**	**2,254**	**203,020**	**2,560,576**
118	**—**	**—**	**—**	**—**	**118**
8,043,279	**—**	**7,891,746**	**6,534**	**211,445**	**3,098,491**

Individual disclosures concerning liabilities

B. Technical provisions[1]

in € thousands	Provisions (gross) for outstanding insurance claims		Claims equalisation provision and similar provisions		Total technical provisions (gross)	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
1. Direct insurance business						
Personal accident insurance	215,153	216,370	–	–	235,514	236,872
Liability insurance	433,743	443,356	–	–	466,114	474,191
Motor liability insurance	1,110,279	1,095,067	155,550	130,558	1,282,447	1,243,112
Other motor insurance	95,713	85,672	76,210	90,552	185,232	189,628
Fire and property insurance						
Fire insurance	125,313	97,632	28,581	28,532	163,820	135,139
Combined household insurance	22,178	30,442	–	–	36,595	44,615
Combined building insurance	167,025	235,283	124,946	96,506	330,523	366,613
Other property insurance	193,066	266,277	72,920	41,650	293,883	333,773
	507,582	629,634	226,447	166,688	824,821	880,140
Transport and aviation insurance	28,520	24,950	5,426	6,415	35,485	32,167
Legal expenses insurance	214,078	195,755	4,328	8,657	235,433	221,207
Travel assistance insurance	1,203	935	16,742	14,278	20,622	17,413
Other insurance	47,069	76,964	16,851	**501**	69,615	81,684
Total	**2,653,340**	**2,768,703**	**501,554**	**417,649**	**3,355,283**	**3,376,414**
2. Accepted reinsurance business	**26,426**	**32,184**	–	–	**26,699**	**32,373**
3. Total insurance business	**2,679,766**	**2,800,887**	**501,554**	**417,649**	**3,381,982**	**3,408,787**

1 See “Notes concerning liabilities” in the notes.

Individual disclosures concerning the income statement[1]

	Gross premiums written		Earned premiums (gross)		Earned premiums (net)	
in € thousands	2022	2021	2022	2021	2022	2021
1. Direct insurance business						
Personal accident insurance	156,161	152,609	156,125	152,708	132,488	129,677
Liability insurance	263,606	238,870	262,191	236,651	212,378	196,330
Motor liability insurance	496,896	489,364	496,860	489,792	421,032	415,062
Other motor insurance	394,133	385,852	394,129	385,905	327,414	316,984
Fire and property insurance						
Fire insurance	109,636	98,345	108,643	98,083	54,600	52,659
Combined household insurance	108,304	104,087	108,028	104,113	88,957	85,470
Combined building insurance	297,561	262,009	293,832	260,829	232,349	208,474
Other property insurance	276,391	243,646	274,320	242,570	169,227	153,899
	791,892	708,087	784,823	705,595	545,133	500,502
Transport and aviation insurance	27,672	25,575	27,672	25,575	23,222	21,461
Legal expenses insurance	146,108	140,924	145,864	140,202	123,706	118,943
Travel assistance insurance	20,762	18,270	20,295	17,676	17,232	15,009
Other insurance	34,897	29,070	33,479	28,033	23,024	16,402
Total	**2,332,127**	**2,188,621**	**2,321,438**	**2,182,137**	**1,825,629**	**1,730,370**
2. Accepted reinsurance business	**4,078**	**3,323**	**3,995**	**3,253**	**1,209**	**1,387**
3. Total insurance business	**2,336,205**	**2,191,944**	**2,325,433**	**2,185,390**	**1,826,838**	**1,731,757**

