ERGO Insurance SE

2022. reporting period

Solvency and Financial Condition Report

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SUMMARY

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

This report relates to the 2022 financial year. As one of the Baltic's leading insurance companies ERGO Insurance SE offers a comprehensive selection of property and casualty insurance products to both private and corporate clients. In 2022, ERGO Insurance SE generated premium income of 225.9 million euros, showing modest increase on the year before. The largest classes were motor third-party liability and comprehensive motor vehicle insurance.

The processes in all three countries have been standardized and simplified to support business transformation and offer the customers the seamless experience in sales and claims. This is a part of the IT transformation project started in 2019. ERGO aims to ERGO aims to further expand its position as an efficient and innovative company that provides the best client service and also performs as socially responsible employer in all three Baltic countries (Chapter A Business and Performance).

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

The company is always in a position to manage the risks involved. This is demonstrated by the implementation of sound risk management system (chapter C Risk Profile). Underwriting risk dominates the risk profile of the Company, staying at 88% of the total Solvency Capital Requirement (SCR) by the end of 2022.

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

The company is adequately capitalized and has met the requirements for the provision of solvency capital and minimum capital at all times during the reporting year. As of end of the 2022 Solvency II ratio achieved 135% (Chapter E Capital Management).

The qualitative reporting system supplements the quantitative (number-based) reporting. Quantitative Reporting Templates (QRT), which insurance companies must regularly transfer the supervisory authority, are part of the quantitative reporting system. The report contains selected QRTs with information on the 2022 financial year.

This Solvency and Financial Condition Report for the financial year 2022 was approved by the Management Board of ERGO Insurance on 06.04.2023.

MAJOR RECENT DEVELOPMENTS

There are a number of risk drivers and causes which are also be significant, but which cannot be clearly classified in the following risk categories. These include for instance concentration risks, compliance violations or additional regulatory requirements. In general, these are assigned to the category that is most severely affected or are presented in this subchapter.

European Systemic Risk Board (ESRB)

With risks intensifying due to inflation, the Ukraine war and the energy crisis, the European Systemic Risk Board (ESRB) issued a general warning at the end of September 2022. It identified a number of serious risks to financial stability that could occur simultaneously, thereby interacting and amplifying their impact. According to the ESRB, recent geopolitical developments have increased the likelihood of tail-risk scenarios. The ESRB therefore calls on supervisors and market participants to be prepared for the occurrence of residual risk scenarios. In the reminder, the ESRB points to the increasing risk of cyber-attacks due to the war in Ukraine.

Inflation

Inflation has been rising significantly worldwide since Q3 2021, in Baltic region it was the highest in EU. Against the backdrop of significantly increased inflation expectations, the European Central Bank (ECB) has also changed its monetary policy stance and initiated the end of the negative interest rate environment. In this context, the Governing Council of the European Central Bank (ECB) is ready to adjust all its instruments within its mandate to ensure that inflation stabilizes at its 2% target over the medium term. For example, in September 2022, the ECB Governing Council decided to raise the ECB's three key interest rates by 75 basis points each. Based on its current assessment, the ECB Governing Council expects to raise interest rates further in the next few meetings to dampen demand and guard against the risk of a persistent upward shift in inflation expectations. The Governing Council will reassess its monetary policy stance on a regular basis, taking into account current data and developments in the inflation outlook. The Governing Council's key interest rate decisions will continue to depend on the data situation and will be determined on a meeting-by-meeting basis.

Higher inflation may lead to changes in risk exposure in market and credit risk as well as UW risk.

War in Ukraine

Increased uncertainty arises from the development of Russia's military conflict with Ukraine, which has existed since February 24, 2022. This may lead to an intensification of the Western world's confrontation with Russia. It may also pose a major challenge to the European peace order as a whole. In response to the open warfare in the EU has imposed financial sanctions on Russian companies and individuals, including the exclusion of banks from the SWIFT payment system.

Looking at global capital markets, this crisis in particular has the potential to dramatically increase uncertainty and volatility. In addition, the sanctions against Russia and a (threatened) gas supply freeze could have a negative impact on the national economy. Globally noticeable consequences cannot be ruled out. There could be further secondary effects that could have a negative impact on the Company's risk situation.

Sustainability risks

We define sustainability risks as all events or conditions relating to the environment, social issues or corporate governance, the occurrence of which may have actual or potential significant negative impacts on the net assets, financial position and results of operations, as well as on the reputation of our company. In our company, we counter sustainability risks by systematically considering ESG criteria in our (re)insurance business, investments, procurement activities and our own operations.

In doing so, we distinguish between the perspectives of so-called "dual materiality": on the one hand, we consider the impact on the environment ("inside out"), and on the other hand, the impact of the environment ("outside in").

We understand sustainability risks as a partial aspect of the known risk categories. We do not see a separate risk category for sustainability risks, as sustainability risks have an impact on the other risk categories, and it would hardly be possible to distinguish them in a meaningful way. This understanding is based on the assessment that the management of sustainability risks - not unlike the other risk categories - is already an original task of business management and therefore does not require a separate and new risk category. Sustainability risks are integrated into risk management and the overall risk management process in the same way as other risk categories. The existing approaches for identifying, assessing, managing and reporting sustainability risks are to be further developed. This relates, for example, to the definition of corresponding risk drivers.

In the area of investments, the Responsible Investment Guideline (RIG) was drawn up to supplement ERGO's Asset Liability Management Policy (ALM Policy), which contains investment rules on sustainable aspects in asset classes (e.g., equities, fixed-interest securities, real estate and alternative investments).

A. BUSINESS AND PERFORMANCE

A.1 Business objectives

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

The Company is 100% owned by ERGO International AG, Germany, which is part of the ERGO Group AG, Germany, which in turn is part of the Munich Re Group (Münchener Rückversicherungs-Gesellschaft AG, Munich), see *Figure 1* below. ERGO Group is one of the major insurance groups in Germany and Europe, offering a comprehensive spectrum of insurance services.

Figure 1. Structure of Munich Re and ERGO Group AG

As one of the Baltic's leading insurance companies ERGO offers a comprehensive selection of property and casualty insurance products to both private and corporate clients. ERGO's gross premium income for 2022 was 225.9 million euros. ERGO operates with a multi distribution channel approach and can rely on an own extensive and country wide sales network. ERGO underwrites business mainly in Estonia, Latvia and Lithuania.

ERGO's material lines of business:

- Medical expense insurance
- Income protection insurance
- Motor vehicle liability insurance
- Other motor insurance
- Marine, aviation and transport insurance
- Fire and other damage to property insurance
- General liability insurance
- Credit and suretyship insurance
- Assistance
- Miscellaneous financial loss
- Legal Protection Insurance

ERGO Insurance SE's business is determined by the strategic framework of ERGO Group: the main priority is customer satisfaction. Globally, ERGO Group is also strongly focused on innovation and digitalization.

ERGO strives to be the most innovative and efficient insurance undertaking in the Baltics that provides the best possible customer service and is a responsible employer in all three countries.

In 2022 the changes were made in the composition of both: the Supervisory Board and Management Board. Two Supervisory Board members were recalled from the Supervisory Board and two new members were appointed. Also, a new Chairman of the Supervisory Board was appointed.

In September 2022, on the basis of the Supervisory Board's decision, the Chief Underwriting Officer for Life and Health line of businesses and Branch Manager for Latvia was revoked from the Management Board.

The processes in all three countries have been standardized and simplified to enable business transformation and offer the customers the seamless experience in sales and claims. This is a part of the IT transformation project that has started in 2019.

The responsible supervisory authority for the company is Estonian Financial Supervision Authority, (Finantsinspektsioon), Sakala 4, 15030 Tallinn, Estonia. The company is audited by Ernst & Young Baltic AS, Ravala 4, Tallinn, Estonia.

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

ERGO Insurance SE has participations in DEAX Õigusbüroo OÜ, private limited company, Estonia, share of participation 100%.

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

Economic environment

According to the estimates of the European Commission made in February 2023, European economy is anticipated start on similar note in 2023 than previously forecasted. Following a strong recovery by 5.3% in 2021, the EU economy is projected to grow by 3.5% in 2022, and by 0.8% in 2023 and 1.6% in 2024.

