Solvency and Financial Condition Report (SFCR) 2021

Württembergische Versicherung AG

württembergische

Ihr Fels in der Brandung.

Württembergische Versicherung AG
Contents

Summary

Württembergische Versicherung AG prepares and publishes a Solvency and Financial Condition Report each year pursuant to legal requirements. This report is intended to increase the transparency about the economic condition and provide insight into the insurance undertaking's net assets and solvency condition.

Business and business results

Württembergische Versicherung AG is a strategic company of the "Wüstenrot & Württembergische" Group. It is the Group's central property and personal accident insurance company.

Württembergische Versicherung AG provides a broad product portfolio in almost all property and personal accident insurance business lines. This includes personal accident insurance, liability insurance, motor insurance, fire insurance, contents insurance, homeowners insurance, other property insurance (including technical insurance), transport and aviation insurance, legal expenses insurance, emergency assistance insurance, suretyship insurance and cyber insurance.

The company operates almost exclusively in Germany.

Wüstenrot & Württembergische AG is the sole shareholder of Württembergische Versicherung AG.

After withdrawals from the claims equalisation reserve, the technical result in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code) came to €208,501 (previous year: €180,305) thousand, far higher than expected. Higher premium income and an improved net loss ratio, despite higher losses as a result of natural disasters, had a significant impact on this.

In the reporting period, capital markets were characterised by ongoing low interest rates and a rise in interest rates by the end of 2021. European equity markets posted considerable price gains. Net investment income (HGB) in the reporting period totalled €28,232 (previous year: €51,958) thousand and the net return was 0.9% (previous year: 1.8%).

Governance system

The Executive Board and the Supervisory Board are key governing bodies at Württembergische Versicherung AG. The Executive Board is directly responsible for managing the company and represents it in transactions with third parties.

There was one change to the Württembergische Versicherung AG Executive Board in the reporting year. Effective 1 January 2021, Zeliha Hanning was appointed to the Executive Board of Württembergische Versicherung AG and Württembergische Lebensversicherung AG with responsibility for the sales area. She was also made Chair of the Executive Board at Württembergische Versicherung AG with effect from the same date.

The Supervisory Board of Württembergische Versicherung AG advises the Executive Board in running the company and monitors its management.

The company has established the following four key functions:

- Independent risk controlling function,
- Compliance function,
- Internal audit and
- Actuarial function.

The risk management system encompasses all internal and external regulations that ensure risks are handled in a structured way. Risk controlling is part of risk management and records, communicates, analyses and assesses risks. It also monitors risk governance measures. The Controlling/Risk Management departments are responsible for risk management. They perform the independent risk controlling function. The department head is the responsible key function holder in accordance with Section 26 *Versicherungsaufsichtsgesetz* (VAG – German Insurance Supervision Act). The holder of the independent risk controlling function attends the meetings of the Insurance Risk Board and the Group Board Risk, regularly reports at the Insurance Division Board meetings and is thus involved in decision-making for risk-relevant issues from an organisational perspective.

Württembergische Versicherung AG is integrated into the W&W Group's internal control system. Key components of this internal control system include risk identification, risk assessment, controls, effectiveness testing, test of design, the escalation process and the audit function. The compliance function has a tripartite organisation: the Executive Board, the central compliance unit and decentralised compliance units. The internal audit function for Württembergische Versicherung AG is handled by Wüstenrot & Württembergische AG's Group Audit department. The responsible holder of the actuarial function is the head of the Actuarial Services & Property and Casualty Reinsurance" department.

Risk profile

Two perspectives are used to assess the undertaking's risks: Firstly, the regulatory perspective with the standard formula of the European Insurance and Occupational Pensions Authority (EIOPA) is used for reporting to the public. Secondly, a company perspective with an economic risk capital requirement is used for risk governance. Similar risks are combined in "risk areas" at the W&W Group. For the company economic perspective, these are market price risks, counterparty credit risks, actuarial risks, operational risks, business risks, liquidity risks and pool risk. The insurance risk and market price risk currently account for the largest share of the risk capital requirement.

Valuation for solvency purposes

The following compares the summary solvency overview for the undertaking (on the basis of Solvency II rules) with the corresponding figures from the HGB balance sheet (on the basis of HGB rules):

Summary solvency overview

	Solvency II	HGB (carrying amount)
in € thousands	31.12.2021	31.12.2021
Total assets	5,299,509	5,058,811
Total liabilities	3,248,211	4,666,248
Excess of assets over liabilities	**2,051,299**	**392,563**

The difference in the value of assets under Solvency II and HGB is chiefly due to the fact that assets are recognized at market values under Solvency II and at their carrying amount under HGB.

Total assets are invested in accordance with the prudent person principle. This means that investments are made only where the risks can be properly identified, measured, monitored, managed, controlled and reported, and can be properly taken into account in assessing overall solvency needs.

Capital management

Regulatory capital requirements are determined using the European Insurance and Occupational Pensions Authority (EIOPA)'s standard formula. The regulatory Minimum Capital Requirement and Solvency Capital Requirement are determined here using the stipulated parameters and methods. During the reporting period, the undertaking satisfied both the Minimum Capital Requirement and the Solvency Capital Requirement.

The following table provides a summary presentation as at the reporting date of eligible own funds, the Solvency Capital Requirement, and the solvency ratio pursuant to the Solvency II rules:

Solvency ratio

	Solvency II
in € thousands	31.12.2021
Eligible own funds	2,051,299
Solvency Capital Requirement (SCR)	994,631
Solvency ratio (in %)	**206.2**

Other

As well as positive economic development and rising inflation, the economic environment for investments was impacted primarily by the coronavirus pandemic.

A period of restricted economic activity to contain the pandemic was followed in the second half of the year by a dynamic economic recovery in industrialised countries. Major central banks initially stood by their expansive, crisis-oriented monetary policy. Above-average economic growth, a sharp rise in inflation and the first signs of monetary policy tightening in US in 2022, provided impetus for rising interest rates.

Württembergische Versicherung AG cannot avoid the indirect effects of the coronavirus pandemic on the economy and capital markets. Because of the ongoing coronavirus pandemic, there continue to be high levels of uncertainty with respect to further trends on the capital markets. Countermeasures by governments and central banks may in some cases afford relief. Depending on how the coronavirus pandemic develops moving forward, this may put pressure on the financial position, net assets and risk position and negatively impact solvency. Similarly, it cannot be ruled out that the coronavirus pandemic will have further effects on new business.

Regarding the Ukraine war, the direct effects of this are currently having only a limited impact on the W&W Group. Investments in the Russian Federation, Belarus and Ukraine are of minor significance in relation to the overall investment portfolio. There is no material impact on actuarial practice.

As previously, it is still difficult to estimate how the coronavirus pandemic will develop in terms of its duration and extent. Similarly, it is not possible to reliably estimate the financial impact given the considerable uncertainty surrounding the further development of the war in Ukraine. Accordingly, depending on future developments, it may also trigger a decline in results and pressure on the financial position, net assets and risk position cannot be ruled out.

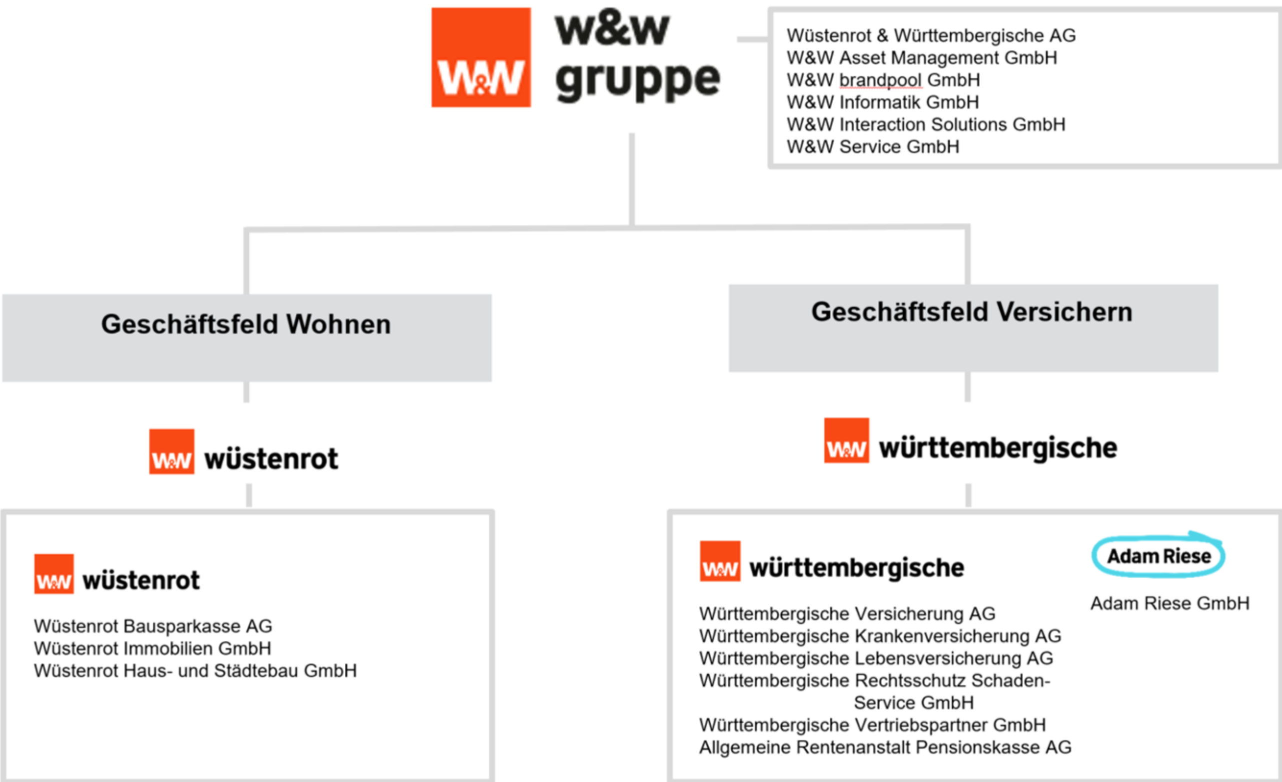
The Executive Board of Württembergische Versicherung AG approved this report and its public disclosure.

A Business and business results

A.1 Business

Overview of Württembergische Versicherung AG

Württembergische Versicherung AG is a strategic company of the “Wüstenrot & Württembergische” Group. Together with Württembergische Lebensversicherung AG, Württembergische Krankenversicherung AG and Allgemeine Rentenanstalt Pensionskasse AG, it forms the Insurance division. Established in 1999 from the merger of the two long-standing companies Wüstenrot and Württembergische, the Group combines the Housing and Insurance divisions with the digital initiatives of W&W brandpool GmbH and offers 6.5 million customers financial planning solutions that meet their needs. Following its successful development, the digital brand Adam Riese was more visibly integrated into Württembergische Versicherung AG’s sales and into the Insurance division as an established, independent market brand. The W&W Group focuses on omni-channel sales, ranging from its own mobile sales force to cooperation partners and sales agents, broker activities and digital initiatives. About 13,000 people currently work at the listed Group, which has its registered office in Stuttgart, in house and as part of its mobile sales force. The W&W Group operates almost exclusively in Germany and is represented there by two key offices in Stuttgart and Ludwigsburg/Kornwestheim.



Württembergische Versicherung AG, with registered office in Stuttgart, is one of the oldest insurance companies in Germany and was founded in 1828 under the name “Württembergische Privat-Feuer-Versicherungs-Gesellschaft”. Today, the company provides tailored property and personal accident insurance products. Its broad range of products and services makes it one of the largest German property and personal accident insurers.
Its core market is Germany, where Württembergische Versicherung AG has its registered office in Stuttgart.

Württembergische Versicherung AG provides a broad product portfolio in almost all property and personal accident insurance business lines. This includes personal accident insurance, liability insurance, motor insurance, fire insurance, contents insurance, homeowners insurance, other property insurance (including technical insurance), transport and aviation insurance, cyber insurance, suretyship insurance, legal expenses insurance and emergency assistance insurance.

Holders of qualified participations in Württembergische Versicherung AG

Wüstenrot & Württembergische AG is the sole shareholder of Württembergische Versicherung AG.

Material business transactions or other events

Changes were made to the members of the Württembergische insurance Group Executive Board. Effective 1 January 2021, Zeliha Hanning was appointed Chair of the Executive Board at Württembergische Versicherung AG. She also joined the Württembergische Lebensversicherung AG Executive Board at the same time.

The Management Board is the central steering body of the W&W Group. It concerns itself with, among other things, Group governance and the definition and development of the business strategy. As well as the members of the Wüstenrot & Württembergische AG Executive Board, as at 31 December 2021 it also comprised the division heads Bernd Hertweck (Housing), Zeliha Hanning (Property and Personal Accident Insurance) and Jacques Wasserfall (Life and Health Insurance). Operational and company-specific issues at the individual companies are handled at division level.

As a service insurer, Württembergische Versicherung AG is part of the W&W Group which makes it possible to obtain financial planning from a single source. The W&W Group sets itself the objective of becoming better every day. "Better" in this context is not considered a rigid programme. Rather, it is an attitude that it intended to guide all actions of employees. This is reflected in the "W&W Besser!" strategy.

"W&W Besser!" made it possible to post further implementation achievements in the last financial year.

- The "Komposit.Besser!" project was launched in 2019 to further develop business in the property and personal accident insurance segment. The change programme moved into the implementation phase in 2020.

- The W&W Group's digital brand Adam Riese was awarded the "Digital Brand of the Year" prize in the "Best of Best Excellent Brands" category for its digital presence and consistent brand management. The brand identity has been refined over the last four years and supports Adam Riese's growth with more than 236,000 customers, six insurance products and a growing number of employees. Adam Riese also won gold in the "Excellent Brands – Insurance" category for its excellent achievements.

- Digital claims management remained in the spotlight in 2021. This is intended to relieve some of the pressure on processing and create scope for customer services. The motor, property, liability and legal expenses business lines received more than 14,000 digital claims notices this year on Württembergische Versicherung AG's website. One in every five incidents of damage to property due to the storms in June were reported online. Finally, efficiency measures had a positive impact on dealing with storm damage.

The "W&W Besser!" initiative will be continued in 2022 in order to rigorously ensure that products, services and processes remain aligned with customer benefits throughout the entire W&W Group.

The company operates almost exclusively in Germany.

The following material business transactions or other events occurred in the reporting period that had a significant impact on the company:

- Net income from investments declined considerably in 2021 to €28,232 (previous year: €51,958) thousand, deteriorating compared to the previous year despite higher current income and lower disposal losses. This was essentially the result of the significant decrease in realised gains in the area of annuities, higher write-downs on long-term bearer bonds and various annuity funds due to the rise in interest rates at the end of 2021.
- With the cost ratio stable, Württembergische Versicherung AG's combined ratio came under significant pressure at 105.4% (gross) (previous year: 90.6%). Nonetheless, cautious risk cover in the 2021 financial year resulted in a combined ratio (net) of 87.7% (previous year: 89.0%). Given the sustained period of low interest rates, reserves were strengthened in the previous year by lowering the interest factor in the motor liability line and by way of a lower actuarial interest rate used to calculate the provisions for future annuity benefit.

- After a withdrawal from the claims equalisation reserve of €14,915 (previous year: €1,977) thousand, the net technical result rose to €208,501 (previous year: €180,305) thousand.

The following table summarises the fundamental data for the company:

General information on the company

Name	Württembergische Versicherung AG
Legal form	Aktiengesellschaft
Statutory auditor	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Flughafenstraße 61 70269 Stuttgart
Shareholders	Wüstenrot & Württembergische AG Gutenbergstraße 30 70176 Stuttgart
Shareholder's shareholding	100.00%

Supervisory authority

German Federal Financial Supervisory Authority (BaFin)	Address: Graurheindorfer Str. 108 53117 Bonn
	Contact information: Tel: 0228/4108-0 Fax: 0228/4108-1550 E-mail: poststelle@bafin.de DE-Mail: poststelle@bafin.de-mail.de

List of related undertakings

The company has an interest in the following undertakings:

List of shareholdings

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

1 The figures relate to the most recent annual financial statements available on the reporting date.
2 Profit and loss transfer agreement in place.
3 The direct interest is less than 0.01%.

A.2 Technical result

The 2021 financial year was shaped primarily by extreme gross losses, chiefly on account of the flooding catastrophe caused by the low-pressure weather system "Bernd" and its extensive compensation via reinsurance. The coronavirus pandemic also continued to impact capital markets and claims development. Given the extremely high losses from natural disasters of €522,836 (previous year: €63,581) thousand in combination with still low mobility on account of the pandemic and its influence on claims development in motor insurance, Württembergische Versicherung AG's claims performance faced major challenges in the 2021 financial year. The floods caused by the low-pressure weather system "Bernd" in July 2021 resulted in a further €333,431 thousand increase in natural disasters, which came on the tail of losses of well over €100,000 thousand caused by severe weather events in June. Despite a gross technical result of -€130,065 thousand, Württembergische Versicherung AG's comprehensive reinsurance coverage played a particularly important role in again increasing the very high net technical result before allocation to the claims equalisation reserve of €193,586 (previous year: €178,329) thousand. Natural disasters in the financial year reduced the net technical result by €135,760 thousand. While this was higher than in the previous year at €52,052 thousand, it still clearly felt the effects of the reinsurance programme. Overall, claims incurred (net) rose by 3.0%, with net premiums earned up 5.5%. With expenses for the insurance business slightly higher than premiums and a withdrawal from the claims equalisation reserve of €14,915 (previous year: €1,977) thousand, the net technical result far exceeded expectations at €208,501 (previous year: €180,305) thousand. Cautious risk hedging resulted in a combined ratio (net) of 87.7% (previous year: 89.0%).

Net technical result

	Net technical result		Share	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	in € thousands	in € thousands	%	%
Income protection insurance	59,979	20,810	28.8	11.5
Motor liability insurance	69,911	37,772	33.5	20.9
Other motor insurance	- 4,405	44,555	- 2.1	24.7
Marine, aviation and transport insurance	521	1,284	0.2	0.7
Fire and other damage to property insurance	- 36,783	39,890	- 17.6	22.1
General liability insurance	100,220	54,655	48.1	30.3
Credit and suretyship insurance	- 2,271	- 2,914	- 1.1	- 1.6
Legal expenses insurance	18,171	7,671	8.7	4.3
Emergency assistance insurance	1,356	1,014	0.7	0.6
Financial loss insurance	- 2,176	- 25,369	- 1.0	- 14.1
Non-proportional liability reinsurance	931	28	0.4	0.0
Non-proportional marine, aviation and transport reinsurance	576	1,039	0.3	0.6
Non-proportional property reinsurance	2,471	- 130	1.2	- 0.1
Total	**208,501**	**180,305**	**100.0**	**100.0**

New business, measured by annual premiums to the portfolio, was higher than in the previous year in the 2021 financial year at €306,776 (previous year: €275,736) thousand. The cancellation rate in the Württembergische Versicherung AG portfolio rose from €225,888 thousand to €234,697 thousand.

Gross premiums written at Württembergische Versicherung AG increased by 6.7% to €2,191,944 (previous year: €2,055,073) thousand. Premium development on the domestic core market was thus far higher than the 2.4% growth expected by the GDV at the end of the year. The greatest premium growth was generated in fire and other damage to property insurance and miscellaneous financial loss insurance, both in retail customer and in corporate customer business. The digital brand Adam Riese also saw continued high growth to €18,201 (previous year: €12,104) thousand, with gross premiums written increasing significantly. The focus in the last financial year was on retail customers. In just a few years, Adam Riese has established itself as a fully-fledged market player. There are plans to expand the product range further.

Net premiums written at Württembergische Versicherung AG rose by 5.1% to €1,737,458 (previous year: €1,652,940) thousand.

Thanks to good premium development in recent years, Württembergische Versicherung AG has fared well on the market and currently places ninth in the ranking of property and personal accident insurers according to gross premiums written for domestic direct business as reported by the GDV.

The gross loss ratio in the year for domestic direct business deteriorated from a very good 66.6% in the previous year to 87.2%. This affected other motor insurance and fire and other damage to property insurance. This is the result of exceptionally high gross claims for natural disasters of €522,836 (previous year: €63,581) thousand due to severe weather events in the summer months, chiefly the flooding disaster after the low-pressure weather system "Bernd".

Claims incurred (net) rose from €1,052,360 thousand to €1,083,588 thousand. With net premiums earned picking up considerably at the same time, the net loss ratio improved to 62.6% (previous year: 64.1%).

Expenses for the insurance business (net) increased by 6.3% to €435,144 (previous year: €409,243) thousand, slightly more than premiums. The cost ratio (net) thus increased slightly to 25.1% (previous year: 24.9%) on account of significantly higher remuneration for the mobile sales force, which was the result of growth.

The improved loss ratio combined with the largely stable cost ratio meant that the company's combined ratio improved further in the reporting period to 87.7% (previous year: 89.0%).

After a very high net technical result before allocation to the claims equalisation reserve of €178,329 thousand in the previous year, this figure was again exceeded in the past financial year at €193,586 thousand. €14,915 (previous year: €1,977) thousand was withdrawn from the claims equalisation reserve. This put the net technical result at €208,501 (previous year: €180,305) thousand.

No business has been actively underwritten at foreign branches since January 2008.

Data on the explanatory information and information on changes in other technical provisions can be found in form S.05.01.02 in the Annex. Information on claim payments across all lines can be found in the form S.19.01.21 in the Annex.

A.3 Investment performance

Capital markets

In the reporting period, capital markets were characterised by ongoing low interest rates and a rise in interest rates by the end of 2021. European equity markets posted considerable price gains in 2021.

Net investment income

Total net income from investments (HGB) at Württembergische Versicherung AG decreased from €51,958 thousand to €28,232 thousand in the reporting period. It comprised current income, including income from profit transfer agreements, of €110,343 (previous year: €83,925) thousand, current expenses, including expenses from loss transfers, of -€24,176 (previous year: -€18,780) thousand, net gains and losses on disposal of -€2,972 (previous year: €20,791) thousand and net write-downs and reversals of write-downs of -€54,963 (previous year: -€33,978) thousand. The net return was 0.9% (previous year: 1.8%).

Presentation of net investment income

	Net income		Share	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	in € thousands	in € thousands	%	%
Property, plant and equipment held for own use	**579**	**662**	**2.0**	**1.3**
Investments	**30,951**	**54,252**	**109.6**	**104.4**
Property (other than for own use)	793	1,456	2.8	2.8
Holdings in affiliated companies, including participations	2,079	- 15,868	7.4	- 30.5
Equities	9,582	2,258	33.9	4.3
Equities – listed	2,501	2,467	8.9	4.7
Equities – unlisted	7,080	- 210	25.1	- 0.4
Bonds	- 822	46,532	- 2.9	89.6
Government bonds	- 3,664	24,432	- 13.0	47.0
Corporate bonds	2,602	21,184	9.2	40.8
Structured notes	0	677	0.0	1.3
Collateralised securities	240	240	0.8	0.5
Collective investment undertakings	27,523	18,041	97.5	34.7
Derivatives	- 9,050	3,519	- 32.1	6.8
Deposits other than cash equivalents	848	- 1,686	3.0	- 3.2
Other investments	0	0	0.0	0.0
Loans and mortgages	**1,348**	**1,468**	**4.8**	**2.8**
Loans on policies	0	0	0.0	0.0
Loans and mortgages to individuals	1,348	1,468	4.8	2.8
Other loans and mortgages	0	0	0.0	0.0
Deposits to cedants	**0**	**0**	**0.0**	**0.0**
Cash and cash equivalents	**0**	**0**	**0.0**	**0.0**
Other income/expenses	**- 4,645**	**- 4,424**	**- 16.5**	**- 8.5**
Total	**28,232**	**51,958**	**100.0**	**100.0**

Net income from bonds was attributable for the largest proportion of the change in net income compared to the previous year. This was driven primarily by declining balances of gains and losses on disposals and write-downs and reversals of write-downs. Isolated net income from derivatives also decreased. This chiefly relates to currency forwards entered into for hedging purposes that are offset by gains from the underlying transactions. By contrast, net income from collective investment undertakings and equities increased due to higher distributions. Income from holdings in affiliated companies, including participations, also saw a rise. This reflects lower write-downs and higher reversals of write-downs in this asset class.

The other income/expenses item mainly included material and personnel expenses for investment management.

The company did not have any gains and losses reported directly in equity.

The investment performance described is in line with the net investment income published in Württembergische Versicherung AG's 2021 annual report.

Securitisations

In the case of a securitisation, the seller assigns certain asset positions (receivables) to an SPV, which obtains refinancing by issuing securities on the capital market. As at the reporting date, the direct portfolio of Württembergische Versicherung AG contained a security with a Solvency II carrying amount of €10,428 thousand (previous year: €10,683 thousand). This security matures in 2023. There were no changes to the direct portfolio of securitisations in the reporting period. The HGB financial statements contained current income of €240 (previous year: €240) thousand in the reporting year. Special market-induced risks are not apparent here. In view of the total volume of investments of Württembergische Versicherung AG, this item is of minor significance.

A.4 Change in other results

The following provides an overview of the company's other income and expenses:

Other income and expenses

	HGB (carrying amount)	
in € thousands	31.12.2021	31.12.2020
Other income	257,170	240,918
Other expenses	358,510	305,771
Taxes on income	1,344	194
Other taxes	112	78

The other income item essentially includes income from cost reimbursements (management tasks) of €205,919 (previous year: €193,192) thousand, income from brokering insurance and home loan and savings contracts of €14,570 (previous year: €12,879) thousand, income from the reversal of miscellaneous provisions of €4,360 (previous year: €4,871) thousand, income in connection with pension schemes of €16,379 (previous year: €12,773) thousand and foreign exchange gains of €219 (previous year: €5,129) thousand.

The other expenses item essentially includes expenses from services for affiliated companies of €204,104 (previous year: €191,412) thousand, expenses for brokering insurance and home loan and savings contracts of €25,696 (previous year: €22,831) thousand, interest and similar expenses of €58,500 (previous year: €50,065) thousand, foreign exchange losses of €4,592 (previous year: €2,518) thousand, expenses for pension schemes of €13,934 (previous year: €9,600) thousand and expenses relating to the company as a whole of €49,295 (previous year: €27,000) thousand. Expenses relating to the company as a whole include a voluntary special subsidy to Pensionskasse der Württembergischen VvaG as a lump sum to strengthen the provision for future policy benefits and increased project costs on account of recognising a restructuring provision to improve processes in the in-house and mobile sales force.

The taxes on income item essentially includes foreign income and withholding taxes.

Material leasing agreements

We are the lessor under operating leases for investment property. Many of the leases entered into have open-ended terms. Some, however, have fixed terms. With regard to commercial properties, price adjustment clauses are regularly agreed to, which are based on the consumer price index. With regard to residential properties, such agreements have been entered into for properties that have been acquired since 2012 and for those that have undergone high-quality renovations. Rental income amounted to €2,107 (previous year: €2,090) thousand.

As a lessee, properties for own use are leased The contracts generally have terms of up to 10 years. In some cases there are renewal options for properties for own use. Price adjustment clauses are likewise agreed to, which are based on the consumer price index. There are often no purchase options. Rental income amounted to €8,755 (previous year: €7,016) thousand.

A.5 Other disclosures

Depending on how the coronavirus pandemic and the Ukraine war develop moving forward, this may put pressure on the financial position, net assets and risk position and negatively impact solvency.

There are high levels of uncertainty with respect to further trends on the capital markets. Countermeasures by governments and central banks may in some cases afford relief. Similarly, effects on new business cannot be ruled out.

As previously, it is still difficult to estimate how the coronavirus pandemic will develop in terms of its duration and extent.

The Ukraine war did not have an impact on net income for the year as at 31 December 2021 as the war broke out in February 2022 and is therefore a non-adjusting event.

Other than the facts and circumstances presented in the foregoing sections, there is no other material information.

B Governance system

B.1 General information about the system of governance

Governance system

Executive Board

The Executive Board of Württembergische Versicherung AG is directly responsible for managing the company and represents it in transactions with third parties. As at 31 December 2021, the Executive Board had five members. This number of Executive Board members was set by the Supervisory Board. The minimum number of Executive Board members is met. The Supervisory Board set a target for a 20% share of women on the Executive Board, to be achieved by 30 June 2022. The Board currently has two female members. The target has thus been achieved.