1 See “Notes concerning the income statement” in the notes.

in € thousands	Gross expenses for insurance claims 2022	Gross expenses for insurance claims 2021	Gross expenses for insurance operations 2022	Gross expenses for insurance operations 2021	Reinsurance balance[1] 2022	Reinsurance balance[1] 2021
1. Direct insurance business						
Personal accident insurance	52,139	37,663	49,387	47,855	–5,980	–7,547
Liability insurance	78,468	92,511	86,979	78,770	–16,441	–5,624
Motor liability insurance	375,566	317,912	93,016	84,929	3,860	–8,083
Other motor insurance	338,730	343,753	77,824	73,812	4,035	37,189
Fire and property insurance						
Fire insurance	85,844	65,692	28,490	26,376	5,844	–1,907
Combined household insurance	31,137	67,957	38,120	35,188	–7,759	24,698
Combined building insurance	191,723	333,036	84,211	74,063	–7,248	135,061
Other property insurance	139,877	344,009	94,858	84,517	–15,144	151,573
	448,581	810,694	245,679	220,144	–24,307	309,425
Transport and aviation insurance	19,426	11,654	8,533	7,934	160	–223
Legal expenses insurance	99,232	81,080	46,530	45,707	2,199	136
Travel assistance insurance	6,776	6,144	6,323	5,694	–785	–636
Other insurance	–3,530	30,334	12,575	10,645	–11,614	8,590
Total	**1,415,388**	**1,731,745**	**626,846**	**575,490**	**–48,873**	**333,227**
2. Accepted reinsurance business	**–4,293**	**–4,288**	**1,505**	**851**	**–1,678**	**–1,794**
3. Total insurance business	**1,411,095**	**1,727,457**	**628,351**	**576,341**	**–50,551**	**331,433**

1 From the perspective of Württembergische Versicherung AG

in € thousands	Net underwriting income/ expense for own account (before claims equalisation provision) 2022	2021	Change in the claims equalisation provision and similar provisions 2022	2021	Net underwriting income/ expense for own account (after claims equalisation provision) 2022	2021
1. Direct insurance business						
Personal accident insurance	49,168	59,979	–	–	49,168	59,979
Liability insurance	80,466	60,142	–	39,268	80,466	99,410
Motor liability insurance	33,318	79,133	–24,992	–9,222	8,326	69,911
Other motor insurance	–16,624	4,414	14,342	–8,819	–2,282	–4,405
Fire and property insurance						
Fire insurance	–924	3,088	–48	–2,320	–972	768
Combined household insurance	29,671	22,119	–	–	29,671	22,119
Combined building insurance	9,315	–21,663	–28,440	–6,404	–19,125	–28,067
Other property insurance	27,269	–39,011	–31,270	7,631	–4,001	–31,380
	65,331	–35,467	–59,758	–1,093	5,573	–36,560
Transport and aviation insurance	–702	5,715	989	–5,196	287	519
Legal expenses insurance	2,449	13,843	4,328	4,328	6,777	18,171
Travel assistance insurance	6,422	5,206	–2,464	–3,850	3,958	1,356
Other insurance	12,719	–4,427	–16,350	–501	–3,631	–4,928
Total	**232,547**	**188,538**	**–83,905**	**14,915**	**148,642**	**203,453**
2. Assumed insurance business	**5,107**	**5,048**	–	–	**5,107**	**5,048**
3. Total insurance business	**237,654**	**193,586**	**–83,905**	**14,915**	**153,749**	**208,501**

Annex to the notes

Number of at least one-year insurance policies

in units	31.12.2022	31.12.2021
Personal accident insurance	743,569	748,111
Liability insurance	1,378,093	1,343,013
Motor liability insurance	1,961,336	1,873,263
Other motor insurance	1,447,510	1,401,514
Fire and property insurance		
Fire insurance	195,142	192,505
Combined household insurance	753,796	747,489
Combined building insurance	484,257	473,395
Other property insurance	1,129,148	1,090,477
	2,562,343	**2,503,866**
Transport and aviation insurance	39,208	37,241
Legal expenses insurance	834,341	818,762
Travel assistance insurance	698,653	677,510
Other insurance	146,394	136,249
Total	**9,811,447**	**9,539,529**