Compared to previous forecast from autumn 2022 inflation projections have been revised slightly upwards. Inflation in EU is projected to fall from 9.2% in 2022 to 6.4% in 2023 and 2.8% in 2024. While easing of energy inflation brings some relief, real wages are set to continue falling in short term and recoup part of the lost purchasing power only in later quarters, as wage growth outpaces declining inflation.

Economic developments in the Baltic States

In Estonia GDP is forecasted to have contracted by 0.3% in 2022. Estonian economy was hit early on by the rapid rise in energy prices and suffered from a strong pass-through to other inflation components. Private consumption therefore slowed markedly during 2022. However, labor market remained strong in late 2022 and early 2023 with only minor increase in the unemployment rate. Consumer price inflation peaked in August 2022 and has since slowly decelerated, recording 19.4% on average in 2022. Decrease is expected to continue in 2023, supported by declining commodity and energy prices. Inflation is forecasted to reach 6.2% in 2023 and 2.2% in 2024 as of data available in December 2022.

Latvia's GDP is projected to grow by 1.8% in 2022 driven mainly by strong growth of private consumption. Given the decline in activity in second half of 2022 and, hence, the negative carry-over, yearly growth in 2023 is expected to be almost flat. In 2024 GDP is forecasted to reach 2.7% as marked slowdown in inflation is set to foster private consumption. Inflation increased rapidly throughout the year and averaged at 17.2% in 2022, peaking in third quarter.

Lithuania's GDP is projected to slow down to 1.9% in 2022. Economic activity was negatively affected by falling exports to some eastern European countries and contracting private consumption, as high inflation was not compensated by the rise of labor income. After peaking in September 2022, inflation has started to decline. Nevertheless, following 18.9% inflation in 2022 the rate of price growth is projected to decrease to 8.7% in 2023 and 2.1% in 2024 as of data available in December 2022.

A.2 Underwriting Performance

In 2022, ERGO Insurance SE generated premium income of 225.9 million euros, i.e. 13.1% increase on 2021. The largest classes were motor liability insurance and motor own damage insurance, which generated premium income of 80.8 million euros and 56.5 million euros, accounting for 35.8% and 25.0% of the total portfolio, respectively. Next major line of business is property insurance, generating 45.4 million euros premium and contributing as 20.1% of the total portfolio. Premiums written in liability insurance, accident insurance, and technical risk insurance totalled 11.6 million euros, 10.6 million euros and 9.1 million euros, respectively, and their respective contributions were 5.1%, 4.7% and 4.0%. The total contribution of other insurance classes, which each accounted for less than 3.0%, was 27.5 million euros i.e., 12.2%.

Compared to 2021, the share of motor liability insurance increased by 1.1 percentage points and its premium income grew by 12.0 million euros i.e., 18.3%. In addition to that, good growth was achieved in travel insurance where premium income grew by 2.6 million euros i.e., 137,8%.

Table 1. Gross premium income by line of business

In euros	**2022**		**2021**		**Change**	
	Gross written premiums	Share of class, %	Gross written premiums	Share of class, %	Gross written premiums	Share of class, pp
Medical expense insurance	4 458 985	2,0	1 874 738	0,9	2 584 247	1,0
Income protection insurance	10 559 569	4,7	9 126 799	4,6	1 432 770	0,1
Motor vehicle liability insurance	80 837 667	35,8	68 802 148	34,4	12 035 519	1,3
Other motor insurance	56 530 548	25,0	49 959 193	25,0	6 571 355	0,0
Marine, aviation and transport insurance	5 888 513	2,6	11 752 784	5,9	-5 864 271	-3,3
Fire and other damage to property insurance	45 404 750	20,1	39 010 643	19,5	6 394 107	0,6
General liability insurance	11 574 627	5,1	9 983 713	5,0	1 590 914	0,1
Credit and suretyship insurance	6 004 639	2,7	5 643 872	2,8	360 767	-0,2
Legal expenses insurance	1 508 204	0,7	1 533 554	0,8	-25 350	-0,1
Assistance	3 179 512	1,4	2 120 255	1,1	1 059 257	0,3
Total	**225 947 014**	**100,0**	199 807 699	100,0	**26 139 315**	

Table 2. Gross Premium Income by countries

In euros	**2022**	**2021**
Estonia	68 920 862	66 527 044
Latvia	37 197 989	34 701 377
Lithuania	119 828 163	98 579 277
Total	**225 947 014**	**199 807 699**

A.3 Investment Performance

A.3.1 Overview of investment performance

Strategic investment management is the responsibility of the company's asset and liability management team which includes highly qualified specialists from Estonia and Germany. In line with the investment management system, tactical investment management is outsourced to an external service provider. Since 2020, direct contact for the company in all investment related matters is GIM – Group Investment Management department of Munich RE, which delivers the service in accordance with the strategic investment management plan and risk profile approved by the management board of ERGO.

In 2022, ERGO maintained a conservative approach to debt securities' interest rate and credit risk. The credit risk profile of the debt securities portfolio was as follows: 47.1% (2021: 41.8%) had an AAA (by Standard & Poor's) or Aaa (by Moody's) credit rating, 24.3% (2021: 20.7%) were rated AA or Aa, 12.6% (2021: 14,8%) had an A rating, 15.5% (2021: 22.1%) had a BBB or Baa rating, and 0,5% (2021: 0.5%) were rated BB or Ba.

At the year-end, investments consisted of investments in associates and subsidiaries of 0.05 million euros (2021: 0.05 million euros), debt securities of 215.3 million euros (2021: 205.2 million euros) and equities and fund units of 3.1 million euros (2021: 5 million euros). There were no investments in term deposits.

Income on assets with interest rate risk amounted to 1 million euros (2021: -0.37 million euros). Realisation of debt securities produced a loss of 1 million euros (2021: gain of 0.39 million euros). The fair value reserve decreased by 14.1 million euros (2021: increased by 0.001 million euros). Thus, the overall yield of the investment portfolio was negative 6.7% (2021: -0.12%). Investment management expenses accounted for 0.15% of the carrying value of managed investments (2021: 0.15%).

ERGO does not have any investments in securitisation.

A.3.2 Gains and losses recognised directly in equity

There was a significant change in the revaluation reserve during the reporting year. It was largely caused by ECB's policy shift, which led to four rate hikes during the year and 250 basis points higher policy rates.

In euros	**2022**	**2021**
At 1 January	**1 408 708**	**1 397 708**
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	571 258	-387 197
Derecognised from equity and recognised in profit or loss in connection with arrival of maturity date	17 891	-466
Net change in fair value recognised in other comprehensive income or expense during the year	-14 707 366	398 663
Total change in the value of available-for-sale financial assets	**-14 118 217**	**11 000**
At 31 December	**-12 709 509**	**1 408 708**

A.4 Performance of other activities

Other income contains fees, commissions, charges received; insurance brokerage income; income from currency revaluation; rental income and other income not related to insurance activities. Compared to the previous period, the structure of other incomes did not change in 2022.

Other expenses contain membership fees to Financial Supervision Authority and professional associations; audit and legal fees; expenses related to currency revaluation; insurance brokerage expenses; write-off and other expenses not related to insurance activities. The increase observed in year 2022 is caused mainly by expenses related to currency revaluation and paid interests.

In euros			2022				2021	
Other activities	**Estonia**	**Latvia**	**Lithuania**	**Total**	**Estonia**	**Latvia**	**Lithuania**	**Total**
Other income	1 942 025	261 261	1 137 542	**3 340 828**	651 068	431 147	1 065 262	**2 147 477**
Other expenses	2 035 627	233 843	814 672	**3 084 142**	1 115 242	274 917	675 509	**2 065 668**
Total result	**-93 602**	**27 418**	**322 870**	**256 686**	**-464 174**	**156 230**	**389 753**	**81 809**

A.5 Any other information

There is no other information.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

In 2022 changes in the composition of the Supervisory and Management Board were made. Two Supervisory Board members were recalled from the Supervisory Board and two new members were appointed. Also, a new Chairman of the Supervisory Board was appointed. New members were evaluated under Fit and Proper procedure and their candidacy was reconciled with Estonian Financial Supervision Authority (FSA).