The Executive Board is responsible for managing the business with the aim of creating sustainable value in the interest of the company, and it sets the corporate policy and the principles of the business policy. Its main tasks have to do with strategic alignment and control of the company, including maintaining and monitoring an appropriate and effective risk management system. The Executive Board is also responsible for ensuring a suitable and effective internal auditing and control system. It sets the business strategy and a consistent, appropriate risk strategy and it ensures that Württembergische Versicherung AG has a proper business organisation.

The Executive Board is accountable in its entirety. A resolution must be adopted by the Executive Board

- on all matters for which adoption of a resolution by the Executive Board is mandated by law, the Articles of Association, or the Executive Board Rules of Procedure that the Supervisory Board adopts for it,
- for setting and, if necessary, modifying the business and risk strategy and other fundamental issues of planning, as well as the annual and multi-year planning of the undertaking,
- on matters that are not assigned to a specific Executive Board member by the business allocation plan and
- on all other matters that are presented to the Executive Board by the Executive Board Chair or a member for adoption of a resolution.

There was one change to the Executive Board in the reporting year. Effective 1 January 2021, Zeliha Hanning was appointed to the Executive Board of Württembergische Versicherung AG and Württembergische Lebensversicherung AG with responsibility for the sales area. She was also made Chair of the Executive Board at Württembergische Versicherung AG with effect from the same date. Following considerable growth in new business in some areas and increases in market share, the company created a new Executive Board area that combines retail customer business, motor business and customer services. Dr Per-Johan Horgby assumed responsibility for the new area effective 1 January 2022. Jens Lison will remain responsible for corporate customers, which is also enjoying significant growth, and for property.

As at 31 December 2021, the responsibilities on the Executive Board were allocated as follows:

Composition of the Executive Board – as at 31 December 2021

Name/function	Responsibilities	Substitute
Zeliha Hanning Executive Board Chair	Sales departments Sales channels Group Board Sales Customer Data[1] Audit[1] Customer Data Protection and Operational Security[1] Communication[1] Legal[1]	Jens Lison Jens Lison Jens Lison Jens Lison Dr Susanne Pauser Dr Susanne Pauser Alexander Mayer Alexander Mayer
Alexander Mayer	Investments departments[2,3] Payment Management Accounting Taxes[1]	Zeliha Hanning Jens Wieland Jens Wieland Jens Wieland
Jens Lison	Corporate Customer departments Motor Business Retail Customers Claims departments Actuarial Services (excluding actuarial function) & Property and Casualty Reinsurance Customer and Broker Service	Zeliha Hanning Zeliha Hanning Zeliha Hanning Zeliha Hanning Zeliha Hanning Zeliha Hanning
Dr Susanne Pauser Spokesperson for Human Resources	Human Resources[1] Complaints Management Compliance[1] Money Laundering[2]	Zeliha Hanning Zeliha Hanning Jens Wieland Jens Wieland
Jens Wieland	Customer Service - General Operational Functions Business IT Integration Actuarial Accounting (Actuarial Function) Purchasing Company Organisation[1] Building Service/Central Services[4] IT[5]	Jens Lison Zeliha Hanning Dr Susanne Pauser Dr Susanne Pauser Dr Susanne Pauser Dr Susanne Pauser Zeliha Hanning
Overall Executive Board responsibility	Controlling/Risk Management	

[1] Outsourced to Wüstenrot & Württembergische AG
[2] Outsourced to Wüstenrot Bausparkasse AG
[3] Outsourced to W&W Asset Management GmbH
[4] Outsourced to W&W Service GmbH
[5] Outsourced to W&W Informatik GmbH

The Württembergische Versicherung AG Executive Board is part of the governance system of the W&W Group. The key governance bodies of the W&W Group are the Management Board, the division boards and the Group boards. The Management Board of Wüstenrot & Württembergische AG is composed of the members of the Executive Board and the Insurance division. The Management Board is the central steering body of the W&W Group. The Management Board concerns itself with, among other things, Group governance and the definition and development of the business strategy for the Group. In addition, it facilitates the exchange of information between the Executive Board and the division heads with regard to the integration of the divisions into the Group strategy. Strategic issues that concern the Group as a whole are discussed by the Management Board. Decision-making paths are pooled and accelerated. The Management Board meets regularly, with meetings to be held at least twice per month.

The Insurance Division Board comprises the Executive Board of Württembergische Lebensversicherung AG, Württembergische Versicherung AG, Württembergische Krankenversicherung AG and the authorised representatives. This board coordinates division-specific issues while the Group boards coordinate cross-division initiatives in the areas of sales, risk and investments. The Division Board meets regularly, with meetings to be held at least once per month (but generally twice per month).

The Chair of the Executive Board is in charge of the collaboration between the Executive Board and the Supervisory Board. He/she is in regular contact with the Chair of the Supervisory Board as part of the Management Board and discusses with him/her the strategy, business performance and risk management of the company. He/she promptly notifies the Chair of the Supervisory Board about important events that are of major significance for the assessment of the position and performance of the undertaking, as well as for its management. The Executive Board coordinates with the Supervisory Board on the strategic alignment of Württembergische Versicherung AG. In addition, the Executive Board reports to the Supervisory Board routinely and in a comprehensive manner – if necessary, on an ad hoc basis – about all issues of relevance to Württembergische Versicherung AG concerning strategy, planning, business performance, risk position, risk management and compliance. The Supervisory Board has adopted Rules of Procedure for the Executive Board, which address the details about the organisation of the Executive Board that are necessary for business development.

Supervisory Board

The Supervisory Board of Württembergische Versicherung AG advises the Executive Board in running the company and monitors its management. This also applies with respect to compliance with the relevant insurance supervisory regulations.

The Supervisory Board exercises its activities in accordance with laws, the Articles of Association, the Supervisory Board Rules of Procedure (which the Supervisory Board draws up for itself) and any resolutions of the Supervisory Board. It dedicates sufficient time to the discussion of strategies, risks and remuneration schemes for the Executive Board and employees.

As per the Articles of Association, the Württembergische Versicherung AG Supervisory Board has twelve members. The Supervisory Board had twelve members as at 31 December 2021. As a governing body of a company subject to co-determination obligations, the Supervisory Board has set itself the target, in accordance with Section 111(5) of the German Stock Corporation Act (AktG), of ensuring that women make up at least 25% of the Supervisory Board. The Supervisory Board currently has five female members. The target has thus been achieved.

There were two changes to the Supervisory Board in the reporting period. Holger Mardfeldt was appointed as a new member of the Württembergische Versicherung AG Supervisory Board as at 3 February 2021. Hubert Sebold left the Supervisory Board as at 30 June 2021. Effective 1 July 2021, Gabriele Paccanini succeeded him on the Supervisory Board as an elected substitute member.

The Supervisory Board believes that all members are reliable and have the necessary knowledge, skills and professional experience to properly perform their activities. In particular, each member of the Supervisory Board has the expertise required to perform the control function and assess and monitor the company's business. Members of the Supervisory Board should not be more than 65 years old.

In terms of shareholder representatives, the Supervisory Board considers at least four members to be appropriate. The inclusion of and collaboration between Supervisory Board members with different backgrounds and ways of thinking fundamentally enriches the body and promotes the discussion culture. This ultimately leads to control and advisory activities that are more efficient and more effective.

Given the Württembergische Versicherung AG's position in the W&W financial conglomerate and the fact that it is thus subject to insurance supervision, it is difficult to recruit qualified Supervisory Board members who meet the requirements of supervisory law, including with respect to whether candidates are fit and proper and do not exceed the maximum number of mandates.

The Executive Board requires the approval of the Supervisory Board for measures requiring approval by virtue of law or the Articles of Association, as well as for measures defined in the Rules of Procedure.

The Supervisory Board has adopted Rules of Procedure for itself, which addresses the details about the organisation of the Supervisory Board that are necessary for business development. The appropriate interaction of the Supervisory Board with committees, senior managers and key positions is assured through existing reporting obligations, meaning that a regular and sufficient exchange of information takes place.

As at the end of the reporting period, the Württembergische Versicherung AG Supervisory Board had three standing committees:

- Audit Committee,
- Personnel Committee and
- Conciliation Committee.

Audit Committee

Composition	Key responsibilities
3 members Chair: Hans Peter Lang (financial expert) One additional shareholder representative: Ulrich Kraft One additional employee representative: Richard Peters	Preparation of the Supervisory Board's balance sheet and planning meetings. Handling accounting issues, including monitoring the accounting process and preparing Supervisory Board decisions regarding the preparation of the annual financial statements, approval of the consolidated annual financial statements and the results of the audit of the management and Group management report/combined management report, the proposal for the appropriation of profit and regarding the submission of the corporate governance statement with the corporate governance report. Oversight of investment management, monitoring the effectiveness of the internal control system, the risk management system and the internal audit system. Handling issues concerning compliance and the business and risk strategies at company level and supporting the Supervisory Board in monitoring the implementation of these strategies. The internal investment policy. The Executive Board reports to the committee on the business and risk strategies and the company's risk situation. The committee is also informed about the work of internal audit, in particular the audit plan, particularly serious findings and their resolution. Making recommendations concerning the election of the statutory auditor by the Annual General Meeting. Deciding on the agreement with the auditor (in particular, the audit mandate, the specification of the main audit areas and the fee agreement), as well as on termination or continuation of the audit mandate. Adopting suitable measures in order to ascertain and monitor the independence of the auditor and the additional services provided by the auditor for the company and assisting the Supervisory Board in monitoring the swift rectification by the Executive Board of the deficiencies identified by the auditor.

Personnel Committee

Composition	Key responsibilities
3 members Chair: Jürgen A. Junker (Chair of the Supervisory Board) One additional shareholder representative: Hans Peter Lang (Deputy Chair of the Supervisory Board) One additional employee representative: Hartmut Bader	Preparing the personnel decisions of the Supervisory Board, in particular the appointment and dismissal of members of the Executive Board and appointing the Executive Board Chair. Deciding on the conclusion, amendment and termination of the employment and pension agreements of Executive Board members (this does not apply to the setting of remuneration and decisions pursuant to Section 87 (2) sentences 1 and 2 of the German Stock Corporation Act (AktG), which are decided on by the Supervisory Board following preparation by the Personnel Committee).

Conciliation Committee

Composition	Key responsibilities
4 members Chair: Jürgen A. Junker (Chair of the Supervisory Board) One additional shareholder representative: Hans Peter Lang Two additional employee representatives: Hartmut Bader, Richard Peters	Making personnel proposals to the Supervisory Board where the required majority is lacking for the appointment and dismissal of Executive Board members.

Key functions

Württembergische Versicherung AG has established the following four key functions:

- Independent risk controlling function,
- Compliance function,
- Internal audit and
- Actuarial function.

The individual Executive Board members ensure regular communication with key function holders.

The following presents the required powers, resources and operational independence of key function holders that report to and advise the Administrative, Management and Supervisory Body of the insurance or reinsurance undertaking. Detailed descriptions about how the functions were implemented in the company can be found in Sections B.3 to B.6.

Independent risk controlling function

The holder of the independent risk controlling function in accordance with Section 26 VAG has a complete, unrestricted right to information for the purpose of carrying out his or her tasks, as well as a direct reporting line to the Group Executive Board. The Controlling/Risk Management departments are responsible for risk management. The Executive Board ensures that the independent risk controlling function is furnished with the staff and resources whose quality and quantity is appropriate in light of the nature and scope of its tasks.

In order to prevent conflicts of interest, the independent risk controlling function is strictly separated from risk-taking units. The independent risk controlling function is integrated in the decision-making process both on the organisational level, through inclusion in the executive structure, and on the process level as part of operational execution of the risk management system, risk reporting, and the implementation and enhancement of the risk management system.

In making decisions, the Executive Board of Württembergische Versicherung AG is advised by the Insurance Risk Board on issues with relevance to risk. The key function holder is a member of the Insurance Risk Board, regularly reports at the Insurance Division Board meetings and is thus involved in decision-making for risk-relevant issues from an organisational perspective. The regular flow of information about the risk situation is assured, in particular, through the annual updating of the risk strategy and related guidelines, the setting of limits, internal risk reporting, risk-bearing capacity calculations, the report on the own-risk and solvency assessment, and the results of the risk inventory.

The Supervisory Board is informed by the Executive Board about the risk situation, in particular, through the presentation of the risk strategy, the internal investment policy, the internal risk report, the report on the own-risk and solvency assessment.

Further remarks about the independent risk controlling function are made in Section B.3 “Risk management system, including own-risk and solvency assessment”, under “Responsibilities in the risk management system/risk governance”.

Compliance function

The compliance function of Württembergische Versicherung AG, which is outsourced to Wüstenrot & Württembergische AG, is a material element of its compliance management system. It is part of the internal control system.

As the key function holder, the compliance officer is assisted by the established compliance function in the performance of his or her tasks. The key tasks include complying with the relevant requirements, advising management on compliance with the requirements, monitoring the relevant requirements and identifying and evaluating compliance risks. For the purposes of the objective, fair and independent performance of his or her tasks, the compliance officer has an unrestricted right to information. In addition, he or she is to be granted access to all physical spaces and all IT systems. In the event of deficiencies in the internal control system or material violations of internal or external rules or requirements, he or she is to be notified about all indications and findings by the decentralised compliance contact persons, sales compliance officer and, if applicable, compliance units without delay and of their own accord. This regularly takes place in the context of the central Group Compliance Committee or ad hoc.

The central compliance function is managed in the Risk and Compliance department at Wüstenrot & Württembergische AG and helps the compliance officer perform his or her activities. The Executive Board ensures that the central compliance function is furnished with the staff and resources whose quality and quantity is appropriate in light of the nature, scale and complexity of its tasks. As at the reporting date, the central compliance function had its own FTE positions with the necessary professional qualifications for the purpose of performing the Group-wide compliance tasks. Additional FTE positions in decentralised units are entrusted with compliance tasks. In compliance matters, the compliance officer may avail himself or herself of the resources of all organisational units involved in the compliance function. If the matter being investigated by the compliance officer requires the involvement of external third parties, he or she may engage them on behalf of the company concerned. The employees of the central compliance function work exclusively for compliance.

With regard to his or her employment contract, the compliance officer is tied directly to Wüstenrot & Württembergische AG and in organisational terms reports directly to the Executive Board. He or she has no authority to give instructions to the monitored units but is equally not subject to any instructions from them. If the compliance officer is prevented from carrying out an activity properly, he or she notifies the member of the Executive Board or Supervisory Board of Württembergische Versicherung AG responsible for compliance.

The compliance officer reports quarterly and annually to the responsible member of the Executive Board of Württembergische Versicherung AG, as well as annually to the Supervisory Board through corresponding compliance reports. In addition, the compliance officer reports to the Group Board Risk about incidents and developments concerning the issue. Furthermore, the compliance officer or the compliance function takes on a training and advisory function for the Executive Board and the Supervisory Board, particularly on key issues.

Further remarks about the compliance function are made in Section B.4 “Compliance”.

Internal audit

Internal audit is outsourced to the parent company Wüstenrot & Württembergische AG, where it is handled by the Group Audit department. Wüstenrot & Württembergische AG’s Group Audit department provides exclusively audit services for undertakings of the W&W Group. It reports directly to the Executive Board Chair at W&W Group, who is also the Chair of the Supervisory Board at the company. This construction ensures the operational independence of internal audit.

As the third line of defence and central function of internal company monitoring, the internal audit department is required to audit and evaluate, in a risk-oriented and process-independent manner, the effectiveness and appropriateness of risk management and the internal control system, the regularity of essentially all of the undertaking's processes. In doing so, attention is also paid to aspects of security and profitability.

The powers of internal audit are addressed in the rules of business enacted Group-wide for all managements. In particular, it sets down an unrestricted information and audit right with respect to all undertakings of the Group. Accordingly, all organisational units must notify internal audit without delay about any material deficiencies, material financial damages, or specific suspicions of irregularities. The rules of business also specify that employees may be entrusted solely with audit tasks. The Internal Audit department does not have the authority to give instructions to the audited units, other than immediate measures that may be necessary in the interest of the W&W Group undertakings.

As at the reporting date, Wüstenrot & Württembergische AG’s Group Audit department had 35.7 FTE positions with the requisite professional qualifications. In addition, it can, where necessary, also bring in external know-how, while respecting the independence requirements. At least once a year, the advanced training needs of employees are specified in the department in order to ensure in that way that expertise is kept up to date.

Internal audit promptly prepares a written report about every audit, which is addressed to the responsible management. The audit reports describe all identified deficiencies, together with the measures to be taken and the dates for completing them.

In addition, internal audit notifies the respective member of management of any audit measures that are due in their area of responsibility. As well as the member of management responsible, overdue measures are also reported to the Executive Board Chair of the W&W Group each month.

In addition, at least once per year internal audit reports on audit activities in the past year, material or serious deficiencies that were identified, and the status of the implementation of measures to eliminate these deficiencies, as well as about compliance with and changes to audit planning. In addition, internal audit gives its opinion on whether internal audit is furnished with the staff and resources whose quality and quantity are appropriate in light of the nature and scope of its tasks. This reporting is also addressed to the company’s Supervisory Board. In addition, the head of the Group Audit department at Wüstenrot & Württembergische AG reports at meetings of the Supervisory Board’s Audit

Committee. Moreover, the chair of the supervisory body or of the Audit Committee is entitled, with the involvement of management, to obtain information directly from the head of the Group Audit department at Wüstenrot & Württembergische AG.

Actuarial function

The actuarial function is dependent on being provided with the information necessary to fulfil its duties. In this sense, the actuarial function is to be provided with all required information and documents upon request. The key function holder is a member of the Insurance Risk Board and to that extent is integrated organisationally into the decision-making process on issues with relevance to risk.

The Executive Board ensures the actuarial function has the appropriate positions and resources to perform its tasks.

In order to ensure the independence of the actuarial function, the company takes care that tasks with the potential for conflicts of interest are split among different persons and kept separate.

The actuarial function reports to the Executive Board on current issues. The actuarial function also prepares a report for the Executive Board once a year that contains important information for calculating technical provisions, as well as comments about underwriting and acceptance policies and the appropriateness of reinsurance arrangements.

Material changes to the governance system

There was one change to the Württembergische Versicherung AG Executive Board in the reporting year. Effective 1 January 2021, Zeliha Hanning was appointed to the Executive Board of Württembergische Versicherung AG and Württembergische Lebensversicherung AG with responsibility for the sales area. She was also made Chair of the Executive Board at Württembergische Versicherung AG with effect from the same date.

There were two changes to the Supervisory Board in the reporting period. Holger Mardfeldt was appointed as a new member of the Württembergische Versicherung AG Supervisory Board as at 3 February 2021. Hubert Sebold left the Supervisory Board as at 30 June 2021. Effective 1 July 2021, Gabriele Paccanini succeeded him on the Supervisory Board as an elected substitute member.

The independent risk controlling function was taken over by a leader of the controlling/risk management department on 1 July 2021.

Material transactions during the reporting period

There were no material transactions during the reporting period.

Remuneration policies and practice

Remuneration policies

The remuneration policies of the insurance undertakings covered by Solvency II are in conformity with the business and risk strategy of the W&W Group. The key document of the W&W Group’s strategic alignment is the Group business strategy. It contains targets and planning for material business activities and forms the framework for the Group risk strategy. In the strategy process, particular attention is paid to the consistency between the Group business strategy and the business strategies of the individual companies of the W&W Group. The consistency between the business strategy of the Group and Württembergische Versicherung AG is assured by a strategy process that is coordinated in terms of time and substance.

The remuneration policies and remuneration practice pursue the same objectives as the business and risk strategies and are likewise focused on a sustainable development of the respective undertakings. The company’s remuneration policies are based on the following principles: The remuneration schemes are consistent with the respective statutory requirements, particularly Article 275 of Delegated Regulation (EU) 2015/35.

Pursuant to the risk strategy of Württembergische Versicherung AG, the remuneration schemes are designed in conformity with the business and risk objectives. The risk strategy is designed in a way that the focus is on long-term financial performance and the prosperity of Württembergische Versicherung AG. Harmful incentives and the rewarding of poor performance are to be avoided. The remuneration schemes support the achievement of the company targets and are in line with them. This means that targets agreements are derived from the strategic targets. The target flowchart Supervisory Board/Executive Board/employee is designed to ensure this at all times. The total remuneration of management and employees is competitive, i.e. it is structured in such a way that competent, qualified employees can be recruited, retained and motivated as best as possible. This structure of total remuneration thus ensures, on the one hand, that the variable portion can represent an incentive for the purposes of personnel management and, on the other, that employees are not tempted to enter into or settle unreasonably risky transactions. The targets set forth in the targets agreements are primarily focused on sustainability. At Württembergische Versicherung AG, the remuneration schemes and the respective company targets are known, documented and viewable in the staff portal. The structure of the remuneration schemes is reviewed annually for its suitability and modified if necessary.

Remuneration practice

The members of the Supervisory Board are paid exclusively fixed remuneration for their work on the Supervisory Board and the committees. The amount is set by the Annual General Meeting.

The remuneration of the Executive Board consists of a non-performance-related component (80%) and a performance-related component (20%). The conservative structure of the total remuneration of Executive Board members in the ratio of 4:1 between fixed and variable remuneration components was chosen because this avoids incentivising individuals to take unreasonably high risks. The portion of fixed remuneration is so high that the company can conduct a flexible remuneration policy in setting variable remuneration, up to the complete forfeiting of variable remuneration in the event of negative contributions to results. Because of the remaining fixed remuneration, the Executive Board members are always in a position to maintain their appropriate standard of living. The non-performance-related component consists of a fixed salary (with pension entitlement) and an allowance. The performance-related component consists of a targets bonus.

Performance-related remuneration is paid out over time in some cases, namely as follows: 40% is paid out in the following year immediately after the degree of target achievement is determined, and the other 60% is deferred for a period of three years and is subject to forfeiture clauses. The deferred amount is paid out only if W&W Group has average IFRS net income of at least €140,000 thousand over the relevant three years and does not record a loss in any of the three years. If average consolidated net income falls below the threshold of €140,000 thousand, or if the Group records a loss in one or more years, the deferred amount is definitively and completely forfeited for the relevant financial year.

In setting the pay of Executive Board members, the Supervisory Board makes sure that total pay bears an appropriate relationship to the condition of the company, as well as to the roles and expected performance of an Executive Board member.

Remuneration comparisons are performed in order to determine the appropriate remuneration of an Executive Board member. A comparison with domestic companies in the same industry and with a similar size and complexity showed that total pay is in line with the market.

The remuneration of senior executives on the first executive level of in-house staff below management consists of a fixed salary and a variable remuneration component in the ratio of 82.5% fixed to 17.5% variable. The remuneration of senior executives below the first executive level of in-house staff is normally consists of a fixed salary and a variable remuneration component in the ratio of 87.5% fixed to 12.5% variable. For salaried employees in the mobile sales force, remuneration is split into a ratio of 2/3 fixed to 1/3 variable or 70% fixed to 30% variable.

It was decided to structure total remuneration in fixed and variable components in order to avoid incentives to take unreasonably high risks. At the same time, the ratio ensures that employees are not significantly dependent on variable remuneration. As the area of responsibility grows, the portion of variable remuneration rises to 17.5% for in-house staff and 33% for employees in the mobile sales force. Fixed remuneration is set by considering the individual's position, tasks and performance, as well as market comparisons and the company's position. This means that total remuneration is competitive and offers a sufficient incentive for the purposes of personnel management.

Employees of the insurance undertakings are remunerated on the basis of the collective bargaining agreement for the private insurance industry. Almost no salaried employees receive individual variable remuneration.

However, in addition to the fixed pay specified in the collective bargaining agreement, as a general rule they are entitled to a variable portion in accordance with a Group works agreement, provided they belong to the category of entitled persons. The variable portion of employees whose employment contracts do not provide for one is based solely on this Group works agreement. The amount of the bonus depends on the degree to which consolidated net income meets the target. This applies uniformly to employees at all Group undertakings. The target figure for consolidated income pursuant to corporate planning as derived from medium-term planning is thus at the same time the target figure for the employee bonus and in this way ensures that the targets of employees are in line with corporate planning.

Some of the employees on the in-house staff and on the mobile sales force who are not remunerated under the collective bargaining agreement are paid individual variable remuneration on the basis of targets agreements, in addition to the aforementioned remuneration components under the collective bargaining agreement. The arrangement is addressed in the works agreement “Introduction and structuring of variable remuneration on the basis of targets agreements”. As a general rule, the portion of variable remuneration is less than 20%. In the case of employees on the mobile sales force, the portion of variable remuneration is between 30% and 33% as a general rule.

Variable remuneration below the level of the Executive Board is paid out in full in the second quarter of the following year after determination of the degree of target achievement.

The remuneration practice for key function holders does not deviate from the described remuneration practice.

Individual and collective performance criteria

The performance-related bonus of Executive Board members is linked to a targets agreement system. The amount of the bonus paid to a member of the Executive Board for a concluded financial year depends on the degree to which the relevant company targets, and individual targets were achieved. Company targets correspond to the annual plan adopted by the Supervisory Board of Württembergische Versicherung AG. They consist of key performance indicators, such as net income for the year posted by the Group and the individual company, general administrative expenses, Group customers, and employee satisfaction. Individual targets relate to the organisational unit, as well as to individual contributions to results, and they are agreed upon between the individual Executive Board member and the Supervisory Board. Targets are increasingly focused on sustainability. Targets are based on sustainable business key performance indicators and on environmental, social and governance factors. The company targets derived from the business strategy – such as achieving a sustainable return (net income for the year posted by the Group as calculated in accordance with IFRS and by the company as calculated in accordance with the HGB), posting a cost level and cost ratios that are competitive (cost efficiency/general administrative expenses) and boosting employee satisfaction and customer loyalty (market performance) – ensure that the company can continue as a going concern. Profitable growth, while at the same time creating leaner, efficient structures and processes, makes it possible to ensure sustainable earning power. A target for net in-come for the year after taxes (HGB) is specified for each undertaking/division in order to sustainably generate current and future own fund requirements from profits (internal financing).

The entitlement to payment of the portion of variable remuneration dependent on financial performance (company targets) is excluded if and to the extent that payment in a financial year is prevented by virtue of compelling supervisory reasons at Wüstenrot & Württembergische AG, Württembergische Versicherung AG, Württembergische Lebensversicherung AG or Wüstenrot Bausparkasse AG.

The overall concept permits performance-related measurement of the variable remuneration component that is focused on operational and sustainable targets and thus remuneration that is appropriately in line with performance.

The variable remuneration paid to senior executives is likewise tied to a targets agreement system. At least 50% of variable remuneration is set on the basis of sustainable criteria. Taking account of the tasks and position, these comprise both business and environmental and social criteria and are based on the targets of the respective Executive Board members. For senior executives, 40% of the amount of variable remuneration depends on the meeting of annually specified company targets. The remarks about Executive Board members apply with respect to the company targets.

60% of variable remuneration depends on the achievement of quantitative and qualitative targets agreed upon for the individual or the organisational unit each year. In this regard, individual targets are set that take into consideration the tasks and position and support sustainable performance. At the same time, no exclusively volume-oriented targets are agreed upon in sales.

In contrast to the remuneration paid to Executive Board members, payments are currently not disbursed over time. This also applies to the remuneration of key function holders, and it takes into consideration the interpretation decision of the German Federal Financial Supervisory Authority (BaFin) of 20 December 2016 on “Aspects of remuneration in connection with the requirements of Article 275 of Delegated Regulation (EU) 2015/35”.

No shares or share options are granted as variable remuneration for the Executive Board or senior executives.

The structure of the individual and collective contributions to results by key function holders does not depart from the described model.

Supplementary pension or early retirement schemes

Supplementary pension or early retirement schemes have not been agreed upon either with members of the Executive Board or with members of the Supervisory Board.

The pension granted to Executive Board members consists of a defined-contribution pension commitment in the form of a pension and surviving dependant's pension and a defined benefit in the event of disability. The pension is normally paid when the member reaches the age of 65 or in the case of disability. Pensions include a widow/widower pension in the amount of 60% of the pension drawn and an orphan's pension of normally 20%.