List of ownership interests

Name and domicile of the company	Direct interest in capital, in %	Indirect interest in capital, in %	Currency	Reporting date	Equity[1]	Net income/loss after taxes[1]
Germany						
Adam Riese GmbH, Stuttgart[2]	100.00		€	31.12.2021	25,000	–
Altmark Versicherungsmakler GmbH, Stuttgart	100.00		€	31.12.2021	4,588,145	614,405
Altmark Versicherungsvermittlung GmbH, Stuttgart	100.00		€	31.12.2021	664,861	135,715
BWK GmbH Unternehmensbeteiligungs-gesellschaft, Stuttgart	17.50		€	31.12.2021	227,900,712	20,981,978
BWK Holding GmbH Unternehmens-beteiligungsgesellschaft, Stuttgart	17.50		€	31.12.2021	14,251,972	1,987,854
Feuersee Entwicklungsgesellschaft mbH & Co. KG, Kornwestheim[3]	100.00				Formed in 2022	
VC Fonds Baden-Württemberg GmbH & Co. KG, Stuttgart	25.00		€	31.12.2021	1,071,639	254,730
Württembergische Akademie GmbH, Stuttgart	100.00		€	31.12.2021	83,103	18,103
Württembergische Immobilien AG, Stuttgart	100.00		€	31.12.2021	118,292,648	991,271
Württembergische Kö 43 GmbH, Stuttgart		89.90	€	31.12.2021	22,797,480	524,264
Württembergische Rechtsschutz Schaden-Service-GmbH, Stuttgart	100.00		€	31.12.2021	75,907	-585
Württembergische Vertriebspartner GmbH, Stuttgart[2]	100.00		€	31.12.2021	74,481	–
WürttVers Alternative Investments GmbH, Stuttgart[2]	100.00		€	31.12.2021	61,025,000	–
France						
Württembergische France Immobiliere SARL, Strasbourg[4]		100.00	€	30.9.2022	32,476,081	1,423,713
Württembergische France Strasbourg SARL, Strasbourg	100.00		€	30.9.2022	54,661,760	1,720,219
Austria						
G6 Zeta Errichtungs- und VerwertungsGmbH & Co OG, Vienna		99.90	€	31.12.2021	21,960,550	1,462,685
SAMARIUM drei GmbH & Co OG, Vienna		99.00	€	31.12.2021	9,587,334	559,482

1 The figures relate to the most recent annual financial statements available on the reporting date.
2 Profit and loss transfer agreement in place.
3 Part of the Stuttgart Feuersee site at which the building previously in own use is located was transferred to a wholly owned subsidiary, Feuersee Entwicklungsgesellschaft mbH & Co. KG, for possible future project development.
4 The direct interest amounted to less than 0.01%.

Württembergische Versicherung AG
Auditor‘s report

Report of the independent statutory auditor

for Württembergische Versicherung AG

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, Kornwestheim, Germany, comprising the balance sheet as at 31 December 2022, the income statement for the financial year from 1 January to 31 December 2022 and the notes, including the presentation of the accounting policies.
In addition, we have audited the management report of Württembergische Versicherung AG for the financial year 1 January to 31 December 2022. In conformity with German statutory requirements, we have not audited the content of the corporate governance statement (disclosures concerning the proportion of women) pursuant to Section 341j of the German Commercial Code (HGB) in conjunction with Section 289f HGB, which is contained in the section "Other disclosures" in the management report, or the report on equality and equal remuneration pursuant to the German Transparency in Remuneration Act (EntgTransG), which is attached to the management report.

In our opinion, based on the knowledge acquired in connection with the audit,

- the attached annual financial statements comply in all material respects with the requirements of the German Commercial Code (HGB) applicable to insurance undertakings and present a true and accurate view of the company's net assets and financial position as at 31 December 2022 and its financial performance for the financial year 1 January to 31 December 2022 in accordance with the German standards of proper accounting, and
- the attached management report as a whole presents a true and accurate view of the company's position. The management report is consistent with the annual financial statements in all material respects, complies with German statutory requirements and accurately depicts the opportunities and risks of future development.
  Our audit opinion concerning the management report does not cover the content of the aforementioned corporate governance statement or the report on equality and equal remuneration pursuant to the German Transparency in Remuneration Act, which is attached to the management report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the regularity 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 conformity with Section 317 HGB and with Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities (hereinafter, the "EU Audit Regulation"), as well as in accordance with the German standards for the proper auditing of financial statements promulgated by the IDW (Institute of Public Auditors in Germany). Our responsibility in accordance with those provisions and standards is described extensively in the section of our audit report entitled "Responsibility of the statutory auditor for the audit of the annual financial statements and the management report".
We are independent of the company in accordance with the requirements of European and German commercial law, as well as professional rules, and we have fulfilled our other German professional duties in accordance with these requirements and rules.
In addition, pursuant to Article 10(2)(f) of the EU Audit Regulation, we declare that we did not provide any prohibited

non-audit services referred to in Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions concerning the annual financial statements and the management report.

Key audit matters in connection with the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the following, we describe the key audit matters in our view:

Measurement of other loans

Reasons why this was determined to be a key audit matter
The company holds loans (primarily registered bonds and promissory note loans) for investment purposes. They are recognised in the annual financial statements under the item "Other loans".