On the basis of the Supervisory Board's decision, the Chief Underwriting Officer for Life and Health line of businesses and Branch Manager for Latvia, was revoked from the Management Board. More detailed information about the current composition of the Management and Supervisory Board as well as the duties and responsibilities of its members is provided below. More detailed information about current composition of the Supervisory and Management Board is provided in Chapters B.1.1. and B.1.2.

As the main registered office of ERGO is in Estonia, the company must comply with European Union laws (e. g. Solvency II directive), Estonian Insurance Activity Act as well as Estonian Commercial Code and relevant regulations, approved by Estonian Financial Supervisory Authority (*Finantsinspektsioon*).

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

ERGO has following management bodies:

- **General meeting of shareholders**
- **Supervisory Board** (consists of 4 members, elected for a term of 3 years)
- **Management Board** (consists of 4 members, elected for a term of 5 years)
- **Committees**

B.1.1 Management Board

Duties and responsibilities

The Company is managed by the Management Board. The Management Board is responsible for managing the Company, setting objectives and determining strategy. In doing so, it is obliged to safeguard Company interests and endeavour to achieve a long-term increase in the Company's value. The Management Board must ensure compliance with statutory requirements and internal company directives, and is responsible for effecting adequate risk management and risk control in the Company.

The Management Board is acting in accordance with the Rules of Procedure of the Management Board of ERGO.

The Management Board constitutes a council from the Management Board members, to whom the business management has been assigned. Duties are properly allocated between Management Board members, taking also into account the aim to avoid conflict of interest. The performance of its activities requires a sufficient presence in the company.

The Management Board members are elected by the Supervisory Board. The Chairman of the Management Board is appointed by the Supervisory Board. According to Rules of Procedure of the Management Board each Management Board member has his/hers own area of responsibility (internal allocation of tasks).

The branches of the company are managed by the branch managers. The branch managers are member of the Management Board and are appointed by the Management Board. All terms applicable for Management Board Members according to the current procedure are applicable for Branch Managers as well.

Management Board members as at the end of 2022 were:

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

The roles and responsibilities of the members of the Management Board until 31.12.2022 were as following:

Chairman of the Management Board (CEO) Bogdan Benczak is responsible for the following departments: corporate communication and marketing, corporate development and strategy, HR and office administration, legal and compliance, claims and fraud management. On temporary basis, CEO is also responsible for life, health insurance operations (UW, product development, pricing and reinsurance, AML) in the Baltics. He also is a branch manager of ERGO Insurance SE and ERGO Life Insurance SE in Latvia.

Member of the Management Board (CDO) Tadas Dovbyšas is responsible for sales (distribution) in P&C and Life in the Baltics. He is also a branch manager of ERGO Insurance SE branch in Lithuania.

Member of the Management Board (CUO P&C/LPI) Marek Ratnik is responsible for P&C insurance operations in the Baltics (underwriting, product development, pricing and reinsurance). He is also a branch manager of ERGO Life Insurance SE branch in Estonia.

Member of the Management Board (CFO) Maciej Szyszko is responsible for accounting, planning and controlling, actuarial, risk management, investments, procurement and IT in the Baltics.

Internal regulation, working procedure and delegation of tasks

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

In view of the requirement of a consistent business management the Management Board members (including Branch Managers of Company's Branches) conduct their business area independently and on their own responsibility. Any matters of fundamental importance shall be presented to the Management Board for information and/or deciding. Any matters having impact on another business area shall be decided between the responsible members of the

Management Board. In case if the Management Board members are of contrary opinions, final decision shall be taken by the CEO.

In order to ensure the necessary coordination, the matters to be discussed and/or decided by the Management Board are discussed regularly during the Management Board meetings. These are called by the Chairman of the Management Board.

The Management Board has also established internal signature rights for signing insurance contracts and for disbursement of claims.

There is also an established authorisation framework on determining signature rights for external transactions including agreements for goods and services and approving invoices.

B.1.2 Supervisory Board

Duties and responsibilities

The Supervisory Board plans the activities of the Company, organises the management of the company, elects and recalls Management Board members and supervises the activities of the Management Board. Certain transactions require its approval, but it is not authorised to take management action in place of the Management Board.

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

Members of the Supervisory Board are obliged to act in the Company's interest and when making decisions may neither pursue personal interests nor make use of the Company's business opportunities for their own purposes.

All Company business activities beyond the usual framework of daily business require the previous approval of the Supervisory Board. Exact requirements are established by the rules of procedure of the Management Board.

Meetings of the Supervisory Board shall be held when necessary but not less frequently than once every three months. The Chairman summons the meeting of the Supervisory Board.

On January 17, 2022 the shareholder took a decision on revoking Justyna Wajs from the position of the member of the Supervisory Board of ERGO Insurance SE as from 17th of January 2022 and on appointing Dr. Dirk Christoph Schautes as a Supervisory Board member of ERGO Insurance SE.

On 24th of August 2022 the shareholder took a decision on revoking Grzegorz Szatkowski and Adam Roman from the position of the member of the Supervisory Board of ERGO Insurance SE as from 25th of August 2022 and on appointing Dr. Oliver Martin Willmes and Ilona Mihele as Supervisory Board members of ERGO Insurance SE.

The members of the Supervisory Board are:

- Dr. Oliver Martin Willmes – Chairman of the Supervisory Board
- Christine Kaaz– member of the Supervisory Board
- Dr. Dirk Christoph Schautes – member of the Supervisory Board
- Ilona Mihele – member of the Supervisory Board

The Supervisory Board has established its own rules of procedure, specifying responsibilities, work processes and required majorities. It has also adopted separate charter for the Audit Committee.

B.1.3 Key functions

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

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

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

B.1.3.1 Actuarial function

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

The role of the Actuarial Function in ERGO is to measure, manage, and mitigate risks by using statistical models and analysis to enhance the understanding of risks assumed. Actuaries also provide advice on the adequacy of risk assessment, reinsurance arrangements, investment policies, capital levels and stress testing of the future financial condition of these companies. The Appointed actuary is the holder of the actuarial function in ERGO. Please see chapter B6 for details.

B.1.3.2 Compliance function

The Compliance Function includes advising the administrative, management or supervisory body on compliance with the laws, regulations and administrative provisions adopted pursuant to Solvency II directive. It also includes the assessment of the possible impact of any changes in the legal environment on the operations of the undertaking concerned and the identification and assessment of compliance risk. Please see chapter B.4.2 for details.

B.1.3.3 Internal Audit

Internal Audit is the internal audit function of ERGO. Internal Audit performs its tasks independently, objectively and under its own responsibility.

Internal Audit supports the Supervisory Board in overseeing, steering and controlling all operations and activities at ERGO. Internal Audit is only directed by the Supervisory Board with regards to the execution of the audit plan and requesting of ad-hoc audits. Please see chapter B5 for details.

B.1.3.4 Risk Management function

The Risk Management Function is an integral part of ERGO's corporate management with regard to achieving the goal of turning risk into value. The Risk Management Function is the main operating unit responsible for implementing the risk management system. Its main purpose is to assist the Management Board to effectively implement a risk management system and to integrate it into business operations. In this respect, the risk management system is understood as meaning the entirety of all measures, on an individual or aggregate basis, serving the regular identification, assessment, monitoring and management of risks taken or potential risks as well as reporting on these. Please see chapter B.3. for details.

B.1.4 Remuneration policy

The ERGO Remuneration policy sets the transparent and common remuneration system that facilitates the implementation of the company strategy.

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

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

General remuneration principles

Based upon the legal framework and regulations as well as best human resources practices, the most important principles described by the guidelines are:

- To attract, motivate and retain employees and to ensure a competitive level of remuneration.
- To provide transparency and consistency in the application of remuneration principles in the company, and to ensure a solid foundation for open internal communication.
- To ensure compliance with relevant international and national regulatory requirements, including Solvency II, and alignment with prudent and efficient risk management principles.
- To ensure remuneration principles that are consistent with the long-term strategy of the Company, the corresponding risk strategy and appetite.
- To assure equal treatment of employees in terms of their remuneration.