Supplementary pension or early retirement schemes have also not been agreed upon with key function holders.

The employer-financed company pension scheme for employees below the level of the Executive Board consists of defined-benefit pension commitments, which are calculated as a percentage of pensionable income prior to the start of retirement, or of defined-contribution pension commitments, where the contributions are calculated as a percentage of current pensionable income. The pension is normally paid when the employee reaches the age of 65 or in the case of occupational disability. Pensions include a widow/widower pension in the amount of 60% of the pension drawn and an orphan's pension in the range of 15% to 20% of the pension drawn for half-orphans and 20% to 30% for full orphans.

B.2 Fit and proper requirements

For the purpose of satisfying the fit and proper requirements for persons who effectively run the undertaking or have other key functions, Württembergische Versicherung AG differentiates between the following groups of persons:

- managers,
- Supervisory Board and
- responsible key function holders.

Requirements concerning skills, knowledge and expertise

Executive Board

The Executive Board must have a sufficient amount of theoretical and practical knowledge about the insurance business, as well as management experience. These conditions are normally assumed to be met if the member can demonstrate that he or she worked for three years in an executive position at an insurer of comparable size and type of business. In appointing the Executive Board, it is assured that its members as a whole can demonstrate at professional qualifications, at a minimum, in the following areas:

- insurance and financial markets,
- business strategy and business model,
- governance system,
- financial analysis and actuarial analysis and
- regulatory framework and regulatory requirements.

Supervisory Board

The members of the Supervisory Board must be capable in professional terms of appropriately controlling and monitoring the managers and actively assisting in the development of the undertaking. In addition, the Supervisory Board member must be able to understand the business engaged in by the undertaking and evaluate the risks associated with it. The Supervisory Board member must be familiar with the statutory arrangements essential to the undertaking. Although as a general rule, special knowledge is not required, the Supervisory Board member must be capable of recognising his or her need for consultation, if appropriate.

Key function holders

Based on their professional qualifications, knowledge and experience, the responsible persons must at all times be capable of exercising their position in the key function. The requirements for the fitness of responsible key function holders ensue from the descriptions of their respective area of competence within the governance system as a result of national and European standards.

Depending on the key function to be filled (independent risk controlling function, compliance function, internal audit or actuarial function), the holder must demonstrate the corresponding specialised knowledge needed to fulfil the function.

Fit and proper evaluation

Executive Board

The Supervisory Board is responsible for compliance with the fit and proper requirements for the Executive Board.

A job profile exists for each Executive Board position and defines its requirements. The Chair of the Supervisory Board performs the candidate search based on this profile. Therefore, it is reviewed internally whether the candidate satisfies the supervisory requirements (particularly with respect to whether he or she is fit and proper). For this purpose, the Group Legal department of Wüstenrot & Württembergische AG first requests a CV from the candidate, as well as a form provided by the supervisory authority concerning the candidate's personal aptitude and about other mandates. Based on these documents, as supplemented by the job profile, the Group Legal department of Wüstenrot & Württembergische AG reviews whether the candidate is professionally suited to the envisaged Executive Board mandate and whether the maximum number of mandates specified is complied with. In this regard, the candidate must also declare that he or she will promptly report to the supervisory authority in writing if changes subsequently occur. If the Wüstenrot & Würtembergische AG's Group Legal department is of the opinion that the supervisory requirements are met, it sends a positive response to the Supervisory Board chair, who then initiates the necessary resolution by the body. After initial treatment by the Personnel Committee, the Supervisory Board reviews on the basis of the job profile and the submitted documents whether the candidate is suitable for the Executive Board position to be filled. In addition, the candidate is interviewed by the Personnel Committee and the Supervisory Board, which gives the bodies the opportunity to make a comprehensive assessment of his or her professional qualification and aptitude. After the Personnel Committee and the Supervisory Board determine that the candidate is fit and proper, and after carrying out the notification procedure required by supervisory law, the Executive Board member is appointed by the Supervisory Board on the recommendation of the Personnel Committee.

After initial treatment by the Personnel Committee, the Supervisory Board continually reviews the professional qualification of Executive Board members and the body as a whole.

In addition, the Executive Board members are asked once a year whether there have been material changes to their aptitude compared with the documents at the time of appointment or reappointment. Considered material are all circumstances that may have an influence on the evaluation of personal aptitude. After initial treatment by the Personnel Committee, the Supervisory Board examines once a year whether the Executive Board members are fit and proper.

The Executive Board is notified by the staff departments and, where necessary, by external consultants, on a continual basis about current legal developments and changing requirements with respect to duties in the undertaking and receives advanced training about them.

Supervisory Board

The company's Annual General Meeting elects the shareholder representatives on the Supervisory Board, in observance of the requirements of supervisory law and stock corporation law.

The Supervisory Board maintains a list of suitable potential candidates for the shareholder representatives on the Supervisory Board. These candidates have already been internally screened in advance for their basic suitability for a Supervisory Board mandate. In the case of a new election or court appointment of a shareholder representative to the Supervisory Board, the Group Legal department of Wüstenrot & Württembergische AG, at the proposal of the Supervisory Board chair, will review whether the candidate satisfies the supervisory requirements (particularly with respect to whether he or she is fit and proper). The review takes place on the basis of the CV and the form concerning the candidate's personal aptitude and other mandates. In addition, the review also uses the candidate's self-assessment on the topics of investment, actuarial practice and accounting in order to ensure that appropriate diversity of qualifications, knowledge and relevant experience are assured on the Supervisory Board. This ensures that the undertaking is professionally monitored. Then, the Supervisory Board examines whether the candidate is fit and proper based on the submitted documents (CV, self-assessment, and personal declaration concerning aptitude and other mandates, as well as information from the central commercial register). In the event of a positive evaluation of these criteria, the Supervisory Board submits a corresponding nomination to the Annual General Meeting or an application for court appointment.

The employees elect the employee representatives on the Supervisory Board in accordance with the rules of co-determination law.

Following appointment, new Supervisory Board members (shareholder representatives and employee representatives on the Supervisory Board) are notified to the supervisory authority, together with submission of the required documents (CV, self-assessment, information about aptitude, official certificate of good conduct, information from the central commercial register).

After initial treatment by the Personnel Committee, the Supervisory Board routinely reviews the professional qualification of the Supervisory Board members and the body as a whole. The Supervisory Board members evaluate, inter alia, their strengths in the fields of investment, actuarial practice and accounting by means of a self-assessment. After initial treatment by the Personnel Committee, this forms the basis for a 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 more in-depth knowledge. The self-assessment and the development plan are for-warded to the supervisory authority. Where a need exists, training is provided on the topics concerned.

In addition, the Supervisory Board members are asked once a year whether there have been material changes to their aptitude compared with the documents at the time of appointment or reappointment. Considered material are all circumstances that may have an influence on the evaluation of personal aptitude. After initial treatment by the Personnel Committee, the Supervisory Board examines once a year whether the Supervisory Board members are fit and proper.

The Supervisory Board regularly reviews the efficiency of its work.

Key function holders

The Executive Board is responsible for compliance with the fit and proper requirements of the responsible persons. Processes have been established to ensure that these requirements are satisfied at the time of initial appointment, as well as in connection with the ongoing exercise of the key function.

If it is necessary to appoint a new person to a key function (e.g. because a responsible person leaves), the department in question reports to the Group Personnel and Group Legal departments of Wüstenrot & Württembergische AG as soon as possible. These coordinate with the Executive Board without delay to propose a successor. To review the fit and proper requirements, the Group Legal department of Wüstenrot & Württembergische AG requests the necessary documents from the candidate (CV, form concerning aptitude and other mandates, excerpt from the central commercial register). The Group Legal department at Wüstenrot & Württembergische AG uses the documents submitted to assess whether the candidate is professionally suited to the key function in question and whether he/she meets the fit and proper requirements. If the Wüstenrot & Württembergische AG Group Legal department is of the opinion that the supervisory requirements are met, it sends a positive response to the Executive Board Chair and a notification of intent is sent to the German Federal Financial Supervisory Authority (BaFin). After the Executive Board determines that the candidate is fit and proper and after carrying out the notification procedure required by supervisory law, the Executive Board appoints the person responsible for the key function.

The Group Legal department at Wüstenrot & Württembergische AG initiates the review of the fit and proper requirements of the responsible person for a key function once per year. This person confirms in writing that they continue to satisfy the fit and proper requirements. The Executive Board is informed by the Wüstenrot & Württembergische AG Group Legal department about the result of the annual request and approves this where necessary. If some requirements are no longer met, the Group Legal department of Wüstenrot & Württembergische AG assesses, together with the job holder, whether and, where applicable, how (e.g. using qualification measures) the requirements can promptly be met again and informs the Executive Board of this. The Executive Board decides whether the requirements are met (again). If this cannot be quickly remedied, the BaFin is informed. The person in the key position is then promptly switched in consultation with the BaFin.

If special indications become apparent during the year that a responsible person no longer satisfies the fit and proper requirements for a key function, the Group Legal department of Wüstenrot & Württembergische AG performs an unscheduled review on behalf of the Executive Board. This may be the case, e.g. if there are reasons to assume that the person concerned cannot fulfil his or her duties properly.

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

Risk management system

An integral part of corporate governance is assuming risk in a targeted and controlled manner while achieving the general return targets set as part of the business strategy. For an insurance undertaking, handling risk is a core competency. Accordingly, Württembergische Versicherung AG's risk management is closely intertwined with the monitoring system at Group level and structured identically in terms of many processes, systems and methods.

The risk management system encompasses all internal and external regulations that ensure risks are handled in a structured way. In accordance with the principle of proportionality, the scale and intensity of risk management activities are determined according to the risk level of the business engaged in. The risk management system is consistently based on the risk strategies and is integrated into the W&W Group's risk management system.

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

Risk management framework

The risk management system is described in various internal documents. Together, these documents constitute the risk management framework.

Württembergische Versicherung AG's risk strategy sets minimum requirements for risk policy focus and the risk policy framework. It is based on the business strategy and integrated risk strategy of the W&W Group and the business strategy of Württembergische Versicherung AG and describes the nature and scale of material risks. It defines targets, risk tolerance, limits, measures and tools for handling risks that have been assumed or will arise in the future.

Fundamentally, the aim is to balance business opportunities with the associated risks. The focus here is always on ensuring the company can continue as a going concern. The goal is to avoid taking incalculable risks or risks that pose a threat to the company as a going concern.

The wording and implementation of the risk strategy contribute to securing the long-term entrepreneurial capacity to act and to promoting the risk culture. The aim is to maintain an appropriate balance between taking advantage of business opportunities and incurring risks, while ensuring the effectiveness of the Group-wide risk management system. The risk strategy is adopted by the Executive Board and discussed and approved by the Supervisory Board at least once a year.

As the key guideline for risk management, the Group risk policy defines the organisational framework for risk management and is a prerequisite for an effective risk management system. It applies across the Group. This framework ensures that the standard of quality is comparable across all business areas and that risk management is highly consistent. As a key component of the common risk culture, the Group risk policy and the processes and systems defined in it promote the requisite risk awareness at the level of the W&W Group and its individual undertakings.

In addition, there are topic-specific risk management policies in place concerning investment risk, asset/liability management, liquidity risk, operational risk and insurance risk, as well as other rules. The policies in risk management are subject to a standardised process of review and updating.

Responsibilities in the risk management system/risk governance

The tasks and responsibilities in risk management are clearly defined.

The Executive Board of Württembergische Versicherung AG bears overall responsibility for the proper business organisation. It is the ultimate decision-making body on risk issues. This includes ensuring that the risk management system is effectively and appropriately implemented, maintained and enhanced. This includes developing, promoting and integrating an appropriate risk culture. The Group Executive Board is responsible for risk management.

In its role as the control body overseeing the Executive Board, the Supervisory Board also monitors the appropriateness and effectiveness of the risk management system. As part of this, it receives information about the current risk situation at two Supervisory Board meetings each year and in connection with ad hoc risk reporting.

The Audit Committee meets twice a year and assures itself that the organisation of risk management is appropriate and effective in the respective areas of responsibility. It reports to the Supervisory Board on this.

Compliance with internal governance rules is ensured by means of the internal governance body structure. The Insurance Risk Board is a key element of the internal governance body structure. It is the central governance body for the coordination of risk management and monitoring of the risk profile in the Insurance division and works closely with the Group Board Risk.

The Insurance Risk Board assists the Executive Board on issues relating to risk. The permanent members are the Executive Board members and senior managers responsible for risk management and related areas in the Insurance division and representatives of risk controlling. The body meets once a month and, where necessary, on an ad hoc basis. The Insurance Risk Board monitors the Insurance division's risk profile and its appropriate capitalisation and liquidity. In addition, proposed solutions are prepared by the independent risk controlling function, recommendations are made to the Executive Board and progress is made in enhancing the entire risk management system.

As specified internally, the duties assigned under Solvency II to the administrative, management or supervisory body are performed by the Executive Board, by the Supervisory Board with the Risk and Audit Committee, and by the Insurance Risk Board in accordance with their respective responsibilities. The Executive Board has overall responsibility for proper implementation of the requirements.

Group-wide committees have been set up to handle certain (risk) topics in detail:

- The Group Liquidity Committee was established for Group-wide liquidity management and monitoring, in particular at the large subsidiaries of Wüstenrot & Württembergische AG.
- Another central body, the Group Compliance Committee, serves as the link between the Legal, Compliance, Customer Data Protection and Operational Security, Audit and Risk Management departments. The compliance function regularly reports directly to the Executive Board and the Group Board Risk about compliance-related matters and risks.
- The Group Credit Committee works Group-wide for the purpose of efficiently processing proposals for loan decisions in the institutional area.
- Group-wide information risk management, including identity management, is the responsibility of the Group Security Committee.

Key and control functions have been implemented in the business organisation, structured in the form of three lines of defence: 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):

- The business units that are responsible for decentralised risk governance constitute the first line of defence. Within the scope of their competencies, these units deliberately decide to assume or avoid risks. In this context, they must observe centrally determined standards, risk limits and risk lines as well as the adopted risk strategies. Compliance with these competencies and standards is monitored by means of internal controls.
- The second line of defence comprises the independent risk controlling function, the compliance function and the actuarial function.
  The independent risk controlling function handles in particular the operational implementation of risk management and reports to management on the overall risk profile, among other matters. The Controlling/Risk Management departments are responsible for risk management at the level of the Insurance division.

The compliance function is responsible for adequate legal monitoring and for the effectiveness of the compliance with internal and external regulations. It is supported in the operational performance of its tasks by the Risk and Compliance department at Wüstenrot & Württembergische AG.
The actuarial function ensures correct calculation of the technical provisions, among other duties, and assists the relevant independent risk controlling function in risk assessment. The Actuarial Services & Property and Casualty Reinsurance department is responsible for performing the tasks of the actuarial function at Württembergische Versicherung AG.

- Internal audit represents the third line of defence. It independently audits the appropriateness and effectiveness of the internal control system as well as the effectiveness of corporate processes, including the first two lines of defence. The internal audit tasks for Württembergische Versicherung AG are handled by Wüstenrot & Württembergische AG's Group Audit department.

The Controlling/Risk Management departments provide advice and support to the Insurance Risk Board in determining risk management standards. In collaboration with Wüstenrot & Württembergische AG's Risk and Compliance department, methods and processes are prepared for risk identification, risk assessment, risk governance, risk monitoring and risk reporting. In addition, the Controlling/Risk Management departments produce qualitative and quantitative risk analyses.

Independent risk controlling function

The Controlling/Risk Management departments perform the tasks of the independent risk controlling function for Württembergische Versicherung AG. A head of the Controlling/Risk Management departments acts as the responsible key function holder pursuant to Section 26 of the German Act on the Supervision of Insurance Undertakings (VAG).

The holder of the independent risk controlling function attends the meetings of the Insurance Risk Board and the Group Board Risk and is thus involved in decision-making for risk-relevant issues from an organisational perspective.

In addition to the aforementioned organisational matters, the independent risk controlling function provides continuous input for decision-making on risk-relevant matters through the risk management control loop. This covers, in particular, the regular treatment of risk strategy tasks and the assignment of them where warranted by events, including:

- developing the risk strategy,
- performing risk limit planning,
- participating in strategic asset allocation and new product processes and
- carrying out special projects on risk topics.

Risk management process

An iterative risk management process has been established for risk-oriented corporate governance, which can be broken down into the sub-processes of risk identification, risk assessment, risk taking and risk governance, risk monitoring and risk reporting. This process is standardised across the Group and is in place at all levels. The risk strategy requirements for all sub-processes of the risk management process are described in the following sections.

Risk identification

Risks are systematically identified and documented in the course of the annual risk inventory and the standardised reporting of damages from operational risks. There is a general obligation at all levels to constantly monitor the corporate and working environment for potential risks and to report identified risks without delay. A Group-wide new-product process has been implemented for the purposes of identifying risks associated with the introduction of new products and sales channels and the cultivation of new markets, which were not previously included in the risk management system. This process incorporates the Controlling/Risk Management departments at the level of the Group and the individual undertakings.

As part of the risk inventory, which is carried out at least once a year, and reviews of the risk situation throughout the year, as warranted by events, assumed or potential risks are continually recorded, updated and documented. On the basis of an initial assessment for the respective business unit responsible, defined threshold values are used to differentiate risks into material and immaterial risks. This assessment also evaluates the extent to which individual risks can take on a material character through interaction or accumulation (risk concentrations).

Risks that are classified as material are actively managed in the four steps of the risk management process described in more detail in the following. For risks that are classified as immaterial, the responsible business units monitor them during the year, using risk indicators in order to determine whether they have changed, and evaluate them in full at least once a year.

Risk assessment

Material risks are assessed at least quarterly. Depending on the type of risk, different risk measurement procedures are used to evaluate them in quantitative terms:

- The standard formula is used to calculate the supervisory capital requirement for the risk areas of insurance risks, market price risks, counterparty credit risks and operational risks.
- In addition, the risk capital requirement for market price and counterparty credit risks in proprietary business and insurance risks are quantified with an economic model. This uses value at risk (VaR) with a confidence level of 99.5% and a one-year time horizon. For the other risk areas, analytical computational procedures or regulatory standard procedures are applied, as well as expert estimates.
- Sensitivity and scenario analyses are also conducted for specific risk areas and across risk areas. Analyses of key performance indicators augment the set of tools for assessing risks.

Risk taking and risk governance

Risk governance is defined as the operational implementation of risk strategies in the risk-bearing business units. The decision to assume risk is made within the scope of business strategy and risk strategy requirements. Based on the risk strategy, the respective specialist sections manage their own risk positions. Thresholds, signal systems, and limit and line systems are used to support risk governance. If the specified thresholds are exceeded, predefined actions or escalation processes are initiated.

As a rule, the entity that assumed the risks is responsible for governing and controlling them. In performing this task, it decides about products and transactions. During the risk management process, it is continuously checked whether the assumed risks are in conformity with the risk profile specified by Württembergische Versicherung AG's risk strategy bearing capacity as well as whether the risk limits and risk lines are observed. Risk-taking and risk-monitoring tasks are strictly separated in terms of function.

Risk governance is consistently carried out by the Executive Board to the individual specialist sections in line with the assigned tasks and responsibilities.

Risk monitoring

It is continually monitored whether the risk strategy and risk organisational framework guidelines are observed and whether risk governance is suitably effective. Monitoring activities are used to develop recommendations for action, which lead to corrective intervention being taken early and thus to the objectives set forth in the business and risk strategy being achieved. Measures controlling is in place to check the recommendations for action.

Risk monitoring, which is independent of the assumption of risks, primarily takes place at the level of Württembergische Versicherung AG. Any material risks that cannot be borne individually by the undertaking in question or that could affect other W&W undertakings or that exist at multiple individual undertakings and could cumulate are also monitored at Group level. The principle of functional separation between risk-taking and risk-monitoring entities is observed at all levels of the W&W Group.

Compliance with risk-bearing capacity requirements is the basis of monitoring the risk profile and capitalisation. The sufficiency of risk capitalisation is evaluated in dimensions or using several risk-bearing capacity concepts, which as a rule are equally weighted but highlight different aspects:

- When considering regulatory capital adequacy, the ratio of eligible own funds to the Solvency Capital Requirement is taken into account. This is done using the European Insurance and Occupational Pensions Authority (EIOPA)'s standard formula. The risk situation is communicated to the public on the basis of this key indicator.
- As part of the own-risk and solvency assessment, economic risk capital requirements are determined on the basis of an economic risk-bearing capacity model and compared with the available economic capital. Based on these calculations, available capital at risk is allocated and limits set. The economic model is used for risk governance.

Other material risk monitoring methods in place are:

- Risk limitation serves to reduce risks to a maximum permitted level that constitutes the risk appetite. This is done by allocating risk capital to risk areas, risk types or individual risks, i.e. targeted allocation of the financial resources available for risk cover. The risk capital available determines how risk limits are assigned. The fundamental goal of risk capital allocation is to deploy available financial resources in areas that are expected to generate an adequate return. In addition, strong concentrations in individual risk areas should be avoided for reasons of diversification. The utilisation of risk limits is reviewed as part of the quarterly risk-bearing capacity calculations. To this end, the relation between the risk capital requirement determined and the existing limit is shown. If there a risk limit is exceeded (or at risk of being exceeded), a defined escalation procedure is initiated.
- In addition to risk measurement, annual stress tests are carried out in material risk areas and across risk areas. Inverse stress tests are conducted where necessary. The stress tests are used in ordinary risk reporting, as part of which they are assessed regarding their implications.
- As well as allocating risk capital to the individual risk areas, a limit is imposed at issuer group level to avoid risk concentrations in relation to individual investment counterparties. A Group-wide risk line system is used for this.
- As part of the risk inventory or on an ad hoc basis, the individual risks can be assigned risk drivers and risk indicators. A key risk indicator is an indicator that can help reinforce a qualitative assessment or highlight a potential change to the risk situation. If the risk indicator is suitable for identifying the change in risks at an early stage, it is considered an early-warning risk indicator.

Risk reporting

The Executive Board has organisational guidelines specifying the content to be reported, the report recipients and the schedule for proper risk reporting, as well as rules on ad hoc reporting.

Proper risk reporting

In this regard, the flow of information concerning the risk situation is ensured through internal risk reporting, risk inventory and calculation of risk-bearing capacity.

The key element of the risk reporting system is the quarterly risk report, which is sent to the Executive Board and the Supervisory Board. Presented in this report are the amount of available own funds, regulatory capital adequacy, the risk capital requirement, compliance with limits and lines, existing risk concentrations, the results of stress testing and the risk governance measures that have already been taken and that still need to be taken. This risk report is presented at the Insurance Risk Board, where it is discussed regarding the resulting risk assessment and recommendations for action for Württembergische Versicherung AG. These recommendations for action implemented and tracked as measures by the risk management units responsible.

Ad-hoc risk reporting

Information that is considered material from the standpoint of risk is forwarded immediately to management. Processes and reporting procedures have been put in place for ad hoc risk reporting. Quantitative criteria are used as thresholds, which as a rule are in line with internal and supervisory parameters. In addition, ad hoc risk reporting also takes place when qualitatively material events occur.

Own-risk and solvency assessment

The own-risk and solvency assessment is performed at least once a year. A scheduled own-risk and solvency assessment (ORSA) process is undertaken as at 31 December. If the risk profile changes substantially, an ORSA process is also considered during the year. The ORSA process culminates in the ORSA report, which is approved by the Executive Board and then submitted to the German Federal Financial Supervisory Authority (BaFin) within 14 days.

All requirements concerning responsibilities and the performance of this process are the subject of the ORSA policy. It defines the individual process steps and their delimitation, the organisational and operational structure, and the roles and responsibilities of the included units on the Group level and the level of the individual undertaking. In addition, it sets minimum standards for data and documentation requirements.

The ORSA policy is subject to a standardised process for reviewing and updating the risk management policies. It is reviewed and, if necessary, modified at least once a year as well as in the event of material changes to the risk profile. Following discussion in the Insurance Risk Board and the Group Board Risk, the modified ORSA policy is enacted by the Executive Board and published on the W&W intranet.

Content of the ORSA

To ensure that the ORSA meets the internal and regulatory objectives, it links the processes concerning business and risk strategy, corporate planning (including capital planning), corporate governance and risk management. Content of the ORSA process covers, inter alia:

- assessment of the risk management system with respect to the required modifications to the organisation and operational structure,
- assessment of the methods applied for risk measurement, stress scenarios, forecasts and own fund planning, as well as for calculating technical provisions,
- assessment of the material drivers, risk-bearing capacity and the meeting of the supervisory solvency requirement,
- assessment of the risk governance measures with respect to compliance with the risk appetite specified by the Executive Board and
- assessment of the ORSA process with respect to required changes or enhancements.

Calculation methods for determining risk capital requirements and risk-adequate capitalisation (capital adequacy)

The assessment of risk-adequate capitalisation focuses on several perspectives as part of the ORSA:

- Supervisory capital adequacy measures compliance with the regulatory minimum requirements for risk capitalisation in order to be able to continue business operations as planned. The statutory Minimum Capital Requirement (MCR) and Solvency Capital Requirement (SCR), as well as own funds (ASM), are calculated using the supervisory standard approach prescribed by EIOPA.
- Economic capital adequacy assesses risk coverage capacity, i.e. permanent ability to meet senior liabilities to customers, creditors and other stakeholders from a present value perspective, assuming future cash flows. The risk values measured are based on a confidence level of 99.5% and a risk horizon of one year. Economic risk-bearing capacity is ensured if the risk capital is at least as large as the risk capital requirement, i.e. the quota of risk bearing capacity is reported at greater than or equal to 100%.
- Stress tests and scenario analyses are performed to estimate possible ranges of risk trends as at the reporting date under changed assumptions and basic conditions.

Integration in the organisational structure

The ORSA process is integrated in the existing organisational structure across various levels:

- The Executive Board has overall responsibility for establishing and implementing the ORSA. It confirms the proper performance, and it assures itself of the accuracy and completeness of the results.
- In accordance with current statutory rules and internal company provisions, the responsibility of the Supervisory Board as governance body also extends to the ORSA process. The Executive Board informs the Supervisory Board about the course of the process and its material results by presenting the ORSA report.
- The Insurance Risk Board assists the Executive Board on ORSA questions and prepares decisions. It monitors the operational ORSA process, analyses results, and recommends or arranges for measures concerning process management. The Risk Board also acts as an escalation centre.
- The independent risk controlling function coordinates the carrying out and documentation of the ORSA process.
- In addition, all key functions and each responsible specialist section are involved in the ORSA process on specific topics. For instance, the actuarial function makes contributions to the ORSA report concerning technical provisions and about reinsurance and the underwriting policy. The compliance function assesses compliance risks. Group controlling at the W&W Group is responsible for equity planning.

Integration in the operational structure and decision-making processes

The ORSA links the processes concerning business and risk strategy, corporate planning (including capital planning), corporate governance and risk management.

- The strategic requirements concerning corporate and risk governance are set in the business strategy process and, derived from this, in the risk strategy process. Findings made as part of the ORSA are taken into account when reviewing the business and risk strategy, particularly as concerns capital adequacy and the assessment of the risk management system.
- The business strategy and risk strategy requirements are operationalised and reviewed through the planning process. The financial planning focusing on the income statement and balance sheet, as well as own funds planning,

cover a planning horizon of at least three years. For its part, the planning process is tied to the concurrent planning of risk limits. The consistency of the results is assured through the mutual exchange of information in the Controlling/Risk Management departments as part of the ongoing processes.
- The operational implementation of the plan targets is monitored through the ongoing controlling process. In this regard, by means of the governance cockpit as well as twice a year on the basis extrapolations to year-end, it is reviewed whether the planned development is being achieved. In the case of deviations, governance measures are considered and, where necessary, initiated. In the event of material changes to the risk profile, a decision must be made as to whether to carry out an unscheduled ORSA.
- An iterative risk management process has been established for risk-oriented corporate governance, which includes, in particular, the monitoring of the risk profile and quarterly reporting. The ORSA process draws on the results of the risk management process and reviews the appropriateness of the risk management system.