The other loans are not listed on an exchange. For these investments, market values are calculated using recognised measurement procedures that are customary on the market, particularly discounted cash flow methods. Other recognised instrument-specific measurement procedures are used to only a limited extent. Primarily used as input data in this regard are measurement parameters that are observable on the market (in particular, yield curves, risk premiums and volatilities), but also to a lesser extent measurement parameters that are not observable on the market. Discretion is exercised in connection with the selection of the procedures and the specification of the measurement parameters and assumptions.

This forms a particularly important audit matter discretion is exercised in connection with specification of material measurement parameters and assumptions in connection with model-based measurement and the write-downs and write-ups that may result from this, as well as the associated risk of a materially incorrect presentation in the annual financial statements.

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

We gained a methodological understanding of the measurement procedures applied. In this connection, we gained an understanding of the utilised measurement parameters by comparing them with publicly available measurement parameters for a selection. If parameters were not observable on the market, we evaluated them by remeasuring a select partial portfolio of the other loans.

In addition, for a spot check of the other loans, we performed our own calculations of market value, drawing on the assistance of measurement specialists, and compared the results with the figures calculated by the Executive Board.

In addition, for a partial portfolio of the other loans, we gained a mathematical understanding of the write-downs and write-ups.

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

Reference to associated disclosures
The disclosures concerning the calculation of the fair value of the other loans can be found in the notes in the sections "Accounting policies: Other loans" and "Calculations of fair value".

Determination of expected permanent impairment of fixed-income debt securities

Reasons why this was determined to be a key audit matter
Investments measured as non-current assets must be written down to their lower fair value if impairment is expected to be permanent. The Executive Board of the company has discretion in assessing whether and to what extent impairment on these investments can be considered permanent.

Fixed-income debt securities had substantial hidden liabilities as at the reporting date. In light of this, the financial statements are subject to the risk that expected permanent impairment will not be identified or that the discretion that exists will not be exercised properly, with the securities failing to be written down as required to the lower fair value or being written down in the incorrect amount. For this reason, we consider the determination of the existence and amount of expected permanent impairment of interest-bearing debt securities to be a key audit matter.

Audit approach
In conjunction with our audit, we examined the process for determining expected permanent impairment and the extent of the impairment of fixed-income debt securities. In this context, we assessed the nature of the procedures established as to whether their methods are suitable for determining expected permanent impairment and its extent and whether they are being systematically applied. We examined the adequacy and effectiveness of the controls established in this respect.

Furthermore, on the basis of the assessments and analyses prepared by the company's Executive Board, we assessed whether the Executive Board's opinion on the permanence and extent of impairment is accurate. In this context, we analysed whether defaults or material deteriorations in issuers' credit quality have occurred regarding these investments. Moreover, we questioned employees of the company entrusted with this matter about the credit quality of the issuers of these investments to obtain further assessments. Furthermore, we had employees entrusted with this matter explain to us the company's liquidity planning in terms of the intention and ability to hold the investments.

Our audit procedures did not give rise to any objections to the determination of expected permanent impairment of fixed-income debt securities.

Reference to associated disclosures
The disclosures on the determination of expected permanent impairment of fixed-income debt securities can be found in the notes in the section "Accounting policies".

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 why this was determined to be 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 current information about claims development and on assumed future claims development based on knowledge about the settlement of comparable claims.

Because of the exercise of discretion and the applied estimation procedures, we determined that measurement of the partial provision for reported insurance claims in direct property and casualty business included in the gross provision for outstanding insurance claims is a key audit matter. There is a risk here that the gross provision for reported insurance claims as a whole and in the individual insurance branches is not appropriately measured.

Audit approach

As part of 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 in order to ensure that reported insurance claims are fully and accurately recorded.

In this regard, for the gross partial provision for reported insurance claims in direct property and casualty business, we gained an understanding of the processing of individual insurance claims – from the reporting of the claims and their processing and reserving to their presentation in the financial statements – with respect to their proper recording and measurement.

Furthermore, we performed spot checks of insurance claims in direct property and casualty business and examined whether the provisions created in this respect for reported insurance claims were appropriately measured on the basis of current information and knowledge as at the reporting date. For this purpose, we used the records for various insurance branches and types to gain an understanding of the amount of the individual provisions and in the process examined whether discretion was exercised within a justifiable range with regard to the specification of provision amounts. Moreover, we used multiyear comparisons to review loss ratios and average losses for abnormalities with respect to measurement. This also included the impact of inflation, which is elevated at this time.