Principles of remuneration of Management Board members

Exact conditions of the remuneration of Management Board members are set by the Shareholder's authorised person and are reflected in the individual Management Agreement of each Member of the Management Board.

The remuneration shall not be considered as a wage or any other similar payment, which could be connected with the Management Board Member's subordination to the Company or depending solely on the profit (loss) earned by the Company.

Job grading

All job positions within the Company are classified according to the remuneration survey provider principles and updated annually. The basis for classifying a position is the corresponding job evaluation based on Hay or Fontes method. The Hay as well as the Fontes Method are analytic methods to evaluate job requirements by means of defined evaluation criteria. The approach of Hay as well as Fontes method is related to the job position and not person.

Total Compensation approach

ERGO applies a total compensation approach. The total remuneration generally contains only fixed remuneration. The exceptions for Sales unit executives (2nd and 3d managerial level) and employees having direct sales responsibility and recourse lawyers in the claims handling unit in Estonia and Latvia, where the variable incentive is also paid in addition to fixed remuneration.

Fixed remuneration

The fixed remuneration is determined on the basis of position and respective salary range, considering also personal professional experience, responsibility, job complexity, local market conditions. It is paid monthly according to local legislation.

Each Management Board Member receives as a remuneration for his/her activities as a Management Board Member an annual gross salary set forth in the individual Management Agreement (incl. vacation period). The annual gross remuneration is divided into 12 monthly instalments to be paid in accordance with the local legislation.

Where the Management Board Member occupies other positions on the basis of employment agreement and receives a salary under such employment agreement, the overall fixed remuneration payable to the Management Board Member as referred to herein shall cover the salary payable under the employment agreement, so that in any case the overall fixed remuneration to be paid to the Management Board Member does not exceed the annual gross salary set forth in the Management Agreement.

Social package

The company provides employees with attractive social package, which includes additional vacations, trainings, health and life insurance, recognition for length of service, etc.

Pension scheme for the Management Board

The Company contributes a yearly amount at the rate of 5% of the annual gross fixed remuneration of the Management Board Member for the pension scheme, which the Management Board Member has to choose and indicate to the Company. The insurance may also cover benefits in case of invalidity and for surviving family members as well as accident insurance if the latter was agreed in former Management Agreements.

The payments to the pension scheme shall be made throughout the duration of the Management Agreement upon submission of the corresponding agreement.

B.1.5 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management and supervisory bodies

There was no such kind of transactions during reporting period.

B.2 Fit and proper requirements

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

Persons to whom the fit and proper requirements apply:

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

B.2.1 Fitness requirements

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

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

- Insurance and financial markets;
- the business strategy and business model;
- the system of governance;
- financial and actuarial analysis
- the regulatory framework, requirements, internal model used to calculate solvency requirement (risk model) and management

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

Members of the Supervisory Board must always have the experience and knowledge required to exercise appropriate control over and supervise the Board of Management, and to actively oversee the development of the undertaking. In order to fulfil that function, they must understand the business conducted by the undertaking and be able to assess the risks for the undertaking. Members of the Supervisory Board must be familiar with laws and regulations of relevance to the undertaking. Collectively, the Members of the Supervisory Board must as a minimum possess knowledge in the areas of investment, underwriting/ actuarial practice and accounting.

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

B.2.2 Propriety requirements

A Key Person is considered “proper” if he/she is of good repute and integrity. Inadequate propriety is presumed if generally based on person’s character, personal behaviour and business conduct (in any jurisdiction), including any criminal, financial, supervisory aspects, the assumption is justified that hat such circumstances could affect the sound and prudent exercise of their mandate or function. Account is taken of the personal and professional conduct of the person concerned with regard to criminal, financial, proprietary and regulatory law. Of particular relevance are criminal or administrative offences, other imposed sanctions to the person and circumstances related with it, especially if in connection with corporate activities and breach of legal requirements related to the mandate or the function in question.

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

Each person concerned must be considered as "proper”. No proportionality can be applied for the propriety requirements because, irrespective of the nature, scale and complexity of the risks associated with the business of the entity, the reputation and integrity of a person concerned must always be at the same appropriate level.

B.2.3 Assessment of fitness and propriety

The assessment must be carried out prior to a first appointment, election, or assignment of responsibility. This is performed by the Fit and Proper Committee.

In order to perform the assessment in time and get approval of Financial Supervisory Authority to candidacy of Management Board member, Secretary of Committee on members of the Management Board assessment must be informed in advance (at least 60 days) before planned beginning of office duties.

Assessment of fitness

The fitness assessments shall include, but will not be limited to, a review of employment history, references and educational and professional qualifications in relation to the respective duties allocated to the relevant key function. The fitness assessment shall be based on the definition of the required knowledge, experience and qualification for the allocated duties.

The fitness assessments shall include, but will not be limited to, a review of:

- Candidate ID.
- Employment history and references (CV).
- Education (proved by certificate).
- The presented questionnaires.

While knowledge and qualification are significant factors, it may be taken into account whether further professional training can be arranged in due course to remedy any aspects of the Key Person's qualifications with respect to the fitness requirements that have been identified as missing in the course of the fitness.

When changes occur within the Management or Supervisory Board, the collective qualification, experience and knowledge need to be maintained at an appropriate level at all times. Therefore, the collective fitness assessment is always performed in cases of changes on Management or Supervisory Board set up. The collective fitness assessment on Management Board Members shall be performed by the Committee on members of the Management Board.

Assessment of fitness and propriety of each Supervisory Board member is performed by the Supervisory Board, however it is supported by the report presented by Legal & Compliance on the Assessment of the Supervisory Board members in compliance with the Fit and Proper requirements under the external and internal requirements. The formal collective fitness assessment of whole Supervisory Board as the body is also supported by Legal and Compliance division in accordance with the Guideline.

Assessment of propriety

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

The considerations include, but are not limited to, the following:

- Information on potential conflicts of interest with details, if applicable.
- Criminal offences under the laws governing banking, financial, securities or insurance activity, or concerning securities markets or securities or payment instruments, including, but not limited, to laws on money laundering, market manipulation, or insider dealing and usury as well as any offences of dishonesty such as fraud or financial crime. They also include any other criminal offences under legislation relating to companies, bankruptcy, insolvency, or consumer protection.
- Any other criminal offences in the past may also be relevant, as they can cast doubt on the integrity of the Key Person.
- Disciplinary or administrative offences made under an activity of the financial sector, including offences under legislation relating to companies, bankruptcy, insolvency, or consumer protection.
- Other circumstances than court decisions and on-going judicial proceedings, which may cast doubt on the repute and integrity of the person, including current investigations or

enforcement actions, the imposition of administrative sanctions for non-compliance with provisions governing banking, financial, securities or insurance activity, securities markets, securities or payment instruments or any financial services legislation.

- Current investigations or enforcement actions by any relevant regulatory or professional body for non-compliance with any relevant provisions could be taken into account.

However, previous infringements do not automatically preclude the Key Person from being assessed as proper for the duties he/she is to perform. While criminal convictions, disciplinary or administrative measures or past misconduct are significant, the assessment must be carried out on a case-by-case basis. Hence, consideration must be given to the type of misconduct or conviction, the level of appeal (definitive/final vs. non-definitive/non-final convictions), the lapse of time since the misconduct or conviction, its severity and the Key Person's subsequent conduct.

The proper assessments shall include, but will not be limited to, a review of criminal records and presented questionnaire with necessary annexes.

Reassessment

The fitness and propriety of the Key Persons shall be reassessed on an ongoing basis by the responsible Fit and Proper Committee.

Each Key Person is obliged to contribute to the maintenance of his/her fitness by actively searching for and taking on opportunities to improve their professional qualifications, knowledge and experience.

Reassessment is organized in such cases as:

- indications, that the Key Person might not fulfil the criteria;
- the initial assessment was inaccurate;
- additional or new information which after assessment gives reason to believe that fitness or propriety requirements might not be met anymore by that key person;
- the renewal of a contract if the key person is a Management Board member;
- significant changes in the duties allocated to the key function;
- five years have passed from last assessment.