B.4 Internal control system

General remarks about the internal control system (ICS)

Württembergische Versicherung AG is integrated into the W&W Group's Group-wide ICS procedure. The ICS procedure established at the W&W Group was resolved by the Management Board of the W&W Group and declared binding for Württembergische Versicherung AG. The Executive Board members of Württembergische Versicherung AG are responsible for compliance with the requirements. The respective specialist sections at the undertakings are responsible for operational implementation of the requirements.

Elements of the internal control system

Risk identification

As part of the ICS procedure, the risks identified and monitored by the persons in charge of the process are given consideration either when warranted by events or as part of a review that takes place annually. The risk strategy of Württembergische Versicherung AG and the Group risk policy of the W&W Group form the overarching framework for risk identification.

Risk assessment

The risks identified by the persons in charge of the process are assessed using the risk relevance matrix. The criteria for assessing the ICS relevance of risks are a risk's probability of occurrence and impact.

Controls

In order to minimise ICS relevant risks, the specialist section defines appropriate controls, performs control activities and documents the controls, including the control result, in a uniform manner that is comprehensible to a third party.

If deficiencies are discovered when performing control activities, the person performing the control documents them and, in coordination with the person in charge of the process, remedies them. The control documentation records the measures being used to remedy the deficiency, how long it will take to do so, and how any resulting increased risk potential is being handled until the deficiency is remedied.

If the deficiency cannot be remedied by the specialist section on its own or poses a threat to existence, it is considered to be material. In such case, the escalation process described below is to be initiated.

Effectiveness testing

The effectiveness of the control activities is reviewed by the specialist section by means of effectiveness testing, which is to be performed on an annual basis. In doing so, it analyses whether the control was performed as specified and is effective. Effectiveness is assessed on the basis of the documented control activities.

If deficiencies are discovered when performing testing activities, the person performing the effectiveness test documents them and, in coordination with the person in charge of the process, remedies them. The testing documentation records the measures being used to remedy the deficiency, how long it will take to do so and how any resulting increased risk potential is being handled until the deficiency is remedied.

If the deficiency cannot be remedied by the specialist section on its own or poses a threat to existence, it is considered to be material. In such case, the escalation process described below is to be initiated.

Test of design

In the annual test of design, the specialist section reviews, assesses and, using specified forms, explicitly confirms that the Group-wide ICS procedure in effect was complied with by the respective area of responsibility during the past year. In addition, each specialist section reviews the risks, controls, effectiveness tests and role assignments in the ICS procedure for whether they are up to date, modifies them if necessary, and suitably documents them. In the event of a negative assessment, the central ICS office in the W&W Group decides on a case-by-case basis on how to proceed, taking risk aspects into account.

Escalation process

If a material deficiency is discovered in connection with control or testing activities, it is escalated and documented by the specialist section. In addition, the central ICS office in the W&W Group is promptly notified. Until the deficiency is remedied by the specialist section, the ICS office reports regularly to the Group Board Risk, internal audit and the compliance function of the W&W Group.

Audit function

As part of ongoing audit work, internal audit audits the proper implementation of the ICS procedures by the individual specialist sections. It also analyses any identified deficiencies and takes the findings into consideration, if necessary, with regard to further audit planning.

Summary appraisal

The required processes for the material components of the ICS have been established in the W&W Group and implemented in any appropriate manner. Accordingly, Württembergische Versicherung AG is of the opinion that the requirements regarding the ICS in accordance with Solvency II are met.

Compliance

The company has a comprehensive compliance management system. Operation of this system is outsourced to the parent company Wüstenrot & Württembergische AG. In accordance with the “three lines of defence” concept, employees and senior managers in the first line of defence are responsible for identifying, analysing and controlling compliance risks in day-to-day operational business. As part of the second line of defence, the compliance function has primarily a monitoring function.

The compliance policy addresses the compliance management system, the material processes and the tasks and responsibilities. The compliance policy is reviewed on a regular basis, but at least once a year, for whether it is up to date. If necessary, it is enhanced and, if the case of material changes, then approved by the Executive Board.

The compliance function must monitor compliance with legal provisions that are relevant and material for the company. Changes to the law are also monitored. The compliance function systematically monitors changes in the legal environment and then determines the specialist sections and individuals responsible for implementation. During implementation, the compliance function assesses appropriateness and confirms the effectiveness of measures at the end.

Compliance risks are recorded systematically. The focus here is on the probability of violations of legal standards and the potential repercussions of non-compliance with the law. In the event of changes to legal standards, a risk assessment is conducted at the start of the implementation phase on the basis of defined criteria. It is then regularly reviewed during implementation and – depending on the status of implementation – adjusted where necessary. The compliance risk of existing standards is represented as part of the systematic monitoring and assessment of neuralgic issues and processes by the compliance function (“interface activities”). The compliance function generally works on the basis of third-party information such as reports, although it also acquires knowledge through audit activities in operating processes such as the new product process. The compliance risk assessments are transferred to the general risk management process system on a quarterly basis and thus, as part of operational risks, are part of the company risk reporting.

Within the compliance function, risk assessments also prompt what are known as monitoring actions. These project-based audits check whether topics or processes comply with the law. A planning round is conducted twice a year to plan monitoring actions. A monitoring plan is prepared at this time. In the event of compliance breaches, measures are established together with the specialist section and implementation of these is monitored by the compliance function. The compliance function's regular activities are documented in a compliance plan. This is reviewed and updated each year, in particular regarding activities to further develop and optimise the compliance management system.

The Group Compliance Committee is the central coordination body for compliance activities. It meets regularly on invitation of the compliance officer and comprises representatives from areas relevant to compliance. In addition, regular reports are sent to the Executive Board and Supervisory Board. In this context, the compliance function also takes on an advisory function and holds training sessions for various target groups. As well as the central compliance function, an external ombudsman is also available for reports of legal violations.

The compliance management system is enhanced on a regular basis and adjusted to meet changing basic conditions. In addition, the compliance function is regularly reviewed by internal audit as the third line of defence. Finally, all internal lines of defence are also monitored by external monitoring bodies, such as the auditor or other external supervisory bodies, regarding their functioning.

B.5 Internal audit function

The internal audit function was outsourced by all W&W Group insurance undertakings to the parent company Wüstenrot & Württembergische AG. The outsourcing officer for internal audit in the reporting year was a leader in the Controlling/Risk Management department.

The internal audit is conducted centrally by the Wüstenrot & Württembergische AG's Group Audit department. The head of the Group Audit department at Wüstenrot & Württembergische AG – alongside the Executive Board Chair of Wüstenrot & Württembergische AG – also reports directly to the outsourcing officer and the responsible Executive Board member at the company.

The Wüstenrot & Württembergische AG Group Audit department does not handle any non-audit tasks, assuring the independence of internal audit – including in connection with organisational assignment. Other than the head of the Group Audit department at Wüstenrot & Württembergische AG, who is appointed as the key function holder for internal audit at the parent company Wüstenrot & Württembergische AG/the W&W Group, employees do not perform any other activities with relevance to supervision. The objectivity of the auditors is assured through extensive quality management within internal audit, as well as through a waiting period when employees switch from operational areas to the Group Audit department at Wüstenrot & Württembergische AG.

The tasks and powers of internal audit are set down in rules of business, which are applicable throughout the Group. Accordingly, as the central function of internal corporate monitoring for all undertakings of the W&W Group and thus also for the company, internal audit must systematically and methodically review and assess, in particular,

- the appropriateness and effectiveness of the risk management system,
- the appropriateness, functioning, effectiveness and efficiency of essentially all processes,
- the appropriateness, functioning and effectiveness of the internal control system established by the specialist sections at the order of management,
- the regularity, functioning and security of IT systems and the finance and accounting system and
- the compliance with statutory, supervisory and company requirements,

taking into account the nature, scale, complexity and risk content of the business activities. In addition, it must monitor the timely remedying of any identified deficiencies. These rules of business set down an unrestricted information and audit right with respect to all undertakings of the Group. Accordingly, all organisational units must notify internal audit without delay about any material deficiencies, material financial damages, or specific suspicions of irregularities. The Internal Audit department does not have the authority to give instructions to the audited units, other than immediate measures that may be necessary in the interest of the W&W Group undertakings.

The audit activities are based on an audit manual that defines all material business activities of the individual undertakings of the W&W Group. The audit manual is reviewed at least once a year for whether it is complete and up to date. Audit planning is performed on the basis of a documented risk assessment of the structures, processes and systems to be audited. Statutory requirements, requirements of the management, and risk appraisals by third parties (e.g. risk management) are taken into consideration. Audit issues and the audit schedule are set down in a multi-year plan. The multi-year plan is updated annually and forms the starting point for audit planning for the next financial year. In connection with annual planning, it is ensured that the necessary unscheduled audits (ad hoc audits) can be carried out on short notice.

A report is prepared for each audit and submitted to the responsible management. Measures to remedy identified deficiencies (including responsibilities and implementation dates) are agreed upon from the audits. Implementation of the measures is monitored by internal audit on an ongoing basis. Internal audit reports monthly to the Executive Board member responsible for the mandate concerned about uncompleted measures that are due. Moreover, past-due measures are reported monthly to the company's outsourcing officer and to the Executive Board Chair of the W&W Group.

In addition, Wüstenrot & Württembergische AG's Group Audit department reports quarterly to the management of the Group undertakings and to other key function holders about audit activities in the entire W&W Group during the past quarter, the implementation of the audit plan, and any changes to the audit plan. Reports are also submitted to the Supervisory Board, as a minimum at regular Supervisory Board meetings and in internal audit's annual report on audit activities in the last year.

B.6 Actuarial function

In the W&W Group, a policy has been drafted for the actuarial functions that addresses, inter alia, the basic conditions for the organisational and operational structure, as well as the material tasks of the actuarial functions.

The responsible holder of the actuarial function reports directly to the Executive Board of the company. He/she is supported in his/her tasks by employees in the Actuarial Services & Property and Casualty Reinsurance department, which he/she heads. This department is also responsible for actuarial valuations of loss reserves, tariff calculations as part of product development projects and for reinsurance at Württembergische Versicherung AG and Wüstenrot & Württembergische AG.

The actuarial functions of the Group and all individual undertakings in the Group meet as a committee at least once a year to exchange information and compare work status. This essentially ensures that a uniform Group approach is taken in the structuring of the actuarial function.

B.7 Outsourcing

Württembergische Versicherung AG assigns tasks to third parties in a number of ways, primarily to undertakings within the W&W Group. The aim of outsourcing is to increase profitability and ensure a focus on core business.

The following business policy principles apply to outsourcing:

- The decision to outsource is made on the basis of financial considerations by the Executive Board as part of implementing the business strategy.
- In the sense of a centralisation of functions, outsourcing in the W&W Group is undertaken where pooling can result in measurable advantages in terms of experience and efficiency.
- Outsourcings are essentially undertaken within the Group. In areas in which the W&W Group is not expected to be able to reach market benchmarks over the long term, external outsourcing is considered.

Policies and the outsourcing requirements are addressed in a binding fashion with the W&W standard for outsourcing. This ensures compliance with the statutory, regulatory and in-house requirements to be taken into consideration. At the same time, the clear definition of the process and the responsibilities facilitates efficient outsourcing management.

The outsourcing process breaks down into the following phases:

- analysis and valuation of outsourcing,

- implementation of outsourcing,
- management and monitoring of outsourcing and
- end of outsourcing.

The outsourcing specialist section prepares a risk analysis, which identifies, analyses and assesses the risks of the planned outsourcing. The scope and degree of the risks and the classification into important or unimportant activities determines the type of integration of the outsourcing in risk management.

Depending on the outsourcing, a technical contact person is designated. It is responsible for appropriate, risk-oriented monitoring and governance, and ensures that when the outsourcing ends, smooth continuation of business is guaranteed.

Internal audit and the central outsourcing officer ensure appropriate, process-independent monitoring of the outsourcing.

Key outsourcing as defined by the German Insurance Supervision Act chiefly includes pooling the compliance function and internal audit at Wüstenrot & Württembergische AG, an insurance firm based in Stuttgart, and pooling investment management at W&W Asset Management GmbH, a financial services institution based in Ludwigsburg, within the W&W Group. Other important activities are also outsourced within the Group.

The services providers for all key outsourcing are located within German legal jurisdiction.

B.8 Other disclosures

A process for reviewing the governance system has been developed by the key and other functions in coordination with internal audit. This review takes place at least once a year. In 2021 internal audit coordinated the review of the governance system with respect to the transparency of the organisational structure, the appropriateness of the operational structure, contingency plans and company policies. The report on the result of this review, which includes proposals for enhancement of the governance system, was submitted to the Executive Board for final assessment. After discussion, the Executive Board adopted a resolution that the governance system is appropriately designed in light of the nature, scale and complexity of the risks inherent in the business.

All necessary information about the governance system and the business organisation has been presented in Sections B.1 to B.7. Württembergische Versicherung AG does not believe there is any other material information to be reported.

C Risk profile

Similar risks are combined in “risk areas” that are standardised throughout the Group. The risk areas are subdivided by risk type for efficient risk governance. The depiction of the risk areas with the associated risk types is called a risk landscape.

Both the regulatory and the economic perspectives are used to assess Württembergische Versicherung AG’s risks:

- Regulatory perspective:
  The regulatory capital requirement is determined using the European Insurance and Occupational Pensions Authority (EIOPA)’s standard formula. The Solvency Capital Requirement is compared to eligible own funds to state a supervisory solvency ratio pursuant to Solvency II. As at 31 December 2021, the solvency ratio amounted to 206.2% (previous year: 201.4%). In Chapter E “Capital management”, the Solvency Capital Requirement is differentiated for the risk areas insurance risks, market risks, counterparty default risks and operational risks.
- Economic perspective:
  An economic risk-bearing capacity model is used to assess overall solvency in qualitative terms. The material risks determined using the Group-wide approach are aggregated into a risk capital requirement and compared to the financial resources available for risk cover. The quota of risk bearing capacity as at 31 December 2021 was 268.0% (previous year: 213.0%). In this Chapter, with the exception of risk sensitivities, the figures are based on economic risk-bearing capacity.

Assessed using the economic perspective, the risk profile as at 31 December 2021 is as follows:

Risk profile

	Share	
%	31.12.2021	31.12.2020
Insurance risk	39.7	47.1
Market price risk	46.5	39.8
Counterparty credit risk	8.3	8.0
Operational risk	5.5	5.0

Business risks are taken into account as a deduction from own funds.

Stress scenarios are calculated at least once per year as a complement to the stochastic risk assessment. In the process, stress tests specific to the risk area consider the change effects of individual, isolated risk factors as well as combined risk factors.

Impact of the coronavirus pandemic

Because of the ongoing coronavirus pandemic, there continue to be high levels of uncertainty regarding the ongoing development of financial markets and economic growth. Countermeasures by governments and central banks may afford relief. It is expected that Württembergische Versicherung AG will continue to be exposed to higher risks in 2022, especially if the coronavirus pandemic persists for an extended period.

Prudent person principle

Württembergische Versicherung AG invests all its assets in accordance with the prudent person principle. This means that it invests only in assets and instruments whose risks can be properly identified, measured, monitored, managed, controlled and reported by Württembergische Versicherung AG and that can be properly taken into account in assessing overall solvency needs.

All assets are invested so as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In addition, the assets must be available or able to be sold within an appropriate period of time.

Assets held as cover for technical provisions are invested as part of an asset liability process. Württembergische Versicherung AG has an internal investment policy in place for the investment process that describes the material process steps, responsibilities and competencies. There is a strict separation of duties between the front office and the back office. The internal investment policy also sets out how the security, quality, liquidity and profitability of the portfolio as a whole are ensured. In addition, the policy establishes an investment catalogue for guarantee assets in qualitative and quantitative terms.

As well as the general internal policy, there are also special guidelines in place, including for the use of forward purchases, forward sales, derivative financial instruments, structured products and the use of asset backed securities.

The internal policies described, which regulate operating investment activities, are also supplemented by an internal policy for investment risk management. This describes the strategic, organisational and operating framework of investment risk management.

Investments are made with the required expertise and caution. Compliance with the general regulatory investment principles and the internal investment policy is ensured through qualified asset management, suitable internal investment principles and control procedures, a strategic and tactical investment policy, and other organisational measures. These include, in particular, monitoring all risks associated with the asset and liability items in the balance sheet and the relationship of the two sides to each other, as well as verifying the elasticity of the investment portfolio when compared with certain capital market scenarios and investment conditions.

This ensures that the company can at all times respond appropriately to changing economic and legal conditions, particularly changes on the financial and real estate markets, catastrophes that involve major losses or other changed market situations.

Undisclosed conflicts of interest when investing can have negative economic effects and result in legal risks, reputation risks and operating risks. In accordance with the EIOPA guideline 31 on the governance system, it must be disclosed to what extent conflicts of interest may arise and what solutions the company has in place for these. In its interpretive decision “Investment decisions in the interests of policyholders and beneficiaries and handling conflicts of interest in line with the prudent person principle (Section 124 (1) sentence 2 no. 3 and 4 VAG)” dated 13 July 2020, the German Federal Financial Supervisory Authority (BaFin) stipulated how insurance undertakings are to handle conflicts of interest. In the event of conflicts of interest, the undertaking must ensure that investment decisions are made in the interests of the persons insured at all times. If it fails to do so, the company would be in breach of the prudent person principle. Basic regulations for conflicts of interest in investments were thus set out in an internal policy for investment risk management.

Pursuant to the interpretive decision, the company also determined a range of potential issues that could, under certain circumstances, result in conflicts of interest. In addition to existing general regulations such as the W&W Group’s code of conduct, which is relevant to conflicts of interest, the company also has specific work instructions in place for the relevant investment areas of front and back office that stipulate how any conflicts of interest relating to investments are to be identified and resolved. Regulations have also been established as to how to document these issues.

No conflicts of interest were identified when making investment decisions in the past financial year.

General investment principles

Investments are of the required quality if the investment principles described below are met:

- Principle of security:
  Only a secure investment guarantees that concluded insurance contracts can be performed. This applies to each individual investment, as well as to the entire portfolio. Speculative investments are not permitted. Security first means securing the nominal value. Whether this can be achieved must be reviewed prior to the acquisition and repeatedly during the term of the investment. The extent of the review is determined by the type of investment, the credit rating of the issuer (debtor) and the market environment. However, security also includes maintaining the essence of the investments. This should also be taken into account when selecting the investments and designing their terms and conditions.
- Principle of liquidity:
  Due and owing payment obligations must be able to be satisfied without delay. The overall portfolio of investments must therefore be composed in such a way that liquid assets or those that can be liquidated without difficulty are always available in the amount needed for operations. This requires financial and liquidity planning at the company. In accordance with Section 15 (1) *Versicherungsaufsichtsgesetz* (VAG – German Insurance Supervision Act), directly taking on debt constitutes non-insurance business and is permitted only under certain conditions.
- Principle of profitability:
  Investments must be profitable. They must generate a sustainable income, taking into account security and liquidity needs and the situation on the capital markets. This applies to each individual investment, as well as to the entire directly and indirectly held portfolio.

Strategic asset allocation forms the basis of investment policy and is thus one of the major factors that influence the risk situation in the area of investments. It is determined at least once a year for the following year. Value is placed here on an appropriate mix and spread of asset classes and broad diversification by industry, region and style of investment.

Strategic asset allocation is based on market development forecasts for individual asset classes and on an analysis of the investment portfolio available. It contains forecasts of income and value changes in the intended future asset allocation. Prior to approval, it is subject to an intensive review process in the design phase in the Controlling/Risk Management departments. The review process covers compliance with supervisory requirements and provisions in the internal investment policy. It is compared with the current planning/projection for net investment income. The design of the strategic asset allocation is reviewed in the economic risk-bearing capacity model. As well as specific targets for the individual asset classes, the final strategic asset allocation also includes ranges that contain the specific targets. The ranges are defined in accordance with qualitative aspects.

Strategic asset allocation also prepares for developing new investment areas in the field of alternative investments, for example in the form of infrastructure or loan exposures. Sustainability plays an increasingly important role in investments. Accordingly, sustainability is to be taken into account in the strategic asset allocation. Continual further development must be ensured here.

Tactical asset allocation builds on strategic asset allocation and implements this within the chosen ranges. In the case of fundamental issues, initiatives and recommendations for investment transactions are coordinated between the specialist departments and, where necessary, with the Executive Board before any decision is made. Here, too, the review process described under strategic asset allocation is conducted in the Controlling/Risk Management departments, especially regarding the internal governance limits for the individual risk types resulting from the risk-bearing capacity models.

Derivative financial instruments

Derivative financial instruments are used as part of the strategic asset allocation and tactical asset allocation. Forward purchases, forward sales, derivative financial instruments and structured products are used as part of an internal policy that also sets limits for the individual transactions. Compliance with these special limits is reviewed and monitored by a risk controlling unit at W&W Asset Management GmbH. If the limits set are exceeded, this is escalated to the Controlling/Risk Management departments. Derivatives are used primarily to hedge interest, equity and currency risks. Other objectives are to prepare acquisitions and increase income. These are embedded in the strategic asset allocation and tactical asset allocation processes and thus contribute to maintaining risk-bearing capacity.

New product process

New investment products undergo a new product process before being launched to ensure a full understanding of the new investment products. In particular, the impact on the risk profile and proper handling by the accounting department and in inventory management and risk controlling systems must be ensured.

C.1 Insurance risk

Risk exposure

Insurance risks at Württembergische Versicherung AG result chiefly from premium and reserve risks. Premium risks are defined as potential losses that – with previously calculated premiums – arise in connection with uncertain future trends in claims, benefits and costs from concluded insurance contracts. Premium risks mainly result from natural disasters, accumulation risks and catastrophes. In the property insurance business line, the reserve risk is of minor relevance, because claims can usually be settled quickly. In (motor vehicle) liability insurance and personal accident insurance, however, the reserve risk can be substantial due to the sometimes long settlement duration (e.g. for personal injuries) and exogenous factors (e.g. discounting rate). The W&W Group is not exposed to any insurance risks from off-balance-sheet items or from the transfer of risk to special purpose vehicles within the meaning of Article 211 of the Solvency II framework directive.

As a result of the coronavirus pandemic and the associated uncertainty regarding future developments, the Württembergische Versicherung AG will likely be exposed to increased insurance risk (see explanations in Section C.6).

Württembergische Versicherung AG conducts primary insurance business in property and casualty insurance for retail and corporate customers in its business-strategic core market of Germany. As a result, the Ukraine war does not have a material impact on actuarial practice.

Risk concentrations

The focus of the insurance business is the German state of Baden-Württemberg, which could give rise to a regional risk concentration. By focusing on retail and commercial customers and avoiding high-volume individual risks through clear acceptance and underwriting policies, no material risk concentrations are expected in insurance business, including in the future. Business planning does not include any measures that increase risk concentration in this risk area.

Risk mitigation techniques

The pricing and underwriting policy is risk- and income-oriented. It is supported with suitable incentive systems for the mobile sales force and reviewed and, if necessary, modified at least once a year. Risks are underwritten according to defined guidelines and under consideration of business-line-specific maximum underwriting amounts.

Natural disaster risk is countered with risk-oriented prices, contract terms and conditions adapted to critical disaster zones and risk exclusions.

In addition to risk balancing through a mix of business lines and products, insurance risk is limited by active claims management, actuarial expertise and a conservative loss reserve policy.

Adequate reinsurance protection for individual risks and for accumulation risks across business lines reduces insurance risks in property and personal accident insurance. The reinsurance programme is adjusted on a yearly basis under consideration of income and security aspects. Wüstenrot & Württembergische AG is virtually the sole reinsurer of Württembergische Versicherung AG. The reinsurance strategy also proved successful in 2021, as the largest-ever accumulation event did not jeopardise Württembergische Versicherung AG.

The sustained effectiveness of the risk mitigation techniques is monitored, in particular, through corresponding contract drafting, the specification of and compliance with certain criteria when selecting contract partners or risk mitigation techniques, as well as through internal controls.

Internal controls ensure that the risk mitigation techniques and permanent effectiveness processes are implemented.

Risk sensitivities

Alongside calculation of the Solvency II standard formula, consideration is given to the effects of possible scenarios on own funds and the Solvency Capital Requirement. The extreme stress scenario assumes the occurrence of an earthquake event in Tübingen with a magnitude of about six.

The following table shows eligible own funds, the Solvency Capital Requirement, and the solvency ratio as at the reporting date and according to scenario occurrence:

Sensitivity of insurance risk

	Solvency II	Stress test
in € thousands	31.12.2021	31.12.2021
Eligible own funds	2,051,299	1,701,374
Solvency Capital Requirement (SCR)	994,631	1,011,776
Solvency ratio (in %)	**206.2**	**168.2**

As a result of high loss expenses, the event caused equity to decline and the Solvency Capital Requirement to increase. The solvency ratio would decline by 38 percentage points. The Solvency Capital Requirement would also be covered after occurrence of the considered scenario.

The risk governance tools presented in this section under “Risk exposure” and “Risk mitigation techniques” are used to govern insurance risk and the sensitivities associated with it.

C.2 Market price risk

Risk exposure

Market price risks are potential losses that arise in connection with uncertainty regarding future trends (size, volatility and structure) of interest rates, equity 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 risk.

Changes in market price risks depend primarily on the outside capital markets. Because of its investment structure, the main risk drivers for Württembergische Versicherung AG are trends in credit spreads and interest, equity and price indices. Volatility on these markets has soared in recent years on account of massive political and economic changes, both in terms of intensity and frequency. Sustained extremely low interest rates have a particularly negative impact on investment performance.

The risk profile for investments is increasingly influenced by ESG risks (risks relating to environmental, social and governance aspects). To comply with the German Sustainability Code, the W&W Group and thus Württembergische Versicherung AG have undertaken to incorporate sustainability aspects into investments. As part of this, investment portfolios are analysed in terms of ESG aspects. The investment strategy prohibits investments in sectors and industries that have previously been defined as unsustainable. More and more opportunities are arising to take sustainability aspects into account in investments (e.g. stepping up investments in green bonds or renewable energies).

The W&W Group has signed the PRI (Principles for Responsible Investment), which commits the Group to introducing and implementing six principles of responsible investment, and the PSI (Principles for Sustainable Insurance), through which the Group is increasingly enshrining environment, social, governance (ESG) aspects into insurance business.

Changes in market price risk throughout the year were the result primarily of the development of the coronavirus pandemic. A period of restricted economic activity to contain the pandemic was followed in the second half of the year by a dynamic economic recovery in industrialised countries. Major central banks initially stood by their expansive, crisis-oriented monetary policy. Above-average economic growth, a sharp rise in inflation and the first signs of monetary policy tightening in US in 2022, provided impetus for rising interest rates. Nevertheless, fluctuations and swings on capital markets are again anticipated in 2022, in part because of existing uncertainties.

The Ukraine war may have an indirect impact on the risk position, chiefly by way of economic and capital market risks (including interest, equity, credit spread, counterparty and inflation risks and increased capital market volatility).

Interest rate risk

The vast majority of Württembergische Versicherung AG's investments are invested in interest-bearing securities (essentially fixed-income bearer bonds, registered bonds, promissory notes and mortgage loans). Historically low interest rates are adversely affecting Württembergische Versicherung AG's earnings power. In light of this, investments in suitable market segments and alternative investment and hedging instruments (renewable energies, infrastructure, loan exposures, derivatives) are expanded and reviewed on an ongoing basis. The company also operates an active duration policy.

Equity risk

Sudden and severe price slumps on equity markets could impair the risk-bearing capacity of Württembergische Versicherung AG. Equities are essentially hedged to a high degree by various hedging strategies, with consideration given to ensuring an appropriate balance between risk and opportunity.

Participation risk

When participation risks materialise, valuation losses can result in the writing down of participations or the non-payment of dividends. Despite the extensive holdings of participations, no systematic participation risk is apparent thanks to the heterogeneous participation portfolio.

Real estate risk

Sudden and severe declines in real estate prices could impair the earnings situation and risk-bearing capacity. The investments portfolio is supplemented by a diversified real estate portfolio. Württembergische Versicherung AG considers the risk low given that investments are made almost exclusively in prime locations. If the coronavirus pandemic were to continue for several years, with recurring lockdowns, this could have a negative impact on the performance and value of the real estate portfolio, although this is currently considered a rather unlikely event.