Using abnormalities in run-off results, we analysed the actual change in the gross partial provision for reported insurance claims in direct property and casualty business that had been created in the previous year.

Furthermore, on the basis of mathematical and statistical procedures, we performed our own claims projections in order to evaluate the measurement of the gross partial provision for reported insurance claims in direct property and casualty business. In this regard, we used our best estimate for a selection of insurance branches and types that was made on a risk-oriented basis as the benchmark for evaluating the measurement as a whole.

We used our own actuaries in our audit.

Our audit procedures did not result in any objections concerning 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 associated disclosures

The disclosures concerning the measurement of the gross provision for outstanding insurance claims can be found in the notes in the section “Accounting policies: Technical provisions”.

Other information

The Supervisory Board is responsible for the report of the Supervisory Board. In addition, the Executive Board is responsible for the other information. The 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 corporate governance statement mentioned above (disclosures concerning the proportion of women) and the report on equality and equal remuneration pursuant to the German Transparency in Remuneration Act, which is attached to the management report. The other information also comprises 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 concerning the annual financial statements and the management report do not cover the other information, and as a result, we do not provide an audit opinion or any other form of audit conclusion concerning it.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information

- is materially inconsistent with the annual financial statements, the management report or our knowledge obtained in the audit or
- otherwise appears to be materially misstated.

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

The Executive Board is responsible for preparing the annual financial statements in a manner that conforms in all material respects with the provisions of the German Commercial Code (HGB) applicable to insurance undertakings and for ensuring that they present a true and accurate view of the company's net assets financial position and financial performance in accordance with the German standards of proper accounting. Furthermore, the Executive Board is responsible for the internal controls that it has specified as necessary in accordance with the German standards of proper accounting in order to facilitate the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. the manipulation of financial reporting or financial losses) or error.

In preparing the annual financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. In addition, it is responsible for disclosing, as applicable, matters related to going concern. Moreover, it is responsible for using the going concern basis of accounting, unless factual or legal circumstances prevent this.

Furthermore, the Executive Board is responsible for preparing the management report that as a whole presents a true and accurate view of the company's position and that in all material respects is consistent with the annual financial statements, complies with German statutory requirements and accurately depicts the opportunities and risks of future development. In addition, the Executive Board is responsible for the arrangements and measures (systems) that it considers necessary in order to facilitate the preparation of a management report in conformity with applicable German statutory requirements and to enable sufficient and appropriate evidence to be provided for the statements in the management report.

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

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

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether the management report as a whole presents a true and accurate view of the company's position and in all material respects is consistent with the annual financial statements and the knowledge gained in the audit, complies with German statutory requirements and accurately depicts the opportunities and risks of future development, as well as to issue an audit report containing our audit opinions concerning the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in conformity with Section 317 of the German Commercial Code (HGB) and with the EU Audit Regulation, as well as in accordance with the German standards for the proper auditing of financial statements promulgated by the IDW (Institute of Public Auditors in Germany), will always detect a material misstatement. Misstatements due to fraud or error may be the result of non-compliance or inaccuracies and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users that are taken on the basis of these annual financial statements and the management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the annual financial statements and the management report due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement is higher in the case of fraud than in the case of error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of the arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluate the appropriateness of the accounting policies used by the Executive Board and the reasonableness of the estimates and related disclosures made by the Executive Board;
- Draw conclusions on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, about whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements depict the underlying business transactions and events in such a way as to present a true and accurate view of the company's net assets, financial position and financial performance in accordance with the German standards of proper accounting;
- Evaluate the consistency of the management report with the annual financial statements, its conformity with the law and its depiction of the view of the company's position;
- Perform audit procedures concerning the forward-looking statements made by the Executive Board in the management report. In doing so, on the basis of sufficient and appropriate audit evidence, we gain an understanding, in particular, of the key assumptions underlying the Executive Board's forward-looking statements and evaluate whether the statements were properly derived from those assumptions. We do not provide a separate audit opinion concerning the forward-looking statements or the underlying assumptions. There is a substantial, unavoidable risk that future events may significantly deviate from the forward-looking statements.