The need for re-assessment is monitored regularly.

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

B.3.1 Description of risk management system

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

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

Risk management processes

We view risk management as an enterprise-wide discipline by which we identify, assess, measure, steer, monitor and report risks from all potential sources for the purpose of achieving our risk management objectives. The diagram below shows the risk management cycle and associated key tasks.

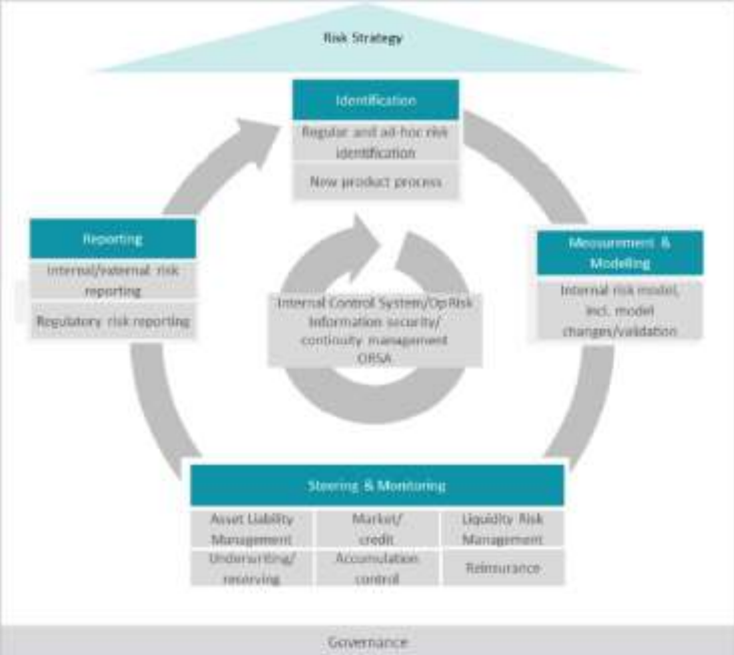

Figure 2. Risk Management Cycle

Risk strategy

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

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

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

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

Risk identification

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

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

Risk assessment and measurement

Based on the results from the risk identification, risks can be quantified or assessed qualitatively. The frequency of the assessment may differ dependent on the nature of the risk and the significance of a single risk or group of risks.

ERGO uses the standard formula for risk quantification. For all risks covered by the standard formula, the (sub) module results are used in general as basis for the risk quantification. Risks that are not modelled (e.g. strategic risks, reputational risks and liquidity risks) are evaluated qualitatively with specific assessment methods.

Stress tests and scenario analyses are implemented where appropriate. There are several methods how to implement the analysis, depending on risk type (quantifiable vs. non-quantifiable), time horizon (trend vs. instant) and valuation methods.

Risk steering

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

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

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

Risk monitoring

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

The methods for risk monitoring include comparison of actual with target, analysis of the efficiency of risk measures, analysis of the results of the risk profile analysis and performance measures as well as the monitoring of existing controlling figures linked to risk management.

Escalation processes have been defined for limit breaches and are also documented in the RLTM.

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

Risk reporting

To ensure continuous monitoring regular reporting process is established. Input is gained from a variety of sources such as the bottom up risk assessments, ad-hoc reports, internal audit reports, operational risk event reporting, early warning reporting, quarterly solvency calculations, company results, as well as discussions with the management. The internal risk report contains information about the key risks the company is exposed to and should enable management to evaluate the current risk profile and decide on necessary steering measures.

In case of a significant change in the risk situation, an immediate reporting to the company's management is performed. The ad-hoc risk reporting process complements the regular risk reporting processes thus ensuring that new risks or significant changes to existing risks are reported comprehensively and swiftly. This report includes an appropriate risk analysis and assessment. Ad-hoc reporting on arising risks is to ensure that the involved parties are informed and – where necessary – appropriate measures to steer and control the risk have been initiated.

B.3.2 Description of Risk Management Function

Methods, standards, processes and policies are defined by ERGO IRM in line with the overall Munich Re Group framework. Local risk management function is responsible for implementing the IRM methodology on a legal entity level. The Management Board of the Company is ultimately responsible for risk management.

Figure 2. Risk Management Organization within Munich Re and ERGO Group

In ERGO the risk management function is carried out by Risk Management division. The Head of Risk Management reports directly to the CFO. Reporting lines have been set up between the head of risk management function and ERGO Group CRO.

The risk management function is the main operating unit responsible for implementing the risk management system in ERGO. Its main purpose is to assist the Management Board to effectively implement a risk management system and integrate it into business operations. Members of the risk management function are not engaged in regular business operations to ensure their operational independence. The risk management function has full and unlimited access to information throughout the company.

Main functions and objectives:

- Coordination tasks: The risk management function coordinates the Risk Management activities at all levels and in all business areas. In this role, it is responsible for the development of strategies, methods, processes and procedures for the identification, assessment, monitoring and management of risks, and ensures correct implementation of Risk Management guidelines.
- Risk control tasks: The risk management function is responsible for mapping the overall risk situation of the company. Its tasks also include adequate consideration of reciprocal interactions between individual risk categories, the preparation of an aggregated risk profile as well as, in particular, the identification of risks threatening the continued existence of the company/Group.
- Early warning tasks: The responsibility of the risk management function also includes implementation of a system that ensures the early recognition of risks and preparation of proposals for suitable countermeasures.
- Advisory tasks: The risk management function advises the Board of Management on Risk Management matters and supports strategic decisions in an advisory capacity.
- Monitoring tasks: The risk management function monitors the effectiveness of the Risk Management System, identifies possible weaknesses, reports to the Management on these and develops suggestions for improvement.

The risk management function also ensures comprehensive reporting to the Management; in addition to illustrating the current risk situation, this also includes Own Risk and Solvency Assessment (hereinafter ORSA) results and an assessment of the quality of the Risk Management System.

The risk management duties and responsibilities in ERGO are divided between Risk Management and Actuarial functions.

In addition to the actuarial activities, Actuarial function is responsible for the risk management system with focus on the projection of the future financial position, development of methods and processes in line with group standards for risk evaluation and monitoring (especially related to quantitative risk evaluation), identifying, assessing and managing risks related to technical provisions, identifying and assessing risks related to underwriting and reinsurance and the assessment of the solvency position.

Risk management is embedded in relevant steering and business processes. This is ensured by clearly defining processes, roles and responsibilities. It can be stated, that risk management is involved whenever decisions are taken that may lead to a significant change in the risk profile. When decisions are required that lie outside the predefined level of authority of the risk taker, involvement of and approval from risk management is mandatory.

The examples of the processes, where risk management function is involved, are:

- New products incl. adjustments (insurance products, investments) and new business segments
- Outsourcing
- Investment Management
- Underwriting/Reinsurance
- Strategic Planning Process

B.3.3 Own risk and solvency assessment

The Own Risk and Solvency Assessment (ORSA) is an integral part of our risk management system.

The performance of the ORSA is embedded in the relevant processes, e.g. risk management, planning process, capital management. The results and conclusions of the ORSA – documented annually in the ORSA Report – are an important management tool and have to be taken into account in the strategic decisions on an ongoing basis.

The Board of Management has the ultimate responsibility for ORSA. It plays an active role in the set-up of ORSA and has to challenge the ORSA outcome. The objectives of the ORSA and the corresponding roles, responsibilities and processes are described in the ERGO ORSA Policy which has been approved by the ERGO Board together with an Entity Specific Appendix.

The development of the risk strategy is closely aligned with the annual business planning cycle and the corresponding ORSA considerations. The ORSA aims to promote a better understanding of the specific risk profile of the company and to enhance the decision making on Board level by using the ORSA results e.g. within the business planning process. The ORSA process also allows disclosure of sufficient and clear information to relevant stakeholders.

The regular ORSA activities associated with the business planning process are conducted annually or more often if necessary (after significant changes in the risk profile). Timeline for annual ORSA is defined in line with the Company's annual planning process. More frequent monitoring is in place for the most relevant risk criteria via quarterly risk reporting as well as ad hoc reporting.