Foreign currency risk

Foreign currency risks could arise from open net currency positions in all asset classes. Active currency management is practised to generate additional income opportunities. As part of this, investments are diversified in currencies outside the eurozone. Currency limits are set to reduce the risk. Compliance with these is monitored each month on the basis of foreign currency reporting. Foreign currency risks are taken into account in the asset classes in which they occur.

There are no market price risks from off-balance-sheet items.

Risk concentrations

Material risk concentrations are avoided thanks to the strategic asset allocation and, in turn, the appropriate mix and spread of asset classes and broad diversification by industry, region and style of investment. In addition, Württembergische Versicherung AG complies with internal directives in full, both in quantitative and qualitative terms.

Risk mitigation techniques

Württembergische Versicherung AG works on the principle that market price risks can be assumed only if they fall within the limits set and the associated opportunities have been weighed up. It is particularly important here to keep valuation reserves as high and stable as possible to offset market fluctuation and temporarily low capital market interest rates and to be able to acquire higher-risk investments with greater earnings potential on the basis of an improved risk-bearing capacity.

Strategic asset allocation

Strategic asset allocation forms the basis of investment policy and is designed to meet the requirements of the prudent person principle. Market risks are essentially managed by the specifications for the strategic target portfolio of investments. Risk management comprises economic and accounting aspects. Various internal policies for investments and an internal policy for investment risk management constitute the formal framework for this.

The strategic asset allocation is approved by the Executive Board and the Supervisory Board's Audit Committee. Prior to approval, it is discussed by the Insurance Risk Board and the Group Board Risk. Responsibility for the operational management of the strategic asset allocation and tactical asset allocation lies with the "Financial Management" department of Württembergische Lebensversicherung AG, to which this function is outsourced. It commissions W&W Asset Management GmbH for securities, real estate and alternative investments, Wüstenrot Bausparkasse AG for mortgages and, where necessary, external fund mangers to implement them. There are various working groups in place to support tactical asset allocation and handle current technical issues. The operational units from front and back office collaborate in these. The independent risk controlling function acts as an independent monitoring unit for the entire investment portfolio, in particular for compliance with supervisory and internal regulations. Functional separation is ensured between risk-taking and risk-monitoring units.

Sensitivity and scenario analyses

Each quarter, economic stress situations are considered to simulate the impact of potential developments on capital markets and to quantify sensitivities.

Asset liability management

As part of asset liability management, asset positions are managed and monitored in such a way that the assets correspond to the company's liabilities and risk profile.

Handling real estate risks

Market price and income risks in the portfolio are minimised by permanently analysing markets and individual properties and taking optimisation measures on the basis of this. The real estate area uses the discounted cash flow method as the basis for identifying and managing market price and income risks. This serves as the basic tool for the twice-annual valuation of each individual property in the direct portfolio and for earnings planning.

Participation controlling

Participation are subject to stringent controlling, which includes the annual planning of dividends, projections during the year and monthly target/actual comparisons. In this way, impending participation risks can be responded to at an early stage.

Use of derivatives

In addition to the processes and measures described above, the use of derivatives is a key risk mitigation measure in the area of market risk. They are used to hedge equity, interest and currency risks within established strategies as part of the strategic asset allocation. Particular use is made here of options, futures, forward purchases and forward sales in the area of fixed-income investments and currency forwards.

Monitoring the effectiveness of risk mitigation techniques

The effectiveness of the risk mitigation techniques listed above is mainly assured through ongoing monitoring of the portfolio. This also includes target/actual comparisons and monitoring the appropriateness of ranges. In this regard, trends on the capital markets are continually monitored in order to be able to promptly adjust the positioning and hedging. Standardised reporting processes are in place for notifying all parties involved in the investment process in a timely and transparent manner about the current investment status.

In this connection, the described measures are constantly reviewed and adapted to changes and current conditions. This also applies, in particular, to the various internal directives in the investment area, which are reviewed at least once a year and supplemented by changes that result from supervisory requirements or company practice.

Relevant processes have been established in the risk controlling unit responsible at W&W Asset Management GmbH to monitor the use of derivatives. These consist of meaningful documentation as part of a trading file, controlling the changes in the value of the instruments used and assessing effectiveness of the use of derivatives. Open derivative items are monitored constantly. This also checks whether the value of the hedged investments corresponds to the volume of hedging transactions. The hedging effect of derivative positions is taken into account in the risk-bearing capacity models. The use of derivatives for hedging purposes should not result in any additional basis risks. This is the case if the changes in value of the risk position covered by the hedging instrument reflect at least 90% of the changes in value of the risk exposure. Standardised framework agreements are used to avoid legal risks.

Internal controls ensure that the risk mitigation techniques and processes to monitor permanent effectiveness are implemented.

Risk sensitivities

At least once a year, risk sensitivity is considered using risk-specific stress tests in order to derive risk governance measures. These are, for interest rate risk, a change in the interest rate curve by 50 basis points; for equity risk, a fall in equity prices or the market values of participations by 36% and, for credit spread risk, an increase in the credit spread by 50 basis points.

The following tables present the effects of the stress tests on eligible own funds, the Solvency Capital Requirement and the solvency ratio:

Sensitivity of interest rate risk

	Solvency II	Stress test interest rate + 50 bp	Stress test interest rate - 50 bp
in € thousands	31.12.2021	31.12.2021	31.12.2021
Eligible own funds	2,051,299	2,022,414	2,079,973
Solvency Capital Requirement (SCR)	994,631	1,008,539	992,274
Solvency ratio (in %)	**206.2**	**200.5**	**209.6**

In economic terms, there is a vulnerability to rising interest rates as a result of the loss in value/hidden liabilities under assets that would arise if interest rates were to rise. The decline in present value claims provisions due to higher interest rates cannot offset the loss in value under assets. By contrast, the scenario where interest rates decline results in present value gains. The Solvency Capital Requirement is covered in both scenarios.

The risk governance tools presented in this section under “Risk exposure” and “Risk mitigation techniques” are used to govern interest risk and the sensitivities associated with it.

Sensitivity of equity risk

	Solvency II	Stress test
in € thousands	31.12.2021	31.12.2021
Eligible own funds	2,051,299	1,911,201
Solvency Capital Requirement (SCR)	994,631	1,012,150
Solvency ratio (in %)	**206.2**	**188.8**

The impact in equity stress is a result of assumed losses for the equity/investment exposure. These losses affect eligible own funds and the Solvency Capital Requirement, which increases due to a reduction in the risk-mitigating effect of deferred taxes. The Solvency Capital Requirement would still be covered.

The risk governance tools presented in this section under “Risk exposure” and “Risk mitigation techniques” are used to govern equity risk and the sensitivities associated with it.

Sensitivity of credit spread risk

	Solvency II	Stress test
in € thousands	31.12.2021	31.12.2021
Eligible own funds	2,051,299	1,996,829
Solvency Capital Requirement (SCR)	994,631	1,017,753
Solvency ratio (in %)	**206.2**	**196.2**

The assumed spread shock results in a loss in the market values of the interest-rate-sensitive investments. In addition, the risk-mitigating effect of deferred taxes reduces, increasing the Solvency Capital Requirement. The Solvency Capital Requirement would still be covered.

The risk governance tools presented in this section under "Risk exposure" and "Risk mitigation techniques" are used to govern credit spread risk and the sensitivities associated with it.

C.3 Counterparty credit risk

Risk exposure

Counterparty credit risk means potential losses that may result if borrowers, investments or other debtors (e.g. reinsurers, intermediaries) default or experience a deterioration in creditworthiness.

The international links between market participants mean that the scenario of a simultaneous default of several business partners is increasingly relevant. Connections within the financial sector may result in systemic contagion risks.

Counterparty credit risks are reviewed and assessed using the Group-wide loan portfolio model. The securities held are economically valued using a credit-value-at-risk model, which is standard in the sector. The loss distribution is generated using Monte Carlo simulations. The stochastic model is based on market data and includes default probabilities and transition probabilities (migration) between different credit rating categories and country/sector correlations. The risk capital requirement is calculated as value at risk with a confidence level of 99.5% on the basis of one-year migration or default probabilities. As a management instrument, the constantly developing loan portfolio model allows for dynamic adjustments to credit lines to account for changes in general conditions in the portfolio context.

In line with our strategic orientation, the credit rating structure of the investment portfolio is conservative, with 89.2% (prior year: 90.5%) of investments in the investment grade range.

Wüstenrot & Württembergische AG combines passive reinsurance in its function as an intragroup reinsurance undertaking. Accordingly, it is virtually the sole reinsurer of Württembergische Versicherung AG.

The W&W Group is not exposed to any counterparty credit risks from off-balance-sheet items or from the transfer of risk to special purpose vehicles within the meaning of Article 211 of the Solvency II framework directive.

As a result of the coronavirus pandemic and the associated uncertainty regarding future developments, the Württembergische Versicherung AG will likely be exposed to increased counterparty credit risk (see explanations in Section C.6).

Risk governance measures were stepped up in view of the war. As part of consistent investment risk governance, resolutions were adopted to prohibit new investment and reinvestment and – within the framework of existing trade restrictions – the company began to decrease the portfolio of government bonds in the Russian Federation, Belarus and Ukraine.

Risk concentrations

The portfolio does not have any notable risk concentrations thanks to its mix and spread and the use of strict limit and line systems.

Risk mitigation techniques

Counterparty credit risks are limited through the careful selection of issuers, as well as broadly diversified investments. Quantitative limits in the internal investment policy are also taken into account here. These also include the necessary own credit risk assessments. Contracting partners and securities are mainly limited to top credit ratings in the investment grade range. Counterparty credit risks are managed strategically and structurally on the basis of specifications adopted in the risk strategy. Additional risk mitigation techniques are:

- Rating:
  To assess individual counterparties and determine lines, the W&W Group draws on the evaluations of international rating agencies, which it supplements with its own creditworthiness analyses. In line with supervisory requirements, procedures have been established for own credit risk assessments to check the plausibility of external ratings.
- Limit and line system:
  The risk of loss from counterparty credit risk and credit spread risks is reduced by setting risk limits and compliance with these is monitored on an ongoing basis. Central credit governance in the W&W Group uses a Group-wide, standardised risk line system. The W&W Group's risk line system monitors compliance with the limit for the counterparty credit risk and the credit spread risk. The risk line system also monitors and consciously manages risk concentrations from counterparty credit risks and credit spread risks in the Group/the individual portfolio. The risk lines are based on the counterparty credit risk and credit spread risk measurement and determined in accordance with the individual counterparty's share of total risk. Investments at one counterparty may be made in the respective portfolio and in the Group only up to the maximum amount of the respective risk line. Compliance with the risk line is subject to ongoing, market-independent monitoring. The risk lines are adjusted at regular intervals. The W&W Group's regular risk reporting shows concentrations from counterparty credit risks and credit spread risks and any cases where the threshold has been exceeded. In addition, risk lines can also be limited or risk positions reduced by selling portfolios in order to reduce risk.
- Monitoring:
  The investments are carefully monitored and analysed in order to identify risks early on that may arise from trends on the capital markets. Württembergische Versicherung AG makes use of W&W Asset Management GmbH's expertise in assessing credit risks.
- Risk provision:
  Impending defaults relating to investments or reinsurance business are taken into account by means of appropriate impairment allowances.
- Mortgage business:
  Mortgage loans are concluded after first checking the borrower's credit rating and taking into consideration internal value determination and lending guidelines.
- Credit derivatives:
  No credit derivatives are used to hedge counterparty credit risks.

Monitoring the effectiveness of risk mitigation techniques

When it comes to using external ratings, ongoing monitoring is carried out to ensure that the system inputs them into the inventory management system correctly. The internal credit risk assessments used to check the plausibility of the external ratings are continuously updated to reflect the latest technical and regulatory developments. The limit systems in place are permanently validated and adjusted to account for current circumstances. Breaches of limits are identified at an early stage and measures taken where necessary.

Risk mitigation techniques are also subject to the internal control system.

Risk sensitivities

For counterparty credit risk, a scenario in which the largest external counterparty defaults is considered at least once a year.

Sensitivity of counterparty credit risk

	Solvency II	Stress test
in € thousands	31.12.2021	31.12.2021
Eligible own funds	2,051,299	2,000,029
Solvency Capital Requirement (SCR)	994,631	994,631
Solvency ratio (in %)	**206.2**	**201.1**

The impact of the event considered results from the total loss of the largest external debtor's net exposure. This loss affects eligible own funds. The solvency ratio would decline by 5.1 percentage points. The Solvency Capital Requirement would also be covered after occurrence of the considered scenario.

The risk governance tools presented in this section under "Risk exposure" and "Risk mitigation techniques" are used to govern counterparty credit risk and the sensitivities associated with it.

C.4 Liquidity risk

Risk exposure

Liquidity risks are defined as potential losses that could arise because it is more expensive to procure cash funds than expected (market liquidity risk) and the risk of a lack of means of payment in the long term (insolvency risk) to satisfy payment obligations. Liquidity risk is frequently a consequential risk that results from other types of risk, especially insurance risk. Claim payments are incurred in an amount that is not expected or fall due earlier than expected.

Market liquidity risks arise chiefly in connection with insufficient market depth or market disruption in crisis situations. If crises occur, investments can either not be sold at all or sold only in low volumes or at a discount. It does not appear from the current situation on the capital markets that there are any acute, substantive market liquidity risks for the investments.

Württembergische Versicherung AG's liquidity management aims to be able to meet financial obligations at any and all times. One focus of investment policy is to ensure liquidity at all times. Existing legal, regulatory and internal regulations are observed and met at all times. Through forward-looking planning and operational cash management, the risk of liquidity shortages should be identified early on and countered with suitable measures.

A liquidity risk that is due to planned cash flows is measured by comparing available cash with expected outgoing payments. In addition, extreme situations are illustrated by way of stress scenarios, the results are analysed and it is established what actions are to be taken if an extreme situation occurs. Sufficient market liquidity is also monitored by ongoing market observation. Overall, the liquidity risk at Württembergische Versicherung AG is of minor significance thanks to high liquid investments.

There are no liquidity risks from off-balance-sheet items.

The coronavirus pandemic did not negatively effect Württembergische Versicherung AG's liquidity situation in 2021. High claims payments in connection with the severe weather events in June and July 2021 also did not result in liquidity shortages thanks to the liquidity management processes and forward-looking reinsurance strategy.

Risk concentrations

The Group-wide liquidity management is designed so as to be able to meet financial obligations at all times, and as a result, the Württembergische Versicherung AG is not exposed to any appreciable risk concentrations.

Risk mitigation techniques

Material risk mitigation techniques result from daily monitoring and management of liquidity and liquidity risks. This includes ongoing liquidity planning and a coordinated maturity structure for cash and investments. The restrictions in the internal investment policy and the strategic asset allocation also ensure investments that meet the liquidity principle. The risk of liquidity shortages is also minimised by cautious liquidity management. Monitoring is also based on various risk-related key indicators and stress calculations. The aim of managing the liquidity risk is to guarantee sufficient liquidity to ensure that payment obligations (in particular payments for insurance services) are met on time.

Monitoring the effectiveness of risk mitigation techniques

The effectiveness of the risk mitigation techniques listed is mainly assured through ongoing monitoring of the liquidity situation and portfolio. This includes the annual review of management ranges as part of revising internal liquidity policy, which is amended to account for new circumstances where required. To ensure that additional cash funds can be generated if needed, monthly checks are also conducted to review and ensure that there are investments available that can be liquidated sufficiently quickly. Internal controls ensure that the processes are complied with.

Risk sensitivity

In the risk area "liquidity risks", stress scenarios are regularly considered, and based on them, the impact of changed cash inflows and outflows, simulated discounts to asset sale potential, and emergency liquidity, among other things, are analysed in order to ensure sufficient liquidity in these scenarios as well.

Expected profits in future premiums

As a rule, premiums are calculated in such a way that expected benefits and costs can be covered. In addition, a profit for the undertaking is factored in. A profit is also expected for premiums from an existing insurance contract still to be paid in the future. If the future premiums do not materialise because the contract ended prematurely for statutory or contractual reasons, the insurance undertaking loses these profits. In addition, profits may be higher or lower because benefits differ from expectations. As at the reporting date, this profit came to €635,563 thousand in the regulatory perspective.

C.5 Operational risk

Risk exposure

Operational risk is defined as losses that are 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. Operational risks are unavoidable when undertakings engage in general business activities. To report operating risks, experts estimate them at least once per year as part of the risk inventory.

Material types of operational risk include:

- Legal risk:
  Risk of loss due to claims that are not legally enforceable. This includes the risk of suffering losses due to a change in the legal situation (changed case law or statutes) for transactions concluded in the past.
- Compliance risk:
  The risk of loss as a result of infringements of or failure to comply with laws, legal provisions, regulatory requirements, or ethical/moral standards, as well as internal rules and regulations.
- Process risk:
  Risk of loss as a result of partial or full breakdown or the inappropriateness of internal processes or procedures (e.g. process errors). This also includes human error (processing errors).
- Information risk:
  Information risks arise as a result of insufficient information protection and are due to a breach of one or more than one information security protection goals (e.g. availability, integrity, confidentiality). Information risks are caused, for example, by IT systems, physical information storage devices or technical equipment and buildings.
- Model risk:
  Model risk means the possible loss that an undertaking may suffer as a consequence of decisions made essentially on the basis of the result of internal models that are flawed in their development, execution or use.
- Service provider risk:
  Service provider risk mainly refers to risks resulting from contractual relationships with third parties. This includes outsourcing risks, especially outsourcing outside the Group (third party).

There are no operational risks from off-balance-sheet items.

As a result of the coronavirus pandemic and the associated uncertainty regarding future developments, the Württembergische Versicherung AG will likely be exposed to increased operational risk in some cases in 2022 (see explanations in Section C.6).

Other measures to proactively manage risks that may be increasing as a result of cyber attacks have already been adopted to improve information security. However, even after accounting for governance measures, these may result in a financial strain, the extent of which cannot be definitively and reliably estimated due to uncertainty as to how the conflict will unfold moving forwards.

Risk concentrations

Risk concentrations can result, for example, from a dependency on individual systems or technologies and from personnel risks attributable to a dependency on single person and concentrations of expertise. Through the risk mitigation techniques listed below, measures are implemented to avoid risk concentrations.

Risk mitigation techniques

Internal controls are used to manage operating risks and a risk culture is promoted that encourages learning from past mistakes and continual personal development. Other mitigation techniques intended for individual risk types are:

- Personnel management:
  Success is largely dependent on qualified, committed employees. Through personnel development measures, employees are supported in fulfilling their responsibilities and duties. Staff turnover is analysed to manage turnover risk.
- Process management:
  The W&W process management system ensures that service provision is effective and efficient, especially at the interfaces between organisational units.
- Internal control system:
  Key processes and controls procedures for business operations are systematically documented, reviewed and updated in accordance with uniform standards in the internal control system. Transparency of operational risks is ensured by linking processes and risks and by identifying key controls.
- Project management:
  Standardised requirements ensure professional and efficient project work. Project risks can thus be controlled.
- Business continuity management:
  In order to ensure continued business operations in the event of process or system outages, critical processes are identified Group-wide. The contingency plans associated with the processes are subject to functionality checks. The business continuity management system is designed to ensure that critical business processes will remain intact and continue to function even in the event of a major disruption to business operations.
- Loss event database:
  Württembergische Versicherung AG uses loss event databases to record and evaluate operational loss events.
- Fraud prevention:
  To prevent the risk of fraud, measures are put in place to ensure compliance with statutory and regulatory requirements concerning controls and technical security systems as well as to make employees aware of the issue of fraud prevention. For example, damage to the company's reputation is prevented by implementing and documenting process controls that help avoid and reduce fraud.
- IT risk management:
  Extensive testing and backup procedures for application and computing systems form the basis for the effective management of system and information security risks with respect to the goals of protecting availability, confidentiality and integrity. Optimising the use of EDP systems helps reduce the complexity of IT infrastructure. Additional system and application expertise helps avoid IT bottlenecks.
- Monitoring and cooperation:
  Legal and tax risks are addressed by constant monitoring and analysis of case law and tax authority management. In close collaboration with associations, various departments monitor relevant proposed legislation, developments in case law and new supervisory authority guidelines.

The permanent effectiveness of the risk mitigation techniques for operational risk is monitored chiefly through specific processes and escalation procedures. Internal controls ensure that the processes are complied with.

Risk sensitivity

In the risk area "operational risk", a stress scenario is considered at least once a year on the basis of an individual risk included in the risk inventory with the highest maximum loss potential. The impact on the solvency ratio is low, declining from 206.2% to 201.1%. The Solvency Capital Requirement would also be covered after occurrence of the considered scenario.

C.6 Other material risks

The supervisory authority defined the risk areas listed in the previous sections as material. This chapter presents the business risk risk area that – in addition to the supervisory requirements – was assessed as material.

Risk exposure

Business risk means potential losses that may be incurred from the strategic orientation and result in the insufficient or delayed achievement of targets. Business risks may also arise if the company's reputation changes for the worse, as well if the external business environment experiences changes, such as legal, political or social changes.

Business risks are inevitable in general business operations and in the event of changes in the industry environment. As part of the risk inventory, all business risks are analysed in their entirety at least once a year. The material risk types for business risks are as follows:

- Strategic risk:
  Risk of loss from the company's incorrect or insufficient strategic orientation, from the non-achievement of strategic goals or from the flawed implementation of strategic requirements.
- External risk:
  Risk of loss from potential changes in basic external conditions, e.g. political/legal, economic, socio-cultural, technological or structural.

Business risks are assessed using event-related scenario calculations and expert appraisals. Their results are taken into account in the risk-bearing capacity model by making an appropriate share of the risk cover potential available for it. As at 31 December 2021, this share was €10,000 thousand (previous year: €10,000 thousand).

There are no material business risks from off-balance-sheet items.

There are still uncertainties regarding various external factors, especially those that affect the external risk and the strategic risk. Because of the ongoing coronavirus pandemic, there are high levels of uncertainty regarding the ongoing development of financial markets and economic growth. Countermeasures by governments and central banks may in some cases afford relief. Similarly, it cannot be ruled out that the coronavirus pandemic will have further effects on new business. Accordingly, depending on how the coronavirus pandemic develops in future, it may also trigger a decline in results and put pressure on the financial position, net assets and risk position.

Significant risk potential could arise as a result of the political and social environment (geopolitics, global developments, e.g. due to military war, trade disputes, terrorism, social unrest, migration/movement of refugees).

In particular, the Russian invasion of Ukraine in February 2022 should be noted here. This is a major adverse factor for economic development and is associated with elevated risks. Economic risks are expected as a result of negative growth effects, for example in connection with higher energy and commodities prices, economic sanctions, the resulting disruption to global supply chains and a drop in sentiment among economic players. At the same time, an increase in capital market risks is anticipated (including interest, equity, credit spread, counterparty and inflation risks and increased capital market volatility). Other factors may also have an impact, such as a rise in cyber risks.

Risk concentrations

Württembergische Versicherung AG is not exposed to any risk concentrations.

Risk mitigation techniques

Württembergische Versicherung AG intends to achieve its strategic objectives through the forward-looking evaluation of the critical internal and external factors. It strives to identify business risks at an early stage in order to be able to develop and introduce suitable risk governance measures.

In the sense of an early warning system to identify long-term trends or megatrends, emerging risk management is intended to account for business risks on time and take countermeasures. This is also helped by the fact that Executive Board members, senior managers and employees at Württembergische Versicherung AG are active in sector-specific associations.

Württembergische Versicherung AG's strategic goals are put into practice and progress made by way of strategic measures. "W&W Besser!" combines the individual action areas and manages them closely.

Württembergische Versicherung AG's public image is permanently monitored to maintain its reputation by means of a transparent communication policy when faced with critical situations. The operational units identify and assess reputation risks within their business processes.

The permanent effectiveness of the business risk is monitored chiefly through specific processes and escalation procedures. Internal controls ensure that the processes are complied with.

Risk sensitivity

Other material risks are not a part of the standard formula. Nevertheless, in the risk inventory, business risks are considered and assessed with respect to their probability of occurrence and loss potential.

C.7 Other disclosures

No other disclosures are required.

D Assessment for solvency purposes

Assets

In thousands €	Solvency II 31.12.2021	HGB (Book value) 31.12.2021
Goodwill	0	0
Deferred acquisition costs	0	0
Intangible assets	0	0
Deferred tax assets	0	0
Pension benefit surplus	0	0
Property, plant & equipment held for own use	110,661	53,555
Investments (other than assets held for index-linked and unit-linked)	3,306,424	3,057,136
Property (other than for own use)	34,719	10,560
Holdings in related undertakings, including participations	318,464	243,400
Equity	97,209	60,990
Equity – listed	0	0
Equity – not listed	97,209	60,990
Bonds	1,500,918	1,450,600
Governments Bonds	532,729	514,447
Corporate Bonds	957,761	926,118
Structured notes	0	0
Collateralised securities	10,428	10,035
Collective investment Undertakings	1,302,657	1,239,505
Derivatives	3,102	2,725
Deposits other than cash-equivalents	49,355	49,356
Other investments	0	0
Assets held for index-linked and unit-linked contracts	0	0

Assets (continuation)

in thousands €	Solvency II 31.12.2021	HGB (Book value) 31.12.2021
Loans and mortgages	71,277	68,868
Loans on policies	0	0
Loans and mortgages to individuals	71,277	68,868
Other loans and mortgages	0	0
Reinsurance recoverables from:	581,240	784,300
Non-life and health similar to non-life	549,120	744,316
Non-life excluding health	541,863	723,843
Health similar to non-life	7,257	20,473
Life and health similar to life, excluding health and index-linked and unit-linked	32,120	39,984
Health similar to life	11,156	14,777
Life excluding health and index-linked and unit-linked	20,964	25,207
Life, unit-linked and index-linked	0	0
Deposits to cedants	0	0
Insurance and intermediaries receivables	72,330	72,330
Reinsurance receivables	0	28,034
Receivables (trade, not insurance)	979,365	816,029
Own shares (held directly)	0	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0
Cash and cash equivalents	38,345	38,345
Any other assets, not elsewhere shown	139,867	140,214
Total assets	**5,299,509**	**5,058,811**

Liabilities

in thousands €	Solvency II 31.12.2021	HGB (Book value) 31.12.2021
Technical provisions - non-life	1,439,518	2,815,061
Technical provisions - non-life (excluding health)	1,447,501	2,677,457
Technical provisions calculated as a whole	0	0
Best Estimate	1,310,874	0
Risk margin	136,627	0
Technical provisions - health (similar to non-life)	- 7,983	137,604
Technical provisions calculated as a whole	0	0
Best Estimate	- 26,570	0
Risk margin	18,587	0
Technical provisions - life (excluding index-linked and unit-linked)	149,968	176,078
Technical provisions - health (similar to life)	81,673	98,513
Technical provisions calculated as a whole	0	0
Best Estimate	77,321	0
Risk margin	4,352	0
Technical provisions – life (excluding health and index-linked and unit-linked)	68,295	77,565
Technical provisions calculated as a whole	0	0
Best Estimate	66,074	0
Risk margin	2,221	0
Technical provisions - index-linked and unit-linked	0	0
Technical provisions calculated as a whole	0	0
Best Estimate	0	0
Risk margin	0	0
Any other technical provisions	0	417,648
Contingent liabilities	0	0
Provisions other than technical provisions	5,672	7,162
Pension benefit obligations	882,959	764,210
Deposits from reinsurers	25	25
Deferred tax liabilities	367,495	0
Derivatives	6,975	1,415
Debts owed to credit institutions	0	0
Financial liabilities other than debts owed to credit institutions	6,025	0
Insurance & intermediaries payables	39,810	131,351
Reinsurance payables	0	1
Payables (trade, not insurance)	349,764	353,297
Subordinated liabilities	0	0
Subordinated liabilities not in Basic Own Funds	0	0
Subordinated liabilities in Basic Own Funds	0	0
Any other liabilities, not elsewhere shown	0	0
Total liabilities	**3,248,211**	**4,666,248**
Excess of assets over liabilities	**2,051,298**	**392,563**

The solvency overview was examined in accordance with § 35 paragraph 2 VAG.