We meet with the individuals responsible for monitoring in order to discuss, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We provide the individuals responsible for monitoring with a statement that we complied with the relevant independence requirements, and we discuss with them all relationships and other matters that may reasonably be presumed to influence our independence and the steps we have taken to guard against this.

From the matters that we discussed with the individuals responsible for monitoring, we determine those matters that were of most significance 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 our audit report unless law or regulation precludes public disclosure about the matter.

Other statutory and legal requirements

Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were appointed statutory auditor at the Annual General Meeting on 28 March 2022. We were given a mandate by the chairman of the Supervisory Board's Audit Committee on 21 June 2022. We have served as the statutory auditor of Württembergische Versicherung AG without interruption since the 2020 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Risk and Audit Committee in accordance with Article 11 of the EU Audit Regulation.

Responsible public auditor

The public auditor responsible for the audit is Martin Gehringer.

Stuttgart, 22 March 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Martin Gehringer Wirtschaftsprüfer (German public auditor)	Jochen Spengler Wirtschaftsprüfer (German public auditor)

Württembergische Versicherung AG
Report of the Supervisory Board

The Supervisory Board fulfilled its duties in the 2022 financial year in accordance with statutory requirements, the Articles of Association and the bylaws. It monitored the management of business and was directly involved in all matters of fundamental importance for the company.

Composition

In accordance with the Articles of Association, the Supervisory Board of Württembergische Versicherung AG is composed of 12 members.

The Supervisory Board did not experience any change in its membership during the 2022 financial year.

Pursuant to Section 111 (5) of the German Stock Corporation Act (AktG), the Supervisory Board, as the governing body of a company subject to co-determination, has set a goal of having women make up one-third of the Supervisory Board. Currently, five women serve on the Supervisory Board; the target has been reached.

Full Supervisory Board

In the year under review, the Supervisory Board held two ordinary meetings and one extraordinary meeting at which it considered at length the development of the company. The reports of the Executive Board, written presentations and meeting documentation were submitted to it in timely fashion for the purpose of preparing for the meetings. The Executive Board reported regularly to the Supervisory Board in writing and verbally and in a timely and comprehensive manner about all issues of relevance to the company concerning its strategy, planning, business performance, investment management and risk position, particularly in light of the war in Ukraine and current economic developments. In addition, the issue of risk management was addressed at length by the Supervisory Board and by the Audit Committee. To this end, detailed risk reports were prepared and then presented to the Supervisory Board for discussion. The business, risk and IT strategy was submitted to and discussed with the Supervisory Board. The Executive Board submitted the report of the Internal Audit department to the Supervisory Board and the Audit Committee, and it submitted the report of the Compliance Officer to the Audit Committee. The meetings of the Audit Committee were attended by the Head of Internal Audit and, at the March 2022 meeting, by the Compliance Officer. In addition, the Chairman of the Executive Board and the Chairman of the Supervisory Board exchanged information on an ongoing and, where necessary, prompt basis about all key developments and decisions.

The meetings of the Supervisory Board of Württembergische Versicherung AG mainly addressed the further development of the corporate strategy, particularly strategic measures to ensure the company's future viability in light of the changed market environment. It also addressed the enhancement of the "W&W Besser!" programme. Possibilities for staff retention and recruitment were discussed in view of the general shortage of skilled labour. Other Supervisory Board discussions focused on the continued pursuit of the "Komposit.Besser!" programme and the development of the subsidiary Adam Riese GmbH.

Business performance and trends in results in the individual segments of Württembergische Versicherung AG were addressed at length, as were the current situation on the capital markets and current regulatory developments. The Supervisory Board had detailed discussions about operational planning for 2023 and further medium-term planning.

During the year, the Supervisory Board adopted by way of written circulation a resolution on the issuing of a subordinated bond.

All measures requiring approval by law or under the company's rules were submitted to the Supervisory Board.

In addition, the Supervisory Board concerned itself with central issues of corporate governance. It examined in depth the expertise profile for the full Supervisory Board and the development plan derived from it, as well as the parameters for the composition of the Supervisory Board. In the development plan adopted at the end of 2021, measures were defined for broadening the expertise of Supervisory Board members, and these were implemented during the 2022 financial year. By way of a self-assessment, the members of the Supervisory Board once again evaluated their strengths in the fields of investment, actuarial practice and accounting. This in turn forms the basis for the development plan that the Supervisory Board prepares each year. The plan identifies areas where the Supervisory Board as a whole or its individual members wish to acquire greater expertise. At its December meeting, the Supervisory Board adopted the development plan for 2023. The self-assessment and the development plan were forwarded to the supervisory authority.