As part of the ORSA, the connection between the risk profile, the risk tolerances and the own solvency needs are outlined. Own solvency needs is determined based on the following processes:

- Definition and annual review of the "Financial Strength" criteria in Risk Strategy
- The assessment of the quantity and quality of Own Funds
- Assessment of actual capital adequacy over the business planning horizon
- Demonstration of main assumptions underlying the projections
- Performance of stress test and scenario analysis
- Assessment of the model appropriateness
- Assessment of the risks not covered in the model

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

B.4 Internal control system

B.4.1 Description of the internal control system (ICS)

Our internal control system (ICS) is a system for managing operational risks integrated across all risk dimensions and areas of the company. The ICS meets the requirements of corporate governance as well as the legal and regulatory requirements.

ERGO's ICS functions as an integral component of our group-wide risk management and hence constitutes a key element of ERGO's corporate governance. Within the ICS, the significant operational risks and corresponding controls are identified, analysed and assessed across all important risk dimensions (financial reporting, compliance and operations) with the aim of achieving a harmonised, holistic approach to risk controls with no overlaps and no gaps.

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

Organizational responsibility is under the Risk Management. The departments are responsible for the risks and controls within their area. The integration of all departments creates a uniform understanding of risk. This enables us to improve our awareness of risks and controls. Clear responsibilities for risks, controls and control measures also create transparency.

By making our risk situation transparent in this way, we can focus on and react rapidly to possible weaknesses or changes in internal and external requirements. This means that we are able to identify risks at an early stage, address control shortcomings immediately and take effective remedial action.

Internal Audit assesses regularly the effectiveness of the ICS in the key processes and applications.

B.4.2 Compliance function

Description the compliance function

The Compliance Function includes advising the administrative, management or supervisory body on compliance with the laws, regulations and administrative provisions adopted pursuant to Solvency II directive and others. It also includes the assessment of the possible impact of any changes in the legal environment on the operations of the undertaking concerned and the identification and assessment of compliance risk.

The Compliance function is part of internal control system. Considering this obligation, ERGO has established special job positions, related to this function. The Head of Legal and Compliance division in Baltic States is appointed as the Chief Compliance Officer. Three local Compliance Officers (i.e. in Estonia, Latvia and Lithuania) are appointed from Legal and Compliance division, local Compliance Officer in Lithuania has additional regional responsibilities.

The Head of Legal and Compliance division in the Baltic States reports (functionally) directly to the member of the Management Board, responsible for this area (CEO) and to the Group Compliance (horizontal reporting line). Local Compliance Officers report (functionally) directly to the Chief Compliance Officer.

The activity of the Compliance function is regulated with Compliance Policy.

Compliance Policy comprises definitions, objectives, principles, instruments and methods for the assurance of compliance in ERGO. All the main principles of the Compliance Policy are also reflected in the job descriptions of persons performing the function.

The Compliance Function has these basic responsibilities:

- compliance risk control - identification and assessment of compliance risks, recommendations for the mitigation and elimination of compliance risks, participation in design of compliance risk control measures;
- early warning - monitoring of significant changes in the legal environment and provision or relevant information to respective recipients; recommendations regarding compliance risks and escalation;
- consulting and reporting - consultation on compliance with applicable legal requirements and possible impact of legal changes, compliance trainings, escalation of relevant compliance issues, participation in relations with other subjects, reporting on Compliance topics to the Management Board and Group Compliance;
- monitoring - monitoring of adherence to legal requirements on a regular basis and creation of necessary controls.

B.5 Internal audit function

The internal audit function of ERGO, supports the Supervisory Board and the Management Board in carrying out its monitoring tasks. In particular, it is responsible for examining the system of internal governance. These include the risk management system, the internal control system (ICS) and the three key functions compliance, risk management and actuarial.

B.5.1 Organization

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

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

B.5.2 Core tasks of Internal Audit

The core tasks of Internal Audit include:

<u>Audit Performance</u>: Internal Audit audits the Governance System, consequently the entire business organization, and in particular the Internal Control System in terms of appropriateness and effectiveness. The auditing work of Internal Audit must be carried out objectively, impartially and independently at all times. The audit area of Internal Audit covers all activities and processes of the Governance System, and explicitly includes the other Governance Functions. The audit assignment includes the following areas in particular:

- Effectiveness and efficiency of processes and controls,
- Adherence to external and internal standards, guidelines, rules of procedure and regulations,
- Reliability, completeness, consistency and appropriate timing of the external and internal reporting system,
- Reliability of the IT systems,
- Nature and manner of performance of tasks by the employees.

<u>Reporting tasks</u>: A written report must be submitted promptly following each audit by Internal Audit. At least once per year, Internal Audit will prepare a report comprising the main audit

findings for the past financial year. Within the follow-up process, Internal Audit is also responsible for monitoring the rectification of deficiencies.

Consulting tasks: Internal Audit can provide consulting work, for example within projects or project-accompanying audits, and advise other units concerning the implementation or alteration of controls and monitoring processes. The prerequisite is that this does not lead to conflicts of interest and the independence of Internal Audit is ensured.

B.5.3 Independence and Objectivity

The managers and employees of Internal Audit are aware and adhere to the national and international standards for the professional standards of Internal Audit.

This also applies to the principles and rules for safeguarding the independence and objectivity of Internal Audit. Numerous measures (adequate positioning in the organizational structure, consistent segregation of duties, and comprehensive quality assurance during the audit) ensure that the independence and objectivity of the internal audit is adequately ensured.

The Head of Internal Audit is directly subordinated administratively to the CEO and functionally to the Supervisory Board. She has direct and unrestricted access to the Management Board and the Supervisory Board of ERGO and all branches and subsidiaries. As a service provider for the company, she is independent from all other functions of the company.

In order to ensure independence, the employees of Internal Audit do not assume any non audit-related tasks. Employees who are employed in other departments of the company may not be entrusted with Internal Audit tasks. This does not exclude the possibility for other employees to work for Internal Audit temporarily on the basis of their special knowledge or personnel development measures.

When assigning the auditors, attention is paid to the fact that there are no conflicts of interest and that the auditors can perform their duties impartially. In particular, it is ensured that an auditor does not audit any activities for which he himself was responsible in the course of the previous twelve months.

Internal Audit is not subject to any instructions during the audit planning, the performance of audits, the evaluation of the audit results and the reporting of the audit results. The right of the Supervisory Board and the Management Board to order additional audits does not impair the independence of Internal Audit.

According to the statement of the Head of Internal Audit, the function has sufficient resources and conducts the audits on its own responsibility, independent and impartially (objectively). The Head of Internal Audit contributes to the independence and objectivity of Internal Audit by his/her behavior.

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

B.6 Actuarial function

B.6.1 Set up of Actuarial Function

The Art. 48 of the Solvency II Directive obliges insurance and reinsurance undertakings to set up an effective Actuarial Function. Within the scope of the tasks as per Solvency II, the Actuarial Function performs monitoring tasks in the actuarial field as the 2nd line of defence. Focal points are the coordination of the calculation of technical provisions, monitoring tasks are related to the underwriting policy as well as the use of reinsurance. The Actuarial Function also supports the Risk Management Function.

ERGO actuaries have a detailed understanding of economic, financial, demographic and insurance risks in the Baltic States and expertise in developing and using statistical and financial models to facilitate financial decisions, pricing, establishing the amount of liabilities, and setting capital requirements for uncertain future events within ERGO. The role of the Actuary Function in ERGO is to measure, manage, and mitigate risks by using statistical models and analysis to enhance the understanding of risks assumed. Actuaries also provide advice on the adequacy of risk assessment, reinsurance arrangements, investment policies, capital levels and stress testing of the future financial condition of these companies.

The Actuarial Function performs its tasks independently from the front office and from risk taking activities of the Management Board and has no responsibility for the company's profits and financial results. The Head of Actuarial Department (Appointed Actuary) carries out the Actuarial Function in ERGO. Appointed Actuary reports to the Management Board member CFO.

B.6.2 Tasks of Actuarial Function

The Actuarial Function assumes the lead management role in the coordination of all work to the calculation and valuation of technical provisions for purposes of Solvency II and is responsible for the development and appropriateness of corresponding methods and the underlying models, procedures and processes. This includes both the statistical quality of the actuarial valuation as well as the quality of the data used and the validation of the results.