The following sections outline the recognition and measurement methods for the significant positions of the solvency overview moreover the differences between the Solvency- II-Values and the book value in accordance with HGB will be analysed.

D.1 Assets

Recognition and valuation methods for investments and financial instruments

The assets of the undertaking in the area of investments and financial instruments are recognised and valued for Solvency II purposes based on the assumption of a going concern and in accordance with the principle of individual valuation.

Pursuant to Article 9(1) of Delegated Regulation 2015/35, assets and liabilities in the solvency overview are recognised in accordance with the rules of the International Financial Reporting Standards (IFRSs) adopted by the European Union, other than where Solvency II specifies different recognition rules in a given case. If the IFRS recognition rules are departed from for assets, this is noted, provided that material items of the solvency overview are involved.

As a subsidiary of Wüstenrot & Württembergische AG, the company is included in its IFRS consolidated annual financial statements. For the purpose of preparing the IFRS consolidated financial statements, the undertaking provides Wüstenrot & Württembergische AG with, inter alia, IFRS carrying amounts and IFRS disclosures in the form of reporting data.

The recognition of assets for the purposes of the undertaking's solvency overview follows the approach for reporting data for the IFRS consolidated financial statements. The economic value of assets is determined in accordance with the fair value rules of IFRS 13 (Fair Value Measurement). They correspond to the undertaking's understanding of economic value under Section 74 (2) of the German Act on the Supervision of Insurance Undertakings (VAG). Accordingly, economic value means the price that the undertaking would receive if it were to sell an asset in an orderly transaction between market participants on the valuation date.

The valuation procedures and methods and the economic value are validated by the central service provider W&W Asset Management GmbH. In addition to performing a qualitative assessment of the measurement procedures and price control processes, the audit firm conducts extensive counter-pricing. The audit procedure did not reveal any irregularities.

The valuation methods used to determine the economic value of assets for Solvency II purposes are classified pursuant to Article 10 of Delegated Regulation (EU) 2015/35 into Solvency II valuation levels. Because of the wording of Article 10, asset classification differs from the classification under the IFRS fair value hierarchy primarily in the regrouping of valuation methods for OTC derivatives in Level 2 of the IFRS fair value hierarchy into Level 3 alternative measurement methods of the Solvency II valuation hierarchy.

For OTC derivatives, the fair value determination is identical, irrespective of the difference in grouping between Solvency II and IFRS.

For interest-bearing financial instruments, economic values are determined for Solvency II purposes as the so-called "dirty value". For IFRS, by contrast, the "clean value" is relevant. The dirty value includes the clean value plus the prorated amount of deferred interest on the valuation date.

The following remarks can be drawn from the valuation methods and their classification in the relevant Solvency II valuation hierarchy (Levels 1 to 3) in connection with investments and financial instruments.

Level 1: Quoted market prices in active markets

Pursuant to Article 10(2) of Delegated Regulation (EU) 2015/35, assets and liabilities are to be valued using quoted market prices in active markets for the same assets or liabilities. An active market exists if business transactions involving the asset or liability occur with sufficient frequency and sufficient volume so that price information is perpetually available.

In the case of a quoted investment, fair value is determined by the price for the financial instrument identified on an active market. This is the exchange price on the closing date or, if the closing date is not a trading day, the exchange price on the last trading day preceding this date.

Level 2: Quoted market prices for similar assets or liabilities

If valuation is not possible using quoted market prices in active markets, then pursuant to Article 10(3) of Delegated Regulation (EU) 2015/35, valuation is performed using market prices that are quoted in active markets for similar assets and liabilities. The fair value calculation takes account of the risk factors for the asset or liability relevant to the valuation. Typical risk factors are:

- the condition or location of the asset or liability,
- the extent to which inputs relate to items that are comparable to the asset or liability and
- the volume or level of activity in markets within which the inputs are observed.

In practice, fair value is determined on the basis of valuation procedures customary on the financial markets or on the basis of comparable prices for liquid bonds, individual prices from market data providers or credit institutions. The valuation procedures used to determine fair value are appropriate and are based on market data from market data providers observable on the active market. An illiquidity spread is also taken into account when calculating the fair value of registered securities and private placements. Pursuant to IFRS 13, they include as many observable and verifiable inputs on the market as possible. The appropriateness of the valuation procedures is reviewed on a regular basis.

In the case of investments (bonds, loans and mortgages), the valuation models are based on the discounted cash flow method, under which fair value is determined on the basis of expected future cash flows. The valuation curves used for discounting appropriately take into account the risk factors inherent in the asset and the condition and location of the asset or liability. The inputs observable on liquid markets include, inter alia, currency-specific swap curves, issuer- or rating-dependent credit spreads, and issuer-specific valuation curves of market data providers. This economic value is determined for IFRS accounting and Solvency II purposes in the identical manner, since the economic value represents the price that would be received if an asset were sold in an orderly transaction between market participants on the valuation date. In the case of interest-bearing positions, the prorated deferred interest amount on the measurement date is also relevant for Solvency II purposes.

The certificate price of collective investment undertakings (with the exception of participations in the area of alternative investments and several real estate funds) is also assigned to Valuation Level 2. This has to do with redemption prices calculated by capital management companies based on the rules of investment law, which consist of the carrying amounts of the assets and liabilities included in the investment assets.

Level 3: Alternative valuation methods

If current, verifiable market data are not sufficiently available for determining fair value with valuation models, or if observable inputs are substantially modified, an allocation to Level 3 takes place directly (Article 10(5) of Delegated Regulation (EU) 2015/35). When doing so, the insurance undertaking relies as little as possible on undertaking-specific inputs and makes maximum use of relevant market data. Alternative valuation methods are consistent with one or more of the following approaches (Article 10(7) of Delegated Regulation (EU) 2015/35):

- market approach,
- income approach (present value techniques, option pricing models, multi-period excess earnings method) or
- cost approach or current replacement cost approach.

Alternative valuation methods are applied in connection with the provisions mentioned here. The insurance undertaking applies alternative valuation methods mainly for properties, affiliated companies and non-standardised derivatives (OTC derivatives), as well as for certain collective investment undertakings.

Alternative valuation methods

	Solvency II	Share
	31.12.2021	31.12.2021
	in € thousands	%
Total investments	3,526,707	100.0
thereof valued using alternative valuation methods	883,028	25.0

Input parameters not observable on the market

Input parameters not observable on the market are utilised as rarely as possible. They are used in the area of alternative valuation methods. The aim is to determine the price that the undertaking would receive if an asset were sold in an orderly transaction between market participants on the valuation date.

Constant market observation, regular enhancement, updating, and exchange of information with experts ensures that the inputs utilised have the highest possible objectivity and are in conformity with regulatory requirements and common practice. The estimates and assumptions utilised in this regard are based on past experience and expectations with respect to future events that appear reasonable under the given circumstances. In so doing, carrying amounts are determined carefully and, taking into account all relevant information, as reliably as possible.

In addition, the valuation models are reviewed and approved once a year by the independent risk controlling function on the basis of economic and mathematical finance aspects. In addition, as part of the audit of the solvency overview and the IFRS annual financial statements, the underlying valuation approaches are audited by the auditor.

The largest share of investments valued using alternative valuation methods is property and property participations with a Solvency II value of €344,957 thousand. In this regard, the most significant influence on the valuation of properties in third-party use and property participations is exercised by the value that can be realised in the event of a future sale, which is calculated on the basis of so-called "exit factors". The exit factors identifiable on the property market are monitored and analysed on a continuous basis. In this regard, compared to the market, conservatively assigned exit factors are used, meaning that there is no risk of an overstated valuation.

For properties for own use, external appraisers are engaged if the parameters relevant for the valuation have changed significantly. The valuation is performed on the basis of the capitalised earnings method pursuant to the German Ordinance on the Determination of Property Values (Immobilienwertermittlungsverordnung). When determining property values, the engaged appraisers determine fair value conservatively within the fluctuation range customary on the market in order to attenuate market excesses so that there is no risk of an excessive valuation. The determined values are reviewed and verified by experts.

The second and third largest share of investments valued using alternative valuation methods are collective investment undertakings at €231,213 thousand and holdings in affiliated companies, including participations, at €118,887. Collective investment undertakings almost exclusively have to do with commitments in the area of alternative investments in the form of an alternative investment fund (AIF). In view of the fact that the portfolio is so multifaceted, these are valued by the respective managers at the net asset value in order to preserve an appropriate cost-benefit relationship, as well as from the standpoint of materiality. This has to do with the excess of assets over liabilities. This constitutes the IFRS fair value. This method is customary on the market and is subsumed under alternative valuation methods. The undertaking is in close contact with the managers. Potential uncertainties are closely limited through detailed reporting, intensive monitoring, and plausibility checks performed with the necessary specialist expertise.

Deferred tax assets

Solvency II

The method for calculating deferred tax assets essentially follows the rules in International Accounting Standard (IAS 12). Deferred tax assets are created for Solvency II purposes because of temporary differences between the carrying amounts of assets and liabilities in the solvency overview drawn up pursuant to Solvency II and the tax carrying amounts pursuant to local tax rules of each company.

In the event of a material excess of assets over liabilities, deferred tax assets arising from temporary differences are tested for impairment at each reporting date, taking account of valuation consistency for the planning calculation, which is fundamentally to be aligned with corporate planning.

In order to increase meaningfulness and comparability, deferred taxes are shown netted in these financial statements, as in the previous year. Deferred tax assets of €158,508 thousand essentially relate to differences between the carrying amounts of pension provisions and are fully offset against deferred tax liabilities as at 31 December 2021.

HGB

The option to recognise deferred tax assets on account of tax relief in accordance with Section 274 (1) sentence 2 HGB is not utilised. Accordingly, the figure recognised under HGB is zero.

Property, plant and equipment held for own use

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Property, plant and equipment held for own use	110,661	53,555	57,106

Solvency II

The term “property, plant and equipment held for own use” is applied broadly and also includes properties that are used by other companies of the W&W Group. For the IFRS consolidated financial statements, the cost model under IAS 16 is used to value property, plant and equipment, meaning that a revaluation is undertaken for Solvency II purposes. Since for property, plant and equipment held for own use, there are no active markets in the sense of the valuation hierarchy depicted above, they are measured using alternative valuation methods, such as for properties on the basis of appraisals.

Pursuant to IFRS 16, leased properties for own use are recognised as rights of use under “Property, plant and equipment held for own use”. At the start of the lease, the lessee’s balance sheet shows the right of use as an asset, along with a lease liability in the same amount. Measurement subsequently takes place at amortised cost.

HGB

Land, land rights and buildings (including buildings on third-party land) are measured at cost less the permitted straight line/diminishing balance method depreciation or at the lower fair value. Impairment losses are recognised only if the impairment is expected to be permanent and the lower fair value is recognised. If the reasons for a lower carrying amount cease to apply, the write-down is reversed up to a maximum of amortised cost.

The difference between the Solvency II value and the HGB value reflects the differences between the valuation at the economic value and the HGB accounting method described. In particular, this comprises the valuation reserves for property for own use under HGB. The leases described above are not recognised pursuant to HGB.

Investments (other than assets for index- or unit-linked contracts)

Property (other than for own use)

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Property (other than for own use)	34,719	10,560	24,159

Solvency II

For the IFRS consolidated financial statements, the cost model under IAS 40 is used to value property (other than for own use), meaning that a revaluation is undertaken for Solvency II purposes.

The values of properties (other than for own use) are calculated for Solvency II purposes upon purchase on the basis of appraisals. If the value determined there can no longer be viewed as appropriate, an internal valuation model is applied (discounted cash flow method in accordance with the income approach), which is prepared twice a year on the valuation date. The considered cash flows include various property-specific parameters, which depict the income and expense perspective in a 10-year forecast. This mainly concerns rental income, as well as the expenses associated with preserving and increasing the value of the property. This is performed on the basis of the rules in IAS 40 for the fair value model. This has to do with an alternative valuation method, since for properties there are no active markets within the meaning of the valuation hierarchy presented above.

HGB

Land, land rights and buildings (including buildings on third-party land) are measured at cost less the permitted straight line/diminishing balance method depreciation or at the lower fair value. Impairment losses are recognised only if the impairment is expected to be permanent and the lower fair value is recognised. If the reasons for a lower carrying amount cease to apply, the write-down is reversed up to a maximum of amortised cost.

The difference between the Solvency II value and the HGB value reflects the differences between the valuation at the economic value and amortised cost. In particular, this comprises the valuation reserves for property under HGB.

Holdings in affiliated companies, including participations

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Insurance subsidiaries	0	0	0
Subsidiaries (non-insurance undertakings)	315,972	240,908	75,063
Participations (non-insurance undertakings)	2,492	2,492	0
Holdings in affiliated companies, including participations	**318,464**	**243,400**	**75,064**

Solvency II

Under Solvency II, holdings in subsidiaries and participations, as well as commitments in the area of alternative investments with a participation of at least 20%, are recognised under affiliated companies.

The method for valuing affiliated companies is based on the special valuation hierarchy for related undertakings described in Article 13 of Delegated Regulation (EU) 2015/35. The possible alternatives are presented in the following.

Quoted market prices in active markets

Valuation is to be performed on the basis of quoted market prices in active markets, where available. If prices are not available on active markets, a different valuation method may be used.

Solvency II adjusted equity method

This involves the prorated Solvency II value of the related undertaking, i.e. the holding in it. This corresponds to the residual size of the assets and liabilities on the basis of the Solvency II recognition and valuation rules.

IFRS adjusted equity method

The IFRS equity value (in accordance with IAS 28) may be used only if it was also calculated for the purposes of the consolidated financial statements. In contrast to the carrying amount recognised under IFRS, any existing goodwill and other intangible assets are to be deducted from the value of the related undertaking.

Alternative valuation methods

This involves the valuation methods pursuant to Article 10(5) of Delegated Regulation (EU) 2015/35 (see explanations concerning Level 3, above). No active markets exist in the sense of the above-described valuation hierarchy. Since the company's affiliated companies are often not insurance undertakings, such that valuation in accordance with the aforementioned adjusted equity method would not be practical, it was not applied for certain undertakings. In view of the fact that the participation portfolio is so multifaceted, valuation is performed at the prorated net asset value, i.e. the excess of assets over liabilities, in order to preserve an appropriate cost-benefit relationship, as well from the standpoint of materiality. This constitutes the IFRS fair value.

HGB

Holdings in affiliated companies and participations are measured at cost. As per Section 341b (1) HGB in conjunction with Section 253 (3) sentence 3 HGB, impairment losses are recognised on the lower fair value only if the impairment is expected to be permanent (moderate lower of cost or market principle). If the reasons for a lower carrying amount cease to apply, the write-down is reversed up to a maximum of cost.

The differences between the carrying amounts in the solvency overview and in the financial reporting are the result of the essentially different methods used to determine the value of the holdings in affiliated companies.

Equities

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Equities – listed	0	0	0
Equities – unlisted	97,209	60,990	36,219

Solvency II

The company does not have any listed equities.

The equities – unlisted item primarily includes other unlisted equities. These are almost exclusively commitments in the area of alternative investments without alternative investment fund manager registration (AIFM registration) with a participation of less than 20%.

Commitments in the area of alternative investments are valued using alternative valuation methods. This involves the valuation methods pursuant to Article 10(5) of Delegated Regulation (EU) 2015/35 (see explanations concerning Level 3, above). No active markets exist in the sense of the above-described valuation hierarchy. In view of the fact that the portfolio of alternative investments is so multifaceted, valuation is primarily performed at the prorated net asset value, i.e. the excess of assets over liabilities, in order to preserve an appropriate cost-benefit relationship, as well from the standpoint of materiality. This constitutes the IFRS fair value.

HGB

Unlisted equities are valued at cost in the participations item. As per Section 341b (1) HGB in conjunction with Section 253 (3) sentence 3 HGB, impairment losses are recognised on the lower fair value only if the impairment is expected to be permanent (moderate lower of cost or market principle). If the reasons for a lower carrying amount cease to apply, the write-down is reversed up to a maximum of cost.

The differences between the carrying amounts in the solvency overview and in the financial reporting are the result of the essentially different methods used to determine the value of the unlisted holdings.

Bonds

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Government bonds	532,729	514,447	18,282
Corporate bonds	957,761	926,118	31,643
Structured notes	0	0	0
Collateralised securities	10,428	10,035	393
Bonds	**1,500,918**	**1,450,600**	**50,318**

Solvency II

The fair values calculated for IFRS accounting correspond to the economic value under Solvency II and may thus be used for the solvency overview. They are calculated as follows:

Government and corporate bonds

Bonds for which a quoted price was available on an active market at the relevant time are valued at that price (Solvency II Valuation Level 1). If a price is not available on an active market, the economic value is calculated using Solvency II Valuation Level 2 on the basis of input parameters observable on the market and an illiquidity spread (e.g. discounted cash flow method).

The fair value of unlisted bonds is calculated using mathematical valuation models customary on the market, using market data as input parameters (inter alia, risk-free interest rate, spreads, volatilities, exchange rates). The valuation models are based primarily on the discounted cash flow method (Solvency II Valuation Level 2). Discounting is in line with risk and maturity and is performed using currency-specific swap curves plus risk-dependent spreads.

Structured notes

No price was available on an active market during the period under review for the structured notes in the portfolio. Thus, the economic value was derived from comparable assets, taking into account a necessary adjustment of specific parameters (Solvency II Valuation Level 2).

The fair value of unlisted structured notes is calculated using mathematical valuation models customary on the market, using market data as input parameters (inter alia, risk-free interest rate, spreads, volatilities, exchange rates).

Collateralised securities

No price was available on an active market during the period under review for the collateralised securities in the portfolio. The economic value of the collateralised securities was derived from comparable assets, taking into account a necessary adjustment of specific parameters, or on the basis of mathematical valuation models customary on the market, using liquid input parameters (Solvency II Valuation Level 2).

The fair value of unlisted collateralised securities is calculated using mathematical valuation models customary on the market, using market data as input parameters (inter alia, risk-free interest rate, spreads, exchange rates).

In addition, for all bond types, please see the remarks in this Section under “Recognition and valuation methods for investments and financial instruments”.

HGB

Bearer bonds and other fixed income securities recognised under bonds are recognised at the average cost of a security less impairment losses pursuant to the strict lower of cost or market principle in accordance with Section 341b (2) HGB in conjunction with Section 253 (4) HGB, and valued taking into account the requirement to reverse write-downs.

Registered bonds, notes receivable, promissory notes and other loans recognised under bonds are valued in accordance with the applicable regulations for the fixed assets. In accordance with Section 341c (1) HGB, registered bonds are recognised at their nominal amount less repayments made. Premiums and discounts are distributed on a straight-line basis over the term. Notes receivable, promissory notes and other loans are valued at amortised cost in accordance with Section 341c (3) HGB by allocating the difference between cost and the repayment amount over the remaining term using the effective interest method.

In the Solvency II balance sheet and in the table above, the “HGB (carrying amount)” column includes the carrying amounts recognised in the annual financial statements plus the prorated deferred interest on the valuation date. This is presented in line with the Solvency II figure, which includes the pro-rated amount of deferred interest on the valuation date as well as the clean value.

The difference between the Solvency II value and the HGB value reflects the differences between the valuation at the economic value and the HGB carrying amounts described above. The considerable difference between the Solvency II value and the HGB carrying amount is the result of very low interest rates, which led to a high valuation of these securities.

Collective investment undertakings

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Collective investment undertakings	1,302,657	1,239,505	63,152

Solvency II

Recognised under the item “Collective investment undertakings” are special and mutual investment funds. Also recognised under this item are commitments in the area of alternative investments with AIFM registration, insofar as the participation is less than 20%.

The Solvency II value corresponds to the redemption price of the fund units calculated and provided by the capital management companies on the closing date or, if the closing date is not a trading day, the redemption price on the last trading day preceding this date (Solvency II Valuation Level 2).

For some property funds, which closed because of lack of market activities, fair value is an alternative valuation method, since for these property funds there are no active markets within the meaning of the valuation hierarchy presented above. They are carried over into the solvency overview for Solvency II purposes.

Participations in the area of alternative investments in the form of an alternative investment fund are valued at the net asset value, which is to be classified as an alternative valuation method.

HGB

Interests in investment assets are recognised at the average cost of a security less impairment losses pursuant to the strict lower of cost or market principle in accordance with Section 341b (2) HGB in conjunction with Section 253 (4) HGB. If the reasons for a lower carrying amount cease to apply, the write-down is reversed up to a maximum of cost.

The difference between the Solvency II value and the HGB value reflects the differences between the valuation at the economic value and amortised cost/fair value.

Derivatives

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Derivatives	3,102	2,725	377

These are options and currency forwards to hedge interests in investment assets, bearer bonds and participations.

Solvency II

Derivatives are recognised at fair value under Solvency II. They are recognised as assets if the fair value is positive and as a liability if the fair value is negative. Derivatives are valued using alternative valuation methods as for non-exchange-traded derivatives (OTC derivatives) there are no active markets within the meaning of the valuation hierarchy presented above. These are recognised valuation methods that are customary on the market such as the Black-Scholes model and the discounted cash flow method.

HGB

In the HGB annual financial statements, derivatives that are not included in hedge accounting as per Section 254 HGB are considered executory contracts and not recognised. In the event of an expected loss from the derivative, a provision is recognised in accordance with Section 249 (1) HGB.

Purchased option rights are valued at cost at the amount of the option premium, less write-downs in accordance with the strict lower of cost or market principle, taking into account the requirement to reverse write-downs. The HGB carrying amount shown above thus relates to options that are recognised in the HGB “equities” item.

Currency forwards are valued in relation to individual transactions or as part of hedge accounting. Provisions as per Section 249 (1)HGB are recognised for expected losses from these transactions.

The difference between the solvency overview and the HGB annual financial statements is chiefly a result of recognition at the economic value under Solvency II and the HGB accounting method described.

Deposits other than cash equivalents

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Deposits other than cash equivalents	49,355	49,356	- 1

Solvency II

Short-term investments at credit institutions are recognised under deposits other than cash equivalents. They are valued at economic value, which is essentially the same as the nominal amount. Foreign currency investments are translated at average exchange rates on the reporting date. Unlike the HGB carrying amount, the Solvency II value contains pro-rated interest accrued up to the reporting date.

HGB

Deposits at credit institutions are recognised at their nominal amounts. Foreign currency investments were translated at average exchange rates on the reporting date. The difference between the Solvency II value and the HGB carrying amount is the pro-rated amount of deferred interest at the valuation date.

Assets for index- or unit-linked contracts

Württembergische Versicherung AG's portfolio does not contain any assets held for index-linked and unit-linked contracts.

Loans and mortgages

Loans and mortgages to individuals

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Loans and mortgages to individuals	71,277	68,868	2,409

Solvency II

For the IFRS consolidated financial statements, loans and mortgages to individuals are valued at amortised cost, meaning that a revaluation is undertaken for Solvency II purposes.

For mortgage loans, the "dirty value" (present value, including prorated deferred interest on the valuation date) is recognised as the Solvency II value.

The Solvency II valuation method for mortgages is assigned to Level 2 analogous to the IFRS fair value hierarchy. The main factor for the valuation is the German covered bond curve observable on the market and in effect on the relevant cut-off date. It is correspondingly adjusted by the premium of an undertaking-specific spread pursuant to Article 10(3)(a) of Delegated Regulation (EU) 2015/35. In the process, the cash flows to be expected in the future are discounted using the interest rates applicable to the corresponding remaining maturity. The undertaking-specific spread is determined by taking into consideration cost components and the product calculation. Uncertainties exist with regard to future trends in these components and with respect to the risk provision in the future trend in default probability and amount.

This risk provision is determined in accordance with the default amount and probability for each contract. The future expected default amounts and probabilities are based on past experience. In addition, calculation of the risk provision also includes the basic economic conditions, with the current and foreseeable circumstances.

Optionalities, such as embedded special rights of termination and repayment, are taken into consideration on a blanket basis. The appropriateness of the applied methods and input factors is assured in that they are checked each year for maximum objectivity and whether they are up to date and then adjusted if necessary.

HGB

Loans and mortgages to individuals are valued in accordance with the applicable regulations for the fixed assets. In deviation from these, these receivables are valued at amortised cost in accordance with Section 341c (3) HGB by allocating the difference between cost and the repayment amount over the remaining term using the effective interest method. Default risks in the lending business are accounted for by recognising specific valuation allowances, global specific valuation allowances, general valuation allowances and provisions. Global specific valuation allowances and general valuation allowances are calculated on the basis of the probability of default and the loss given default.

In the Solvency II balance sheet and in the table above, the “HGB (carrying amount)” column includes the carrying amounts recognised in the annual financial statements plus the prorated deferred interest on the valuation date. This is presented in line with the Solvency II figure, which includes the pro-rated amount of deferred interest on the valuation date as well as the clean value.

The difference between the solvency overview and the HGB value result chiefly from recognition at the economic value instead of at amortised cost and the difference in risk provision under HGB and IFRS.

Reinsurance recoverables

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Reinsurance recoverables – non-life excluding health	541,863	723,843	- 181,980
Reinsurance recoverables – health similar to non-life	7,257	20,473	- 13,216
Reinsurance recoverables – health similar to life	11,156	14,777	- 3,621
Reinsurance recoverables – life excluding health and index-linked and unit-linked	20,964	25,208	- 4,243
Reinsurance recoverables	**581,240**	**784,300**	**- 203,060**

Reinsurance recoverables correspond to the reinsurer’s portion of technical provisions. For an explanation of this, please see “Calculation of the best estimate of claims provisions and pension obligations” and “Calculation of the best estimate of premium provisions” in Section D.2.

Receivables

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Deposits to cedants	0	0	0
Insurance and intermediaries receivables	72,330	72,330	0
Reinsurance receivables	0	28,034	28,034
Receivables (trade, not insurance)	979,365	816,030	163,335

Solvency II

The receivables listed here are measured at amortised cost for the IFRS reporting data. Regardless of the valuation under IFRS, the fair values of financial instruments – including those valued at amortised cost in the balance sheet – are calculated for the IFRS 7 disclosures in the notes. The fair values calculated for IFRS are used as the economic value under Solvency II. There is no separate discounting for Solvency II for reasons of materiality.

In accordance with the German Federal Financial Supervisory Authority's Interpretative decision "Evaluation of recoverables from reinsurance contracts and special purpose vehicles and handling of settlement receivables and payables and deposits to cedants and from reinsurers under Solvency II", only past-due amounts are to be recognised in the items reinsurance receivables and insurance and intermediaries receivables. Settlements with reinsurers were not past due as at the reporting date. The item insurance and intermediaries receivables contains exclusively past-due amounts.

The delta in the item "receivables (trade)" is due to the difference in how certain pension commitments are accounted for under Solvency II and HGB. Under Solvency II, they are recognised in line with IFRS (IAS 19), which requires the receivable resulting from the assumption of debt to be reported separately as a reimbursement right. This reimbursement right was thus recognised in "Receivables (trade, not insurance)".

HGB

The receivables listed here are recognised and valued at amortised cost in line with HGB (Section 341b (2) sentence 1 HGB in conjunction with Section 253 (1) HGB).

Differences between the Solvency II figure and that under HGB financial reporting in the "Receivables (trade, not insurance)" item are the result of differences in how certain pension commitments are accounted for. There is no balance sheet disclosure under HGB. Due to the joint and several contingent liabilities, they are reported in the notes to the HGB financial statements.

Cash and cash equivalents

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Cash and cash equivalents	38,345	38,345	0

Solvency II

Cash at credit institutions is recognised under cash equivalents. Cash at credit institutions was valued at economic value, which is the same as the nominal amount.

HGB

Cash at credit institutions is recognised at its nominal amount. There are therefore no differences in valuation.

Any other assets, not elsewhere shown

	Solvency II	HGB (carrying amount)	Delta
in € thousands	31.12.2021	31.12.2021	31.12.2021
Any other assets, not elsewhere shown	139,867	140,214	- 347

Solvency II

As well as asset values from employee-financed pension commitments, this item also includes insurance benefits paid in advance. The asset components recognised here are measured at amortised cost for the IFRS reporting data. This figure is also used as the economic value under Solvency II.