The Supervisory Board reviewed the efficiency of its work by means of a self-assessment, and at its March 2022 meeting, it discussed the results, which on whole may be considered positive.

There were no conflicts of interest requiring disclosure in 2022.

Efficient work of committees

In order to enable it to efficiently perform its duties, the Supervisory Board created three committees, which prepare resolutions for deliberation and adoption by the full Supervisory Board and are also able to adopt resolutions themselves. These are the Audit Committee, the Personnel Committee and the Conciliation Committee.

In 2022 the **Audit Committee** held two ordinary meetings. The **Personnel Committee** had two ordinary meetings and one extraordinary meeting. The **Conciliation Committee** did not meet. The issues falling within the purview of the respective committees were thoroughly discussed at committee meetings. The committee chairs reported to the Supervisory Board about the work of the committees at its next meeting.

In addition to topics for which it is responsible by virtue of law and by virtue of the bylaws of the Supervisory Board, the **Audit Committee** principally concerned itself with issues of risk-bearing capacity, particularly in light of the sharp rise in interest rates and higher inflation. In organisational terms, it was determined that the policy on the provision of non-audit services by the auditor had proved effective with respect to the approval process and the basis for it. In addition, the strategic asset allocation and the amended internal investment policy were presented for decision. Moreover, the Audit Committee monitored the auditor with respect to non-audit services and its independence.

The **Personnel Committee** prepared the personnel and remuneration matters concerning Executive Board members for the Supervisory Board. It addressed remuneration issues and discussed the remuneration system for the Executive Board and employees. It reviewed and evaluated the professional qualifications and aptitude of each member of the Executive Board and the Supervisory Board in accordance with the policy on “Fit and proper requirements for managers and members of the Supervisory Board”. In addition, it reviewed and evaluated the structure, size, composition and performance of the Executive Board and the Supervisory Board. It also discussed current personnel issues.

Audit of the annual financial statements

The Supervisory Board thoroughly reviewed the annual financial statements for the 2022 financial year as well as the management report. The annual financial statements and the management report are complete and consistent with the estimates made by the Executive Board in the reports to be issued in accordance with Section 90 of the German Stock Corporation Act (AktG).

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, which was appointed auditor by the Supervisory Board, duly audited the annual financial statements prepared by the Executive Board for the 2022 financial year, as well as the management report, and it issued an unqualified audit report.

The auditor reported the material results of its audit to the Supervisory Board verbally and in writing. The audit report was sent to each member of the Supervisory Board. In addition, the auditor reported both at the meeting of the Audit Committee on 22 March 2023 and at the accounting meeting of the Supervisory Board on 27 March 2023. The submitted audit report meets the statutory requirements of Section 321 of the German Commercial Code (HGB) and was taken into account by the Supervisory Board in connection with its own review of the annual financial statements. There were no circumstances that could call into question the independence of the auditor.

Following the definitive result of the audit of the annual financial statements and the management report, the Supervisory Board raised no objections, and at its meeting on 27 March 2023, it approved the annual financial statements prepared by the Executive Board. Accordingly, the annual financial statements are deemed approved pursuant to Section 172 sentence 1 AktG.

The Supervisory Board discussed the solvency overview for Württembergische Versicherung AG as at 31 December 2021, as well as the auditor’s report on it.

Composition of the Executive Board

There were two changes to the Executive Board of WV in 2022. Dr Horgby joined the Executive Board on 1 January 2022, and Dr Pauser retired from the Executive Board on 30 September 2022. With the appointment of Dr Horgby on 1 January 2022, the Executive Board consisted of six members until Dr Pauser retired on 30 September 2022. Since 1 October 2022, the Executive Board has consisted of five members. In this regard, the Supervisory Board adopted corresponding changes to the business allocation plan.

The Supervisory Board thanks Dr Pauser for her commitment and great dedication.

The year 2022 was very demanding for management and staff. The Supervisory Board expresses its gratitude and appreciation to the Executive Board and to the employees for their work and their tireless commitment.

Kornwestheim, 27 March 2023

The Supervisory Board

Jürgen A. Junker
Chair

Württembergische Versicherung AG
Imprint and contact

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Ihr Fels in der Brandung.