The Actuarial Function informs and advises the Management Board concerning the underwriting policy as well as concerning the appropriateness of the reinsurance agreements. In particular, it indicates the interactions between the reserving, the underwriting and the reinsurance cover, and develops recommendations for optimizing the underwriting, acceptance and reinsurance strategy. At least once a year the Actuarial Function provides a written report to the Management Board.

In addition, the Actuarial Function supports the Risk Management Function in its tasks, in particular terms of concerning risk and solvency assessment, and also provides actuarial expertise.

B.7 Outsourcing

B.7.1 Description of outsourcing

Some of Company's functions are outsourced. Despite outsourcing, the Company still bears responsibility for ensuring that the purchased service meets the criteria set for insurance companies. Guidelines on the Minimum Requirements for Outsourcing for the Companies of the ERGO Group (Outsourcing Policy) and its Entity Specific Appendix regulate the outsourcing of any critical or important operational functions or activities.

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

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

ERGO has not outsourced any key functions. Most significant outsourced services are the outsourcing of IT maintenance services, the outsourcing of investment operations, the outsourcing of assistance services in claims management.

B.8 Assessment of adequacy for the system of governance

The organizational structure of ERGO is considered appropriate to the complexity and size of the operations as well as to the business strategy. The Organizational Structure Management Policy sets the consistent and transparent principles of organizational structure management, to support management and employees in the development and implementation of effective organizational structure management practices.

The system of governance of ERGO includes an adequate transparent organizational structure with a clear allocation of functions and responsibilities:

- the business organization and all disciplinary and functional reporting lines are documented;
- responsibilities are appropriately segregated in order to ensure the effective operating of the system of governance.

The governance model is described in “Guidelines on Review of System of Governance” and set by the Management Board decision on management view of the governance model.

A concept of independent governance functions (“1st, 2nd and 3rd lines of defense”) has been implemented within ERGO, ensuring that there is no undue influence, control or constraint exercised on the risk control functions with respect to the performance of their duties by other operational functions. Independent governance functions and business functions which are building up risk positions are clearly segregated at all levels, including the Management Board.

An effective system for ensuring the transmission of information is in place. Clear disciplinary and functional reporting lines ensure prompt transfer of information to all persons who need it.

Requirements for the creation and communication of policies, guidelines and work instructions are laid out in a Guideline (“Guideline for creation and administration of internal norms”), ensuring that all persons are aware of all information necessary for the proper discharge of their responsibilities.

ERGO has established their key functions in an adequate way: the key functions risk management, compliance, internal audit and actuarial function are established in separate organizational units. The Head of each unit has been appointed as key function holder. The organizational set up of the key functions provides independence in performing their control function. For more information see chapters B.3-B.6.

B.9 Any other information

There is no other information.

C. RISK PROFILE

Preliminary information

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

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

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

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

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

Use of special purpose entities

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

C.1 Underwriting risk

C.1.1 Risk exposure

ERGO operates in three Baltic countries with a broad range of products. The Company’s underwriting strategy seeks diversity to ensure a balanced portfolio. ERGO analyses its insurance portfolio on permanent basis and has developed sophisticated tariff models to price the products.

ERGO is acknowledging the following underwriting related risks: premium and reserve risk, catastrophe risk and lapse risk. The premium and reserve risk takes into account losses that occur at a regular frequency. Extreme events, which occur very rarely, are taken into account in the catastrophe risk.

Premium risk is related to future claims arising during and after the period for the solvency assessment. The risk is that the expenses plus the volume of (covered but not incurred) losses for these claims (comprising both amounts paid during the period and (incurred but not settled) claim provisions made at its end) are higher than the premiums received. Premium risk is present at the time the policy is issued, before any events occur. Premium risk also arises because of uncertainties prior to issues of policies during the time horizon.

Reserve risk stems from two sources: on the one hand, the absolute level of the claims provisions could be mis-estimated. On the other hand, the actual claims will fluctuate around their statistical mean value because of the stochastic nature of future claims pay-outs. The company is also subject to longevity as well as revision (inflation) risk stemming from Motor Third Party Liability pensions.

In case of ERGO, the catastrophe risk includes only man-made catastrophes and no natural catastrophes. As specified in the Delegated Acts, none of the Baltic countries is exposed to specified natural catastrophes (windstorm, earthquake, flood, hail and subsidence). Nevertheless, in order to withstand catastrophes, however unlikely, ERGO is purchasing specific catastrophe reinsurance cover.

Future premiums exposed to significant deviation of actual lapse ratio from the expected lapse ratio. The risk can develop in correlation of general economic environment and unfavourable media coverage resulting in loss of trust by customers.

C.1.2 Material changes in underwriting risk over the reporting period

By lines of business the biggest share of underwriting risk is rising from the Motor portfolio followed by Fire and other damage to property insurance portfolio. In 2022 the underwriting risk decreased mostly in Motor and Marine insurance portfolios where both premium and reserve risks decreased. The pandemic risk was included to the calculations under the Health portfolio.

C.1.3 Measures for risk assessment

The significant Underwriting risks are evaluated within the Standard Formula. Risk capital for underwriting risk is most affected by the quick portfolio growth, the composition of the portfolio, in terms of both quality and line of business balance, and environmental changes.

The company has accumulated enough knowledge and expertise over the years to manage the growth in underwriting risk well. Qualified actuarial skills are used in portfolio pricing to establish adequate premium levels as well as appropriate reserve and capital levels, underwriters and claims handlers of the Company are highly experienced and reinsurance contracts are in place. All assumptions and models are regularly reviewed, actuarial modelling results are compared against experience in both pricing and reserving.

C.1.4 Material risk concentrations

ERGO belongs to Munich Re Group that has defined a methodology applicable to all ERGO Group subsidiaries for performing the accumulation risk management process. The process for accumulation risk management is intended to ensure that all risks that could pose a substantial threat to the business are identified, assessed and steered.

Underwriting risk concentration risk stems from high concentration of risks in one building or small geographical area. In ERGO the risk is the most significant in property lines of business. Additionally, the risk may arise in the motor business, i.e. concentration of risks in the ownership of one customer or higher concentration of special client segments due to anti-selection.

C.1.5 Risk reduction techniques

In order to protect its solvency position ERGO has concluded several reinsurance agreements. The main forms of reinsurance are risk based obligatory non-proportional and risk based obligatory proportional reinsurance, accompanied by catastrophe reinsurance protection for aggregation of net risks deriving from several of lines of business. Risks exceeding the limits of obligatory reinsurance contracts or falling outside their scope are reinsured on a facultative basis.

While preparing the obligatory reinsurance program the portfolio structure, available solvency free capital and prudent future development trends are considered. The insurance portfolio is modelled in order to find optimal level of retention as well as the required treaty limits.

ERGO Group internal regulations and reinsurance company ratings are used in the process of choosing the reinsurance partners. The reinsurance program is approved by the ERGO Management board on annual basis. The Company has adopted the reinsurance strategy and process for purchasing facultative reinsurance. In case of deviances from reinsurance programs Risk Management approval is necessary.

C.1.6 Description of Stress tests and scenario analyses

Primary objectives of stress tests and scenario analyses are to enhance the transparency of the risk profile particularly by evaluating the sensitivity of the solvency ratio and the Company's viability. The focus of the stress tests and scenario analyses is set on assessing the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) according to the Standard Formula and Own Funds (OF) impact of scenarios or stresses.

The stress tests and scenario analyses should cover all material risks. The materiality concept covers the assessment of the materiality for all quantifiable risks.

The following main objectives are covered by the stress tests and scenario analyses:

- Transparency of the risk profile:
  - Sensitivity of solvency ratio according to the Standard Formula
  - Identification of scenarios being a threat to the company's viability
- Risks in the business plan:
  - Analysing the risks in missing targets set in the business plan.

Both instantaneous sensitivity tests as well as long-term tests showed that from the Solvency point of view it is important to manage the profitability, especially in combination with the growth and in the light of potential climate changes and high inflation rates in Baltic countries. Another important impact comes from the reinsurance partners and their potential defaults in case of catastrophes. From operational risks IT related negative scenarios are potentially very impactful.