HGB

The asset components listed here are recognised and valued at amortised cost in line with HGB (Section 341b (2) sentence 1 HGB in conjunction with Section 253 (1) HGB). There is no difference between recognition at economic value under Solvency II and the value recognised in accordance with HGB.

Premiums are also reported here under HGB, which are taken into account implicitly under Solvency II when determining the value of the individual investments and so are recognised in other items.

Leasing agreements

For an explanation of leasing agreements, please see Section A.4 “Material leasing agreements”.

D.2 Technical provisions

Composition of technical provisions

As at the reporting date, the composition of technical provisions at the company under Solvency II was as follows:

Technical provisions – non-life – claims provisions

	Best estimate, gross		Reinsurance (after expected default)	
in € thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Non-life (excluding health)	**1,653,626**	**1,371,248**	**551,081**	**326,385**
Motor vehicle liability insurance	682,691	708,499	171,848	185,886
Other motor insurance	55,970	37,829	15,378	6,816
Marine, aviation and transport insurance	9,466	12,479	2,651	4,056
Fire and other damage to property insurance	471,758	178,234	289,588	55,579
General liability insurance	223,895	218,413	36,305	36,028
Credit and suretyship insurance	3,832	4,367	624	710
Legal expenses insurance	141,192	141,819	21,788	23,200
Assistance	930	759	144	119
Miscellaneous financial loss	35,919	35,914	11,905	12,129
Non-proportional liability reinsurance	9,034	10,455	318	286
Non-proportional marine, aviation and transport reinsurance	5,030	5,991	335	895
Non-proportional property reinsurance	13,907	16,490	198	681
Health (similar to non-life)	**97,434**	**99,251**	**15,463**	**16,984**
Income protection insurance	97,434	99,251	15,463	16,984

Technical provisions – non-life – premium provisions

	Best estimate, gross		Reinsurance (after expected default)	
in € thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Non-life (excluding health)	**- 342,751**	**- 390,200**	**- 9,218**	**- 5,701**
Motor vehicle liability insurance	- 31,542	- 41,803	2,442	1,783
Other motor insurance	- 5,226	- 19,847	4,556	3,786
Marine, aviation and transport insurance	3,986	3,784	936	970
Fire and other damage to property insurance	- 142,777	- 144,055	- 6,268	- 578
General liability insurance	- 116,467	- 131,310	- 11,965	- 12,356
Credit and suretyship insurance	5,778	2,461	945	312
Legal expenses insurance	- 53,690	- 53,944	1,392	2,402
Assistance	60	774	118	283
Miscellaneous financial loss	- 2,873	- 6,260	- 1,375	- 2,302
Non-proportional liability reinsurance	0	0	0	0
Non-proportional marine, aviation and transport reinsurance	0	0	0	0
Non-proportional property reinsurance	0	0	0	0
Health (similar to non-life)	**- 124,004**	**- 129,372**	**- 8,206**	**- 7,268**
Income protection insurance	- 124,004	- 129,372	- 8,206	- 7,268

The non-life technical provisions are the sum of claims provisions and premium provisions:

Non-life technical provisions

	Best estimate, gross		Reinsurance (after expected default)		Risk margin	
in € thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Non-life (excluding health)	**1,310,875**	**981,048**	**541,863**	**320,684**	**136,627**	**141,022**
Motor vehicle liability insurance	651,148	666,696	174,290	187,669	54,545	64,359
Other motor insurance	50,745	17,982	19,934	10,602	3,300	3,038
Marine, aviation and transport insurance	13,452	16,262	3,587	5,026	1,131	1,050
Fire and other damage to property insurance	328,982	34,179	283,320	55,000	46,206	38,099
General liability insurance	107,428	87,102	24,340	23,672	17,639	19,904
Credit and suretyship insurance	9,610	6,828	1,569	1,023	299	340
Legal expenses insurance	87,502	87,875	23,180	25,602	8,661	8,876
Assistance	990	1,533	263	402	174	133
Miscellaneous financial loss	33,046	29,654	10,530	9,827	2,152	2,381
Non-proportional liability reinsurance	9,034	10,455	318	286	804	921
Non-proportional marine, aviation and transport re-insurance	5,030	5,991	335	895	305	333
Non-proportional property reinsurance	13,907	16,490	198	681	1,410	1,587
Health (similar to non-life)	**- 26,570**	**- 30,121**	**7,257**	**9,717**	**18,587**	**18,199**
Income protection insurance	- 26,570	- 30,121	7,257	9,717	18,587	18,199

The company has the following technical provisions – life:

Technical provisions – life (excluding index-linked and unit-linked)

	Best estimate, gross		Reinsurance (after expected default)		Risk margin	
in € thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Health (similar to life)	**77,321**	**79,464**	**11,156**	**12,905**	**4,353**	**4,608**
Annuities stemming from non-life insurance contracts and relating to health insurance obligations	77,321	79,464	11,156	12,905	4,353	4,608
Life (excluding health and index-linked and unit-linked)	**66,074**	**71,312**	**20,964**	**25,161**	**2,221**	**2,406**
Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	66,074	71,312	20,964	25,161	2,221	2,406

Further information on the composition of technical provisions can be found in forms S.12.01.02 and S.17.01.02 and in the corresponding items in the S.02.01.02 form in the Annex. Data on gross best estimates for non-life claims provisions across all lines can be found in the form S.19.01.21 in the Annex.

Basic valuation principles

Contract segmentation

The best estimates of the technical provisions in the company's solvency overview are calculated separately for direct German business, including service business and internationalisation business from active reinsurance (hereinafter referred to as direct German business), the UK branch and other portfolios. The majority of technical provisions are from direct German business. All other portfolios are in the process of being settled. Premium provisions currently result entirely from direct German business.

To take account of the type of risks underlying each obligation, calculations within these areas are made at the level of Solvency II business lines or smaller.

General explanation of principles of valuation and assumptions

The technical provisions in direct German business are denominated in EUR. Obligations at the UK branch are divided into the three main currencies EUR, GBP and USD. Claims provisions in the other portfolios are mostly obligations in USD and, to a lesser extent, in EUR.

The risk-free base interest rate term structures for the respective currency are used for discounting. The company does not use the volatility adjustment or matching adjustment. Discounting takes place annually, assuming a mid-year payment. The company does not apply transitional measures on risk-free interest rates or technical provisions in accordance with Section 351 to 352 VAG.

Data used

Based on individual loss information, claims development triangles of cumulative claim payments and the loss expenses status at the level of Solvency II business lines or smaller are used for the actuarial process of determining the best estimates of claims provisions. The marine, aviation and transport insurance business line has belated premiums, which result in future premium cash flows. The DAV mortality table 2006 HUR is used to determine provisions similar to life for liability and accident annuities.

To calculate the best estimate of premium provisions, data are used from the company's economic risk model on expected losses. Future premiums are determined on a contract-by-contract basis using contract data from the company's inventory management system.

Data are also used from the company's annual financial statements or that are generated from such data. These include costs and HGB claims provisions. In addition, past and present reinsurance arrangements and cancellation rates in the company's portfolio are taken into account. There were no material changes in the assumptions used when calculating the technical provisions compared to the previous year's reporting period.

Calculation of best estimate for claims provisions and pension obligations

Most of the best estimate of the company's gross claims provisions is based on valuations using actuarial triangulation methods. As a general rule, the "chain-ladder method" is used at the level of Solvency II business lines or smaller to calculate the ultimate loss status separately for the claim payments status and for the loss expenses status. The ultimate loss status on which the best estimate is based is calculated from these two figures. The resulting outstanding amount for claims payments is then settled over the years based on the pattern of the chain ladder model of claims payments.

Depending on the business line, reinsurance recoverables are determined either using actuarial triangulation methods on the basis of net triangles or as a share of gross cash flows on the basis of reinsurance/gross individual loss reserves ratios. In addition, the expected default of reinsurance recoverables is taken into consideration.

Cash flows resulting from liability and accident annuities are determined depending on the annuity amount, maturity, term and expected mortality probabilities.

Appropriate approximations are used for the portion of the company's business for which insufficient data of appropriate quality are available to apply a reliable actuarial method to a group or sub-group of its insurance obligations or to reinsurance recoverables. The valuation is based either on the adjusted updates of past estimates that used actuarial triangulation methods or on HGB provisions.

Claims adjustment expenses and reinsurers' share of costs here are calculated using surcharge rates based on observable data. A investment cost rate is determined for the company's claims and premium provisions and is applied to all portfolios.

Calculation of best estimate for premium provisions

The premium provision is a provision for losses from past insurance obligations that have not yet occurred. Contracts concluded in the current financial year but with inception dates that are not until the following financial year are included. These also include contracts that renew automatically where the notice period has expired. A cancellation option based on own experience is taken into consideration.

The premium provisions consist of future premium income, claims payments and costs. Expected loss ratios are used to determine future claims payments. These include direct claims adjustment expenses. Claims adjustment expenses allocations and administrative costs are reflected in surcharge rates.

Reinsurance relief is based on business planning for the next two years. In addition, the expected default of reinsurance recoverables is taken into consideration.

Risk margin

A notional reference undertaking is used to calculate the risk margin. This undertaking assumes the company's technical obligations. The reference undertaking does not have any additional insurance portfolios and does not write new business. To calculate the risk margin, the reference undertaking is wound up, incurring a cost of capital of 6% of the reference undertaking's remaining Solvency Capital Requirement. The risk margin is calculated as the present value of this future cost of capital. The reference undertaking's Solvency Capital Requirement is recalculated on the basis of the company's Solvency Capital Requirement at the current reporting date. The timing of the reference undertaking's Solvency Capital Requirement is based on risk drivers.

Uncertainty in the valuations

The calculation of the best estimate of the technical provisions depends on the choice of the model underlying the estimate method and the parameters chosen within the model. Both the methods and the choice of parameters are subjective to a certain degree. Based on the available data, two experienced actuaries may reach different decisions about which methods and parameters to use for the estimate and thus also reach different results. The uncertainty associated with the choice of the model is called "model error".

The sources of a model error may be:

- emergence of new classes of losses or obligations not previously known,
- changes in the reserving for individual losses under the HGB,
- changes in claims settlement,
- case law (liability, indemnity totals, etc.)
- latent losses,
- medical progress,
- changes in inflation rates and
- other social, economic, legal or political influences.

The parameters used in a model are estimated on the basis of past observations. These observations are to a certain extent random in their realisation. The resulting uncertainty about the parameters used in the model is called "parameter error".

The best estimate is a probability-weighted average of possible future realisations of a random event. Thus, as seen today, the actual realisation in the future is only a possibility and may deviate from the calculated best estimate. This uncertainty is called "process error" or "random error". "Random error" is a result of the random nature of actuarial business. However, these are not risks that arise because the valuation process itself is inappropriate. Similarly, "parameter error" is not a result of an inappropriate valuation process, provided this is based on a suitable statistical model. These models are essentially used for actuarial triangulation methods to determine cash flows from direct German business and in connection with calculating premium provisions when determining loss ratios for current business. However, these methods involve adjustments to incoming data or the parameters calculated. Parameters used in the valuation process are calculated based not only on valid statistical parameter estimates, but also on simple calculations of the mean value over short periods of time or on estimates made by experts. Uncertainties exist as a result of the possibility of error by the experts.

The uncertainty resulting from random error is accounted for in the risk margin for the technical provisions.

Each year, the company's actuarial function calculates the uncertainty associated with determining the best estimate of the technical provisions. It assumes that two analyses provide a particularly reliable picture. These are the 40% and 70% quantiles, the statistical models resulting from the company's own methods for measuring risk-bearing capacity and the loss ratios used to calculate premium provisions and the reserves required to settle losses already incurred at the reporting date.

The portfolios represented in the statistical model are scaled to the overall portfolio.

Loss ratios used

	Solvency II best estimate	40% quantile	70% quantile
in € thousands	31.12.2021	31.12.2021	31.12.2021
Gross premium reserves	- 466,755	- 587,720	- 456,471
Change (in € thousands)		- 120,964	10,285
Change (in %)		25.9	- 2.2
Net premium reserves	- 449,331	- 532,256	- 442,679
Change (in € thousands)		- 82,925	6,653
Change (in %)		18.5	- 1.5

Own methods for measuring reserve risk

in € thousands	Solvency II best estimate 31.12.2021	40% quantile 31.12.2021	70% quantile 31.12.2021
Claims provisions inc. gross annuities	1,894,455	1,849,497	1,973,344
Change (in € thousands)		- 44,958	78,889
Change (in %)		- 2.4	4.2
Claims provisions inc. net annuities	1,295,791	1,268,763	1,344,150
Change (in € thousands)		- 27,027	48,359
Change (in %)		- 2.1	3.7

Although these models theoretically show random error and parameter error but not model error, the actuarial function nonetheless considers interpreting the quantiles as a range, which generally includes the best estimates, a suitable, pragmatic approach. Skewed distributions can cause the best estimate to lie outside this range. This is the case if events with a low probability of occurrence but very significant impact are to be incorporated in the average. However, this is not the case for the loss ratios shown.

The actuarial function also carries out sensitivity analyses for individual assumptions.

To account for the costs' cash flows, the cost rates for the claims adjustment expenses are calculated on the basis of figures for the past three years and the cost rate for the last year is used for operating costs. Using lower or higher ratios would result in the following values for technical provisions. The extreme values in the observation period are used here for premium provisions. For claims provisions, the difference between the extreme values in the observation period is calculated and the cost cash flows are reduced or increased by this amount.

Impact of different claims adjustment expenses ratios

in € thousands	Solvency II best estimate 31.12.2021	Lower ratio 31.12.2021	Higher ratio 31.12.2021
Technical provisions – gross	1,427 699	1,423,316	1,455,738
Change (in € thousands)		- 4,383	28,039
Change (in %)		- 0.3	2.0
Technical provisions – net	846,459	842,076	874,498
Change (in € thousands)		- 4,383	28,039
Change (in %)		- 0.5	3.3

Impact of different operating cost ratios

in € thousands	Solvency II best estimate 31.12.2021	Lower ratio 31.12.2021	Higher ratio 31.12.2021
Technical provisions – gross	1,427,699	1,414,367	1,440,593
Change (in € thousands)		- 13,333	12,894
Change (in %)		- 0.9	0.9
Technical provisions – net	846,459	833,127	859,353
Change (in € thousands)		- 13,333	12,894
Change (in %)		- 1.6	1.5

The calculation of premium provisions assumes policyholder cancellations as observed in the past. When calculating the best estimates, cancellations are taken into account as ratios on premiums. The mean rates for the last three observed years are used here. If the extreme values for the last three years are used instead of the mean, this affects the best estimate of the premium provisions as follows:

Impact of different cancellation rates

	Solvency II best estimate	Lower ratio	Higher ratio
in € thousands	31.12.2021	31.12.2021	31.12.2021
Technical provisions – gross	1,427,699	1,427,459	1,432,182
Change (in € thousands)		- 240	4,482
Change (in %)		0.0	0.3
Technical provisions – net	846,459	846,203	850,677
Change (in € thousands)		- 256	4,218
Change (in %)		0.0	0.5

Other identified assumptions or specifications with the potential to influence the best estimate of the technical provisions in the event of a variation within a reasonable range are:

- inclusion and exclusion of observations in the actuarial triangulation methods used,
- use of the implicit inflation included in the triangulation methods,
- biometric actuarial assumptions when calculating the technical provisions similar to life resulting from pension obligations,
- average of results from loss expense and claims payments triangle valuations and
- recognition of a lag in addition to the settlement periods taken into account in the claims triangles in the long-tail lines of business.

The valuation of the technical provisions does not depend on future management actions.

Technical provisions: Solvency II compared to HGB

The following section compares the best estimates of technical provisions in accordance with Solvency II with the same provisions under HGB to illustrate the main differences. This comparison is made for each Solvency II business line and for the non-life area, divided by premium and claims provisions. For non-life, the components of technical provisions under HGB are allocated either to premium provisions or to claims provisions, in line with the approach used for the Solvency II valuation. The Solvency II claims provisions correspond to the HGB provisions for outstanding insurance claims and provisions for traffic victim assistance and for reinstatement premiums (part of other technical provisions). The premium provisions under Solvency II are compared to the following components of technical provisions under HGB: provision for unearned premiums, provision for future policy benefits (premium reserves for premium-exempt children’s personal accident insurance) and part of other technical provisions (cancellation, closure, “Unfall 60 plus” reserve). The HGB claims equalisation reserve is not included in the comparison as it is not taken into account under Solvency II.

Technical provisions – non-life – claims provisions

in € thousands	Solvency II Best estimate, gross 31.12.2021	Solvency II Best estimate, gross, not discounted 31.12.2021	HGB gross (carrying amount) 31.12.2021	Solvency II reinsurance (after expected default) 31.12.2021	HGB reinsurance 31.12.2021
Non-life (excluding health)	**1,653,626**	**1,673,642**	**2,508,653**	**551,081**	**703,877**
Motor vehicle liability insurance	682,691	702,572	1,023,967	171,848	228,312
Other motor insurance	55,970	55,794	85,672	15,378	19,649
Marine, aviation and transport insurance	9,466	9,444	24,950	2,651	4,869
Fire and other damage to property insurance	471,758	470,169	630,717	289,588	323,656
General liability insurance	223,895	225,079	438,591	36,305	75,212
Credit and suretyship insurance	3,832	3,823	7,019	624	1,053
Legal expenses insurance	141,192	141,121	195,755	21,788	29,501
Assistance	930	929	935	144	140
Miscellaneous financial loss	35,919	36,213	68,999	11,905	21,439
Non-proportional liability reinsurance	9,034	9,199	11,038	318	47
Non-proportional marine, aviation and transport reinsurance	5,030	5,084	5,847	335	0
Non-proportional property reinsurance	13,907	14,214	15,163	198	0
Health (similar to non-life)	**97,434**	**97,103**	**117,414**	**15,463**	**17,855**
Income protection insurance	97,434	97,103	117,414	15,463	17,855

Technical provisions – non-life – premium provisions

in € thousands	Solvency II Best estimate, gross 31.12.2021	Solvency II Best estimate, gross, not discounted 31.12.2021	HGB gross (carrying amount) 31.12.2021	Solvency II reinsurance (after expected default) 31.12.2021	HGB reinsurance 31.12.2021
Non-life (excluding health)	**- 342,751**	**- 338,781**	**168,361**	**- 9,218**	**19,899**
Motor vehicle liability insurance	- 31,542	- 29,833	16,099	2,442	2,289
Other motor insurance	- 5,226	- 5,344	13,404	4,556	1,923
Marine, aviation and transport insurance	3,986	3,950	802	936	120
Fire and other damage to property insurance	- 142,777	- 142,224	84,007	- 6,268	9,463
General liability insurance	- 116,467	- 115,525	30,836	- 11,965	3,513
Credit and suretyship insurance	5,778	5,752	3,095	945	281
Legal expenses insurance	- 53,690	- 52,740	16,795	1,392	1,930
Assistance	60	57	2,200	118	254
Miscellaneous financial loss	- 2,873	- 2,875	1,123	- 1,375	125
Non-proportional liability reinsurance	0	0	0	0	0
Non-proportional marine, aviation and transport reinsurance	0	0	0	0	0
Non-proportional property reinsurance	0	0	0	0	0
Health (similar to non-life)	**- 124,004**	**- 123,339**	**20,190**	**- 8,206**	**2,618**
Income protection insurance	- 124,004	- 123,339	20,190	- 8,206	2,618

One material difference between the best estimates under Solvency II and the HGB provisions is that the HGB items for non-life provisions are not discounted. Another key difference in the valuation of the claims provision is that the reserve policy under HGB takes the principle of prudence into account. The claims department establishes a prudent reserve for each individual outstanding claim reported. In addition, HGB includes IBNR reserves for claims that have already occurred but have not yet been reported. The actuarial triangulation methods used in the Solvency II valuation do not include any safety margins and implicitly cover IBNR claims. Accordingly, the best estimates under Solvency II tend to be lower. Reinsurance recoverables for claims provisions under Solvency II include receivables less reinsurance payables. HGB provisions do not include these values as they are recognised in a separate item of the HGB balance sheet. Nevertheless, reinsurance values are usually lower under Solvency II for the reasons described above. In contrast to the provision for unearned premiums, which is recognized as at a cut-off date under HGB, future cash flows are also taken into consideration in the premium provisions. This includes the agreed future premium payments for the remaining contractual term within the meaning of the contract limits under Solvency II, as well as costs and expected claims payments. In contrast to the Solvency II premium provision, the HGB provision for unearned premiums corresponds merely to the pro rata temporis unearned premiums.

There are particularly significant differences between the best estimate and HGB provisions in the Motor Liability Insurance and General Liability lines. These tend to be long-tail lines of business where the HGB principle of prudence is more visible than in more short-tail lines of business.

To assess the discounting effect included in the best estimates, the tables of technical provisions – non-life also show the undiscounted values. However, as the relevant risk-free euro interest rate term is negative in the first six years, the undiscounted values for the short-tail lines of business could be smaller in absolute terms. As at the reporting date, this affects the marine, aviation and transport insurance, fire and other damage to property insurance, credit and suretyship insurance, legal expenses insurance, assistance, miscellaneous financial loss and income protection insurance lines of business.

Technical provisions – life (excluding index-linked and unit-linked)

	Solvency II Best estimate, gross	HGB gross (carrying amount)	Solvency II reinsurance (after expected default)	HGB reinsurance
in € thousands	31.12.2021	31.12.2021	31.12.2021	31.12.2021
Health (similar to life)	**77,321**	**98,955**	**11,156**	**14,843**
Annuities stemming from non-life insurance contracts and relating to health insurance obligations	77,321	98,955	11,156	14,843
Life (excluding health and index-linked and unit-linked)	**66,074**	**77,565**	**20,964**	**25,208**
Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	66,074	77,565	20,964	25,208

In the case of technical provisions – life, the differences in valuation essentially relate to different interest rates used for the discounting, as well as to different mortality assumptions. While, under HGB, the provision is discounted at a constant actuarial interest rate, under Solvency II the provision is discounted at the stipulated risk-free yield curve. HGB mortality assumptions include greater safety margins. As the Solvency II values and the HGB values for technical provisions – life are discounted, the table does not include any undiscounted best estimates. In line with non-life claims provisions, reinsurance recoverables for life insurance under Solvency II include receivables less reinsurance payables. HGB provisions do not include these values as they are recognised in a separate item of the HGB balance sheet.

HGB does not include a provision corresponding to the risk margin. Although the risk margin is part of the technical provision under Solvency II, it is not included in this section to ensure improved comparability.

Reinsurance recoverables in accordance with the Solvency II valuation take the expected default into account. For the corresponding HGB provisions, a general valuation allowance is recognised for the same purpose but at a different carrying amount. In addition, the HGB provisions for outstanding insurance claims (in foreign currencies) are adjusted for exchange rate fluctuations.

D.3 Miscellaneous liabilities

Pension benefit obligations

in € thousands	Solvency II 31.12.2021	HGB (carrying amount) 31.12.2021	Delta 31.12.2021
Pension benefit obligations	882,959	764,210	118,749

Solvency II

Recognised under this item is the pension provision. For the IFRS consolidated financial statements, the pension provision is valued in accordance with the rules in IAS 19 “Employee Benefits” and used accordingly for Solvency II purposes.

HGB

Provisions for pensions and similar obligations in the amount of the settlement amount in accordance with Section 253 (2) HGB were calculated using the projected unit credit method on the basis of the Heubeck 2018 G reference tables. This was based on an interest rate of 1.87% (previous year: 2.3%), a salary trend of 3.0% p. a., a pension trend of 2.0% p. a. and a turnover of 3.5% p. a. (salaried employees) and 1.0% p. a. (non-tariff employees).

The difference in value compared to the provision under Solvency II is essentially due to the use of different calculation parameters.

Deferred tax liabilities

in € thousands	Solvency II 31.12.2021	HGB (carrying amount) 31.12.2021	Delta 31.12.2021
Deferred tax liabilities	367,495	0	367,495

Solvency II

The method for calculating deferred tax liabilities follows the rules in IAS 12. Deferred tax liabilities are created for Solvency II purposes because of temporary differences between the carrying amounts of assets and liabilities in the solvency overview drawn up pursuant to Solvency II and the tax carrying amounts pursuant to local tax rules of each company.

Deferred tax liabilities are shown netted in these financial statements. Tax liabilities of €367,495 thousand are the result of offsetting deferred tax assets (€158,508 thousand) and deferred tax liabilities (€526,003 thousand) and essentially relate to differences between the carrying amounts of investments and technical provisions.

HGB

There are always valuation differences compared with HGB on account of different reference basis to create deferred tax liabilities. Unlike Solvency II, deferred tax liabilities in accordance with HGB were determined on the basis of different carrying amounts between the balance sheet drawn up for tax purposes and the HGB balance sheet.

The option to recognise deferred taxes on account of tax relief in accordance with Section 274(1) sentence 2 HGB is not utilised. Accordingly, the figure recognised under HGB is zero.

Derivatives

in € thousands	Solvency II 31.12.2021	HGB (carrying amount) 31.12.2021	Delta 31.12.2021
Derivatives	6,975	1,415	5,560

This relates to a sale of a call option, currency forwards and an interest currency swap, the negative market value of which is shown under equity and liabilities in the solvency overview.

Solvency II

Derivatives with a negative economic value are reported in this item. Please see the explanations under “Derivatives” in Section D.1 for information on the valuation of derivatives.

HGB

In the Solvency II balance sheet and in the table above, the “HGB (carrying amount)” columns include the carrying amounts recognised in the annual financial statements plus the prorated deferred interest on the valuation date. This is presented in line with the Solvency II figure, which includes the pro-rated amount of deferred interest on the valuation date as well as the clean value.

Provisions for anticipated losses are recognised for the call options sold, which are accounted for separately. These are included in the “Provisions other than technical provisions” item. Under Solvency II, negative market values are also reported under equity and liabilities, but in contrast to HGB they are explicitly assigned to the derivatives item.

Liabilities

in € thousands	Solvency II 31.12.2021	HGB (carrying amount) 31.12.2021	Delta 31.12.2021
Deposits from reinsurers	25	25	0
Debts owed to credit institutions	0	0	0
Financial liabilities other than debts owed to credit institutions	6,025	0	6,025
Insurance and intermediaries payables	39,810	131,352	- 91,542
Reinsurance payables	0	1	- 1
Payables (trade, not insurance)	349,764	353,297	- 3,533

Solvency II

Liabilities are valued at economic value in the solvency overview. Economic value is defined as the amount at which the liability can be transferred or settled between knowledgeable, willing parties in an arm’s length transaction. The general recognition and valuation rules for assets already described in Section D.1 also apply to miscellaneous liabilities in the following sections. Please see the explanations in Section D.1.

The liabilities recognised here are measured at amortised cost in IFRS financial reporting. Regardless of the valuation under IFRS, the fair values of liabilities are calculated for the IFRS 7 disclosures in the notes. The fair values calculated for IFRS are used as the economic value under Solvency II.

For information on the item Financial liabilities other than debts owed to credit institutions, please see Section A.4 under leasing agreements.

In accordance with the German Federal Financial Supervisory Authority's Interpretative decision "Evaluation of recoverables from reinsurance contracts and special purpose vehicles and handling of settlement receivables and payables and deposits to cedants and from reinsurers under Solvency II", only past-due amounts are to be recognised in the items reinsurance payables and insurance and intermediaries payables. Settlements with reinsurers were not past due as at the reporting date. The item insurance and intermediaries payables contains exclusively past-due amounts.

In addition, the difference compared to the HGB balance sheet results from the recognition of interest liabilities in connection with pension benefit obligations. Under Solvency II, the reimbursement right from pension benefit obligations calculated in accordance with IAS 19 is recognised under assets and is offset by a discounted liability for future interest payments.

No assumptions or judgements are made about the future when valuing miscellaneous liabilities.

HGB

In the HGB financial statements, liabilities are recognised at their repayment amounts (Section 341b (2) sentence 1 HGB in conjunction with Section 253 (1) HGB).

Differences between the Solvency II figure and that under HGB financial reporting can, in particular, result from longer-term liabilities on account of the use of the present value method. This is the case for some personnel-related items. Liabilities are also recognised here for upfront payments.

Leasing agreements

For an explanation of leasing agreements, please see Section A.4 "Material leasing agreements".

D.4 Alternative valuation methods

Alternative valuation methods are applied to the extent specified by supervisory law. Detailed information about them are regularly reported to the supervisory authorities. Pursuant to statutory requirements, no further information about alternative valuation methods is necessary in this report.

D.5 Other disclosures

Other than the facts and circumstances presented in the foregoing sections, there is no other material information.

E Capital management

E.1 Own funds

Overview

The aim of capital management is to meet the regulatory Minimum Capital Requirement and internal capital requirements. This requires identifying potential capital needs in a timely manner and initiating and implementing capital measures at an early stage.

The capital management process takes into consideration strategic targets from the business strategy process and, derived from it, from the risk strategy process. The strategy results in parameters for managing capital adequacy, particularly the setting of internal target ratios and the specification of basic conditions for capital adequacy. These parameters for capital management are implemented and reviewed through the planning and extrapolation process. As part of capital monitoring and reporting during the year, the compliance with capital targets is reviewed.

The supervisory solvency ratio pursuant to Solvency II was 206.2% as at the reporting date. It consists of eligible own funds of €2,051,299 thousand and the Solvency Capital Requirement of €994,631 thousand.

Excess of assets over liabilities

The excess of assets over liabilities pursuant to Solvency II and HGB equity consisted of the following as at the reporting date:

Excess of assets over liabilities

	Solvency II	HGB (carrying amount)
in € thousands	31.12.2021	31.12.2021
Total assets	5,299,509	5,058,811
Total liabilities	3,248,211	4,666,248
Excess of assets over liabilities	**2,051,299**	**392,563**
Share capital	109,312	109,312
Capital reserve	76,694	76,694
Retained earnings	206,557	206,557
Reserve from valuation difference	1,658,735	
Revaluation of assets	240,699	
Revaluation of technical provisions	- 1,819,300	
Revaluation of other liabilities	401,264	

The differences between Solvency II and HGB result from revaluation effects as a consequence of the complete economic valuation in the solvency overview under Solvency II of €1,658,735 thousand compared with the valuation principles under HGB. The Reserve from valuation difference item includes the revaluation of technical provisions and deferred taxes. Deferred tax assets and deferred tax liabilities are described in sections D.1 and D.3.

A detailed overview of the value differences between Solvency II and HGB can be found in sections D.1 to D.3.

Available own funds

Available own funds under Solvency II consist of the following:

Available own funds

	Solvency II	
in € thousands	31.12.2021	31.12.2020
Excess of assets over liabilities	**2,051,299**	**1,826,078**
Subordinated liabilities	0	0
Basic own funds	**2,051,299**	**1,826,078**
Ancillary own funds	0	0
Available own funds	**2,051,299**	**1,826,078**

Other than those listed above, the company does not have any other basic own fund items or ancillary own funds. There is no deduction due to restrictions, nor does principal loss absorbency under Article 71 (1e) of Delegated Regulation (EU) 2015/35 take place.

Available own funds are distributed as follows across the three quality levels under Solvency II:

Available own funds by quality level

	Quality level 1 (Tier 1)		Quality level 2 (Tier 2)		Quality level 3 (Tier 3)	
in € thousands	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Share capital	109,312	109,312	0	0	0	0
Capital reserve	76,694	76,694	0	0	0	0
Reconciliation reserve	1,865,293	1,640,073	0	0	0	0
Subordinated liabilities	0	0	0	0	0	0
Available own funds	**2,051,299**	**1,826,078**	**0**	**0**	**0**	**0**

As at the reporting date, the company had a reconciliation reserve of €1,865,293 thousand. This figure reflects the differences between the HGB balance sheet and the valuation under Solvency II and the retained earnings. Share capital, the capital reserve and the reconciliation reserve are own funds in quality level 1 pursuant to Articles 68 to 69 Delegated Regulation (EU) 2015/35.

There are no own funds in quality levels 2 and 3. The company has not issued any subordinated promissory notes. Available own funds rose by €225,220 thousand over the reporting period. This increase is essentially due to positive trends on the capital markets and a change in interest payable from pension provisions to interest receivable from pension provisions.

Further information on the components of own funds and how they are allocated to quality levels can be found in the form S.23.01.01 in the Annex.

Eligible own funds: Limiting available own funds

Eligible own funds to meet the Solvency Capital Requirement/the Minimum Capital Requirement were equal to available own funds as at the reporting date.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Regulatory capital requirements are determined using the European Insurance and Occupational Pensions Authority (EIOPA)'s standard formula. The regulatory Minimum Capital Requirement (MCR) and Solvency Capital Requirement (SCR) are determined here using the stipulated parameters and methods.

The standard formula follows a modular approach, where the entire risk to which an insurance undertaking is exposed is subdivided into risk modules and, within the risk modules, into sub-modules. A capital requirement is determined for each risk module and sub-module. The capital requirement at risk module or sub-module level is aggregated into an overall SCR using correlation matrices.

Using the value at risk (VaR) of an undertaking's basic own funds, the overall SCR is calibrated for each individual risk module at a confidence level of 99.5% over one year. The SCR thus represents the economic loss that has a 0.5% probability of being exceeded in a one-year time period, i.e. on average once every 200 years. Formula-based calculations are used for individual sub-modules. Diversification effects are taken into account by aggregating capital requirements using the correlation matrices provided.

The risk measurement is based on a net view. This means that risk sharing and risk transfer measures such as entering into derivative instruments, reinsurance and the risk buffer effect of deferred taxes are taken into consideration. The loss-absorbing capacity of deferred taxes is the result of a decline in deferred tax liabilities. This item is described in Section D.3.

Solvency Capital Requirement

The company's Solvency Capital Requirement is calculated using the Solvency II standard formula. It comprises the following:

Solvency Capital Requirement

		Solvency II
in € thousands	31.12.2021	31.12.2020
Market risk	553,267	442,077
Counterparty default risk	243,585	236,424
Life insurance risk	2,552	2,698
Health insurance risk	139,123	139,128
Non-life insurance risk	853,410	788,150
Operational risk	65,562	61,421
Diversification	- 495,374	- 445,299
Loss-absorbing capacity of deferred taxes	- 367,495	- 317,837
Solvency Capital Requirement (SCR)	**994,631**	**906,763**

As is mandated by law for all insurance undertakings, the final amount of the Solvency Capital Requirement is still subject to supervisory review.

The insurance risk is the largest risk facing the company. Under Solvency II, it is divided into "life", "health" and "non-life". The life insurance risk includes the risk "Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations". At the company, this corresponds to the annuities in the Motor vehicle liability insurance and General liability insurance lines. The health insurance risk includes the risk in the Income protection insurance line, including annuities in this line ("Annuities stemming from non-life insurance contracts and relating to health insurance obligations"). The insurance risk for all other company lines is included in the non-life insurance risk.

The Solvency Capital Requirement increased in the reporting period, chiefly due to the rise in the exposure at risk of the investments. As the non-life insurance risk and the counterparty default risk are also increasing, the higher diversification and loss-absorbing capacity of deferred taxes due to the greater balance sheet surplus has only a slight risk-minimising effect on total risk.

When calculating the Solvency Capital Requirement, the company applies the simplifications provided for in of Delegated Regulation (EU) 2015/35 in the area of counterparty default risk. The company does not use any undertaking specific parameters and no capital add-on is set.

Further information on the Solvency Capital Requirement can be found in the form S.25.01.21 in the Annex.

Minimum Capital Requirement

The Minimum Capital Requirement (MCR) is the maximum of a predefined absolute floor (AMCR), which depends on the type of insurance undertaking, and a linear Minimum Capital Requirement that is capped at a minimum of 25% and maximum of 45% of the Solvency Capital Requirement (compare Articles 248 to 253 Delegated Regulation (EU) 2015/35). The best estimate of net technical provisions and net premiums written is included when calculating the linear Minimum Capital Requirement.

The company's Minimum Capital Requirement breaks down as follows:

Minimum Capital Requirement

	Solvency II	
in € thousands	31.12.2021	31.12.2020
Combined Minimum Capital Requirement	248,658	226,691
Linear Minimum Capital Requirement	228,960	213,649
Cap for linear Minimum Capital Requirement (45% SCR)	447,584	408,043
Floor for linear Minimum Capital Requirement (25% SCR)	248,658	226,691
Absolute floor of Minimum Capital Requirement (AMCR)	3,700	3,700
Minimum Capital Requirement (MCR)	**248,658**	**226,691**

As at the reporting date, the MCR ratio was 824.9% (previous year: 805.5%). The Minimum Capital Requirement increased in the reporting period in line with the development of the Solvency Capital Requirement, with eligible own funds also rising. Further information on the Minimum Capital Requirement can be found in the form S.28.01.01 in the Annex.

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

When calculating the Solvency Capital Requirement, the company does not use the duration-based equity risk sub-module.

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

The undertaking calculates the Solvency Capital Requirement using the Solvency II standard formula. It does not use an internal model or partial internal model to calculate the Solvency Capital Requirement.

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

During the reporting period, the undertaking satisfied both the Minimum Capital Requirement and the Solvency Capital Requirement. Thus, no measures need to be initiated as a result of non-compliance with the Minimum Capital Requirement and the Solvency Capital Requirement.

E.6 Other disclosures

Other than the facts and circumstances presented in the foregoing sections, there is no other material information.

Annex

Presented in the following are the templates to be attached pursuant to the Implementing Regulation. As mandated by statute, the information is provided in € thousands. As a result, where values are added together in the templates, the resulting values may show discrepancies due to rounding differences.

S.02.01.02 | Balance Sheet

in thousands €

		Solvency-II-Value
Assets		**C0010**
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	110,661
Investments (other than assets held for index-linked and unit-linked)	R0070	3,306,424
Property (other than for own use)	R0080	34,719
Holdings in related undertakings, including participations	R0090	318,464
Equity	R0100	97,209
Equity - listed	R0110	0
Equity - unlisted	R0120	97,209
Bonds	R0130	1,500,918
Government Bonds	R0140	532,729
Corporate Bonds	R0150	957,761
Structured notes	R0160	0
Collateralised securities	R0170	10,428
Collective Investments Undertakings	R0180	1,302,657
Derivatives	R0190	3,102
Deposits other than cash-equivalents	R0200	49,355
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	71,277
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	71,277
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	581,240
Non-life and health similar to non-life	R0280	549,120
Non-life excluding health	R0290	541,863
Health similar to non-life	R0300	7,257
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	32,120
Health similar to life	R0320	11,156
Life excluding health and index-linked and unit-linked	R0330	20,964
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	72,330
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	979,365
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	38,345
Any other assets, not elsewhere shown	R0420	139,868
Total assets	**R0500**	**5,299,509**

S.02.01.02 | Balance Sheet (continuation)

in thousands €

		Solvency-II-Value
Liabilities		**C0010**
Technical provisions - non-life	R0510	1,439,518
Technical provisions - non-life (excluding health)	R0520	1,447,501
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	1,310,875
Risk margin	R0550	136,627
Technical provisions - health (similar to non-life)	R0560	- 7,983
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	- 26,570
Risk margin	R0590	18,587
Technical provisions - life (excluding index-linked and unit-linked)	R0600	149,968
Technical provisions - health (similar to life)	R0610	81,674
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	77,321
Risk margin	R0640	4,353
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	68,295
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	66,074
Risk margin	R0680	2,221
Technical provisions - index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	5,672
Pension benefit obligations	R0760	882,959
Deposits from reinsurers	R0770	25
Deferred tax liabilities	R0780	367,495
Derivatives	R0790	6,975
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	6,025
Insurance & intermediaries payables	R0820	39,810
Reinsurance payables	R0830	0
Payables (trade, not insurance)	R0840	349,764
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	**R0900**	**3,248,211**
Excess of assets over liabilities	**R1000**	**2,051,299**

S.05.01.02 | Premiums, claims and expenses by line of business

in thousands €

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**
Premiums written								
Gross - Direct Business	R0110	0	152,609	0	489,364	385,852	25,575	708,786
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	4	2 154
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	0	23,063	0	74,684	68,915	4,114	207,208
Net	R0200	0	129,546	0	414,680	316,937	21,465	503,732
Premiums earned								
Gross - Direct Business	R0210	0	152,708	0	489,793	385,905	25,575	706,293
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	4	2,084
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	0	23,031	0	74,731	68,921	4,114	206,904
Net	R0300	0	129,677	0	415,062	316,984	21,465	501,473
Claims incurred								
Gross - Direct Business	R0310	0	25,648	0	273,989	303,437	7,877	760,986
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	1	37
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	0	4,278	0	40,349	83,303	1,769	444,523
Net	R0400	0	21,370	0	233,639	220,134	6,109	316,500
Changes in other technical provisions								
Gross - Direct Business	R0410	0	- 55	0	- 191	- 377	- 51	88
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440	0	- 8	0	- 29	1,112	21	10,274
Net	R0500	0	- 47	0	- 163	- 1,488	- 71	- 10,186
Expenses incurred	**R0550**	**0**	**43,411**	**0**	**105,149**	**91,704**	**9,700**	**213,873**
Other expenses	**R1200**							
Total expenses	**R1300**							

Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					Line of Business for: accepted non-proportional reinsurance				Total
General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
238,870	7,122	140,924	18,270	21,249					2,188,621
1,027	0	0	0	- 1					3,184
					0	2	116	22	139
40,783	1,068	21,380	2,741	10,528	0	0	4	- 2	454,486
199,114	6,054	119,543	15,530	10,719	0	2	112	24	1,737,458
236,651	6,220	140,202	17,676	21,114					2,182,137
1,027	0	0	0	- 1					3,114
					0	2	116	22	139
40,479	1,011	21,259	2,668	10,514	0	0	4	- 2	453,633
197,199	5,209	118,943	15,009	10,599	0	2	112	24	1,731,757
72,535	6,160	71,111	2,936	20,586					1,545,266
0	0	0	0	0					38
					0	- 1,278	- 868	- 3,000	- 5,146
15,340	924	10,786	440	15,012	0	- 128	- 189	- 318	616,090
57,195	5,236	60,325	2,496	5,575	0	- 1,150	- 679	- 2,682	924,068
191	2	173	- 15	2					- 232
0	0	0	0	0					0
					0	0	0	0	0
42	0	26	- 2	- 115	0	13	26	- 191	11,168
150	2	147	- 12	117	0	- 13	- 26	191	- 11,400
81,333	**2,290**	**45,923**	**7,311**	**7,142**	**0**	**244**	**226**	**487**	**608,794**
									0
									608,794

S.05.01.02 | Premiums, claims and expenses by line of business (continuation)

		Line of Business for: Life insurance obligations			
		Health insurance	Insurance with profit-participation	Index-linked and unit-linked insurance	Other life insurance
		C0210	**C0220**	**C0230**	**C0240**
Premiums written					
Gross	R1410	0	0	0	0
Reinsurers' share	R1420	0	0	0	0
Net	R1500	0	0	0	0
Premiums earned					
Gross	R1510	0	0	0	0
Reinsures' share	R1520	0	0	0	0
Net	R1600	0	0	0	0
Claims incurred					
Gross	R1610	0	0	0	0
Reinsurers' share	R1620	0	0	0	0
Net	R1700	0	0	0	0
Changes in other technical provisions					
Gross	R1710	0	0	0	0
Reinsurers' share	R1720	0	0	0	0
Net	R1800	0	0	0	0
Expenses incurred	**R1900**	**0**	**0**	**0**	**0**
Other expenses	**R2500**				
Total expenses	**R2600**				

S.05.02.01 Premiums, claims and expenses by countries

More than 90% of the gross premiums derive from Germany. By that the Württembergische Versicherung AG lies above the regulatory required minimum limit and is exempt from providing the QRT S.05.02.01.

	Line of Business for: life insurance obligations		Life reinsurance obligations		Total
	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life-reinurance	
	C0250	**C0260**	**C0270**	**C0280**	**C0300**
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	7,289	2,732	0	0	10,022
	1,093	291	0	0	1,384
	6,196	2,441	0	0	8,637
	0	0	0	0	0
	0	0	0	0	0
	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
					0
					0

S.12.01.02 | Life and Health SLT Technical Provisions

in thousands €

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance		
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**
Technical provisions calculated as a whole	**R0010**	**0**	**0**			**0**		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	0	0			0		
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	**R0030**	**0**		**0**	**0**		**0**	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0		0	0		0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	0		0	0		0	0
Risk margin	**R0100**	**0**				**0**		
Amount of the transitional on Technical Provisions								
Technical Provisions calculated as a whole	R0110	0	0			0		
Best Esimate	R0120	0		0	0		0	0
Risk margin	R0130	0	0			0		
Technical provisions - total	**R0200**	**0**	**0**			**0**		

Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees			
C0090	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
0	**0**	**0**	**0**			**0**	**0**	**0**
0	0	0	0			0	0	0
66,074	**0**	**66,074**		**0**	**0**	**77,321**	**0**	**77,321**
20,964	0	20,964		0	0	11,156	0	11,156
45,110	0	45,110		0	0	66,165	0	66,165
2,221	**0**	**2,221**	**0**			**4,353**	**0**	**4,353**
0	0	0	0			0	0	0
0	0	0		0	0	0	0	0
0	0	0	0			0	0	0
68,295	**0**	**68,295**	**0**			**81,674**	**0**	**81,674**

S.17.01.02 | Non-Life Technical Provisions

in thousands €

		Direct business and accepted proportional reinsurance		
		Medical expense insurance	Income protection insurance	Workers' compensation insurance
		C0020	**C0030**	**C0040**
Technical provisions calculated as a whole	**R0010**	**0**	**0**	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0
Technical provisions calculated as a sum of BE and RM				
Best Estimate				
Premium provisions				
Gross	R0060	0	- 124,004	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	- 8,206	0
Net Best Estimate of Premium Provisions	R0150	0	- 115,799	0
Claims provisions				
Gross	R0160	0	97,434	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	15,463	0
Net Best Estimate of Claims Provisions	R0250	0	81,971	0
Total Best estimate - gross	**R0260**	0	**- 26,570**	0
Total Best estimate - net	**R0270**	**0**	**- 33,827**	**0**
Risk margin	**R0280**	**0**	**18,587**	**0**
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0290	0	0	0
Best Estimate	R0300	0	0	0
Risk margin	R0310	0	0	0
Technical provisions - total				
Technical provisions - total	R0320	0	- 7,983	0
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	0	7,257	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	0	- 15,240	0

					Direct business and accepted proportional reinsurance
Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
C0050	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
0	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0
- 31,542	- 5,226	3,986	- 142,777	- 116,467	5,778
2,442	4,556	936	- 6,268	- 11,965	945
- 33,985	- 9,781	3,050	- 136,509	- 104,502	4,833
682,691	55,970	9,466	471,758	223,895	3,832
171,848	15,378	2,651	289,588	36,305	624
510,842	40,593	6,815	182,171	187,591	3,208
651,148	**50,745**	**13,452**	**328,982**	**107,428**	**9,610**
476,858	**30,811**	**9,865**	**45,662**	**83,088**	**8,041**
54,545	**3,300**	**1,131**	**46,206**	**17,639**	**299**
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
705,693	54,044	14,583	375,188	125,068	9,909
174,290	19,934	3,587	283,320	24,340	1,569
531,403	34,111	10,996	91,868	100,728	8,340

S.17.01.02 | S.17.01.02 | Non-Life Technical Provisions (continuation)

		Direct business and accepted proportional reinsurance		
		Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0110	**C0120**	**C0130**
Technical provisions calculated as a whole	**R0010**	**0**	**0**	**0**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0	0
Technical provisions calculated as a sum of Best Estimate and Risk margin				
Best Estimate				
Premium provisions				
Gross	R0060	- 53,690	60	- 2,873
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	1,392	118	- 1,375
Net Best Estimate of Premium Provisions	R0150	- 55,082	- 59	- 1,498
Claims provisions				
Gross	R0160	141,192	930	35,919
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	21,788	144	11,905
Net Best Estimate of Claims Provisions	R0250	119,404	785	24,014
Total Best estimate - gross	**R0260**	**87,502**	**990**	**33,046**
Total Best estimate - net	**R0270**	**64,323**	**727**	**22,516**
Risk margin	**R0280**	**8,661**	**174**	**2,152**
Amount of the transitional on Technical Provisions				
Technical Provisions calculated as a whole	R0290	0	0	0
Best Estimate	R0300	0	0	0
Risk margin	R0310	0	0	0
Technical provisions - total				
Technical provisions - total	R0320	96,163	1,164	35,198
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	23,180	263	10,530
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	72,983	901	24,668

Accepted non-proportional reinsurance				Total Non-Life obligation
Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
C0140	**C0150**	**C0160**	**C0170**	**C0180**
0	**0**	**0**	**0**	**0**
0	0	0	0	0
0	0	0	0	- 466,755
0	0	0	0	- 17,424
0	0	0	0	- 449,331
0	9,034	5,030	13,907	1,751,060
0	318	335	198	566,544
0	8,716	4,695	13,709	1,184,516
0	**9,034**	**5,030**	**13,907**	**1,284,304**
0	**8,716**	**4,695**	**13,709**	**735,184**
0	**804**	**305**	**1,410**	**155,214**
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	9,839	5,335	15,318	1,439,518
0	318	335	198	549,120
0	9,521	5,000	15,120	890,398

S.19.01.21 | Non-life insurance claims

in thousands €

Total Non-life Business

Accident year/underwriting year		Z0020	Accident year

Gross Claims Paid (non-cumulative)
(absolute amount)
Development year

	Year	0	1	2	3	4
		C0010	C0020	C0030	C0040	C0050
Prior 2012	R0100					
2012	R0160	520,067	195,399	40,443	21,212	11,688
2013	R0170	653,430	299,359	62,411	27,344	10,683
2014	R0180	511,013	201,097	45,287	24,288	10,888
2015	R0190	554,735	207,658	46,030	23,291	15,553
2016	R0200	554,870	212,663	50,278	22,086	12,524
2017	R0210	567,599	243,036	50,695	28,087	10,344
2018	R0220	599,510	250,921	55,529	22,206	
2019	R0230	614,476	283,972	56,130		
2020	R0240	618,151	246,279			
2021	R0250	806,869				

To Gross undiscounted Best Estimate Claims Provisions
(absolute amount)
Development year

	Year	0	1	2	3	4
		C0200	C0210	C0220	C0230	C0240
Prior 2012	R0100					
2012	R0160					52,216
2013	R0170				83,635	69,346
2014	R0180			104,833	79,631	70,550
2015	R0190		141,413	95,560	69,920	55,255
2016	R0200	388,909	142,597	97,336	68,063	55,359
2017	R0210	405,692	145,540	92,601	63,634	51,506
2018	R0220	413,455	145,660	91,831	61,705	
2019	R0230	439,118	157,668	91,628		
2020	R0240	475,392	162,886			
2021	R0250	784,784				

					Development year				
5	6	7	8	9	10 & +			In current year	Sum of years (cumulative)
C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
					16,728		R0100	16,728	16,728
7,232	5,067	4,011	2,740	1,930			R0160	1,930	809,790
7,071	5,512	3,643	2,794				R0170	2,794	1,072,247
9,291	5,171	4,105					R0180	4,105	811,141
8,024	5,128						R0190	5,128	860,421
8,068							R0200	8,068	860,488
							R0210	10,344	899,761
							R0220	22,206	928,165
							R0230	56,130	954,579
							R0240	246,279	864,431
							R0250	806,869	806,869
						Total	**R0260**	**1,180,581**	**8,884,620**

					Development year			
5	6	7	8	9	10 & +			Year end (discounted data)
C0250	C0260	C0270	C0280	C0290	C0300			C0360
					413,659		R0100	403,429
46,532	42,028	36,315	32,666	28,793			R0160	28,188
62,488	54,866	49,727	43,178				R0170	42,204
61,093	52,011	45,853					R0180	44,891
47,270	39,981						R0190	39,143
46,792							R0200	46,040
							R0210	50,658
							R0220	60,739
							R0230	90,575
							R0240	161,892
							R0250	783,301
						Total	**R0260**	**1,751,060**

S.22.01.21 | Effects of long-term guarantees and transitional measures

This template will not be published since the company did not operate in any businesses that require to be reported here.

S.23.01.01 | Own funds

in thousands €

		Total	Tier 1 - unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	109,312	109,312		0	
Share premium account related to ordinary share capital	R0030	76,694	76,694		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	1,865,293	1,865,293			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	0
Total basic own funds after deductions	**R0290**	**2,051,299**	**2,051,299**	**0**	**0**	**0**
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360				0	

S.23.01.01 | Own funds

in thousands €

		Total	Tier 1 - unrestricted	Tier 1 – restricted	Tier 2	Tier 3
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	**R0400**	**0**			**0**	**0**
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	2,051,299	2,051,299	0	0	0
Total available own funds to meet the MCR	R0510	2,051,299	2,051,299	0	0	
Total eligible own funds to meet the SCR	R0540	2,051,299	2,051,299	0	0	0
Total eligible own funds to meet the MCR	R0550	2,051,299	2,051,299	0	0	
SCR	**R0580**	**994,631**				
MCR	**R0600**	**248,658**				
Ratio of Eligible own funds to SCR	**R0620**	**206.2%**				
Ratio of Eligible own funds to MCR	**R0640**	**824.9%**				

S.23.01.01 | Own funds (continuation)

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	2,051,299
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	186,006
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	**R0760**	**1,865,293**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	635,563
Total Expected profits included in future premiums (EPIFP)	**R0790**	**635,563**

S.25.01.21 | Basic Solvency Capital Requirement

in thousands €

		Gross solvency capital recquirement	USP	Simplifications
		C0110	**C0090**	**C0120**
Market risk	R0010	553,267		0
Counterparty default risk	R0020	243,585		
Life underwriting risk	R0030	2,552	0	0
Health underwriting risk	R0040	139,123	0	0
Non-life underwriting risk	R0050	853,410	0	0
Diversification	R0060	- 495,374		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	**R0100**	**1,296,564**		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	R0130	65,562
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	- 367,495
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	**R0200**	**994,631**
Capital add-on already set	R0210	0
Solvency capital requirement	**R0220**	**994,631**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	**0**
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Approach to tax rate		**C0109**
Approach based on average tax rate	R0590	Yes
Calculation of loss absorbing capacity of deferred taxes		**C0130**
LAC DT	R0640	- 367,495
LAC DT justified by reversion of deferred tax liabilities	R0650	- 367,495
LAC DT justified by reference to probable future taxable economic profit	R0660	0
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	- 367,495

S.28.01.01 | Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

in thousands €

Linear formula component for non-life insurance and reinsurance obligations

		C0010	
MCR_{NL} Result	R0010	226,624	

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	129,546
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	476,858	414,680
Other motor insurance and proportional reinsurance	R0060	30,811	316,937
Marine, aviation and transport insurance and proportional reinsurance	R0070	9,865	21,465
Fire and other damage to property insurance and proportional reinsurance	R0080	45,662	503,732
General liability insurance and proportional reinsurance	R0090	83,088	199,114
Credit and suretyship insurance and proportional reinsurance	R0100	8,041	6,054
Legal expenses insurance and proportional reinsurance	R0110	64,323	119,543
Assistance and proportional reinsurance	R0120	727	15,530
Miscellaneous financial loss insurance and proportional reinsurance	R0130	22,516	10,719
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	8,716	2
Non-proportional marine, aviation and transport reinsurance	R0160	4,695	112
Non-proportional property reinsurance	R0170	13,709	24

S.28.01.01 | Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (continuation)

In thousands €

Linear formula component for non-life insurance and reinsurance obligations

		C0040	
MCR_L Result	R0200	2,337	

Total capital at risk for all life (re)insurance obligations		Net (of reinsurance/SPV) best estimate and TP calculated as a whole **C0050**	Net (of reinsurance/SPV) total capital at risk **C0060**
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	111,275	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070	
Linear MCR	R0300	228,960	
SCR	R0310	994,631	
MCR cap	R0320	447,584	
MCR floor	R0330	248,658	
Combined MCR	R0340	248,658	
Absolute floor of the MCR	R0350	3,700	
Minimum Capital Requirement	R0400	248,658	

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