For the reverse stress test, the qualitative analyses which scenarios may lead to a critical solvency situation, a situation in which the survival of the company is not ensured anymore, were performed. The objective of stresses was bringing Own Funds to the level of SCR and MCR, i.e. Own Funds = SCR/MCR. Since the Company's Solvency ratio is sufficient, no other single scenario used, except of the default of the main reinsurance partner, would on its own directly lead Own Funds to SCR, there will need to be several.

C.2 Market risk

C.2.1 Risk exposure

Due to the fact that a large portion of our Company's portfolio consists of (fixed-) interest securities, changes of the general interest rates and credit spreads have a considerable effect on the value of our investments.

The following significant risk drivers and risk causes or challenges regarding risk identification and assessment have been identified:

- Interest rate risk (incl. spread risk and interest volatility).
- Property risk.

Aggressive rate hike cycle of ECB had an impact on the company's revaluation reserve. Since the monetary policy path forward is unclear, the company avoids allocations into riskier parts of the investment universe and seeks duration matching between assets and liabilities as much as practically possible.

C.2.2 Measures for risk assessment

The significant risks of the asset portfolio are evaluated within the Standard Formula. Additionally, exposure to fluctuations in market value is assessed on an ongoing basis using four internal models. The detailed description of the models can be found in Chapter C.2.5 "Description of stress tests and scenario analyses".

C.2.3 Material risk concentrations

Below is the list of 10 counterparties with highest market exposure.

Counterparty	Type of exposure	Rating	Total exposure, €
Deutschland, Bundesrepublik	6 - Zero risk Art 187_1-3	AAA	30 008 285
Frankreich, Republik	1 - Standard exposure 3 - Covered bond exposure, DA §187(1) 6 - Zero risk Art 187_1-3	AA1/AA2	12 603 614
Commerzbank AG	3 - Covered bond exposure, DA §187(1)	AAA	5 457 293
Landesbank Baden-Württemberg	1 - Standard exposure 3 - Covered bond exposure, DA §187(1)	A3/AAA	4 618 771
Italien, Republik	6 - Zero risk Art 187_1-3	BBB2	4 479 866
Norddeutsche Landesbank Girozentrale	3 - Covered bond exposure, DA §187(1)	AA2	4 366 681
Niederlande, Königreich	6 - Zero risk Art 187_1-3	AAA	4 296 849
Österreich, Republik	6 - Zero risk Art 187_1-3	AA1	3 878 061
Hamburg Commercial Bank AG	3 - Covered bond exposure, DA §187(1)	AA1	3 869 388
C.R.H. - Caisse de Refinancement de l'Habitat S.A.	3 - Covered bond exposure, DA §187(1)	AAA	3 613 698

C.2.4 Risk reduction techniques

The company does not have any risk mitigation techniques currently in place. At the end of 2022 the company did not have any outstanding risk mitigation contracts.

C.2.5 Description of stress tests and scenario analyses

The exposure to fluctuations in market value is assessed on an ongoing basis using four internal models. The first, Net Loss Limit (NLL), monitors the probability of achieving a result that surpasses the minimum investment result fixed by the actuaries. The second, Credit Value at Risk (CVaR) measures the potential loss that a portfolio of assets, exposed to credit risk, could suffer due to a weakening of the issuer's credit rating. The third model, Market Value at Risk (MVaR), measures the possible decrease in value of the existing investment portfolio during one year. The fourth model, Investment Asset/Liability Mismatch (InvALM), combines the two aforementioned models (CvaR, MVaR) with the company's liability side and monitors, how the market events might influence the company due to the risks taken on asset side exceeding the risk neutral position from liabilities.

C.3 Credit risk

C.3.1 Risk exposure

Credit risk is defined as the economic loss that can arise if the financial situation of a counterparty changes. The credit risk includes both the risk of migration (deterioration of the "credit rating" of the counterparty) and the credit spread risk (price changes within a fixed rating class).

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

C.3.2 Measures used for risk assessment

Credit risk is not evaluated explicitly in the Standard Formula approach. It is only captured implicitly under a combination of market and counterparty default modules. From the perspective of ERGO Group the latter is proved to be reasonable since there are no material differences between corresponding shocks applied in Group Internal Model and Standard Formula.

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

The counterparty credit risk we face is closely monitored and actively managed. In an annual process we analyse our Company's exposure to reinsurance counterparties, especially for ceded business outside of the Munich Re group. Here, we also benefit from the central credit risk assessment processes of MR Group.

C.3.3 Material risk concentrations

Please see chapter C.2.3 under Market risk.

C.3.4 Risk reduction techniques

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

C.3.5 Stress test and scenario analyses

Please see chapter C.2.5 under the Market risk.

C.3.6 Material changes in credit risk over the reporting period

Under Standard Formula the counterparty default risk module considers two different kinds of exposures - Type 1 and Type 2 exposures. While the Type 1 relates mostly to reinsurance and financial institution counterparties, Type 2 has to do with policyholders' and intermediaries' debts. In 2022 the company did not change its approach to Counterparty Default risk; Solvency Capital Requirement value changes were related to changes in the underlying exposure.

C.4 Liquidity risk

C.4.1 Risk exposure

Liquidity risk refers to the risk that a company is unable to meet its financial obligations at maturity due to the lack of fungibility of existing assets.

Considering the short-term nature and liquidity characteristics of fixed income portfolio it's reasonable to expect availability of liquid funds even under most severe insurance and market events. Liquidity needs might be significantly increased because of insurance event (extraordinarily big claim) but even in that case the pay-out is not immediate but usually according to previously agreed schedule. Therefore, liquidity risk is of minor importance for the Company.

Additionally, there is possibility of liquidity squeeze in the financial markets but considering maturing bonds and high share of liquid government bonds, the company should be in position to meet liquidity demands even under most severe circumstances.

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

According to Article 260(2) of the Commission Delegate Regulation (EU) 2015/35, the expected profit included in future premiums shall be calculated as the difference between the technical provisions without a risk margin and a calculation of the technical provisions without a risk margin under the assumption that the premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future are not received for any reason other than the insured event having occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

The total amount of expected profits included in future premiums is 3.6 million EUR, the value has increased during 2022 due to increased profitability.

C.4.3 Measures used for risk assessment

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

C.4.4 Material risk concentrations

There are no material risk concentrations regarding liquidity risks.

C.4.5 Risk reduction techniques

Liability based investment approach, where duration of liabilities is matched with asset with similar duration, forms also good foundation for reducing liquidity risks. Additionally, fixed income portfolio consists of a significant part of government and covered bonds with excellent liquidity characteristics.

C.4.6 Stress test and scenario analyses

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

C.5 Operational risk

C.5.1 Risk exposure

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

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

The highest operational risks have been identified in the areas of execution, delivery and process management (errors in data entry, accounting, underwriting, etc.), internal fraud (unauthorized activities of employees) and suitability, disclosure & fiduciary (failed mandatory reporting, actions that could cause violation of Data protection, insurance supervision and contract law). In addition, single high operational loss events might endanger the company's ability to continue with business operations. These events include errors in reserving and underwriting, internal fraud, business interruption due to system failure or fire and disclosure of confidential data.

C.5.2 Measures for risk assessment

The company manages the risks which are connected to the business processes with adequate controls in the respective processes and used IT applications. Also the controls and measures on legal entity level guarantees compliance with the regulatory requirements. The functionality of the single controls is guaranteed via the cooperation of the different functions of the 1st to 3rd line of defence and as well via the interlocking of controls on the different levels within the Internal Control System.

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

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

C.5.3 Material risk concentrations

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

C.5.4 Risk reduction techniques

The operational risk management focuses on the following operative elements:

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

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

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

C.6 Other material risks

C.6.1 Strategic Risks

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

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

- Political environment – political environment in the Baltic States is currently stable.
- Competitive market environment – markets continue to be competitive, especially considering the ambiguity of the worlwide developments. Declined market demand and as a result possible decrease of premiums would end in difficulties to generate positive UW results
- Demographical situation – high migration and continuing population aging might trigger a need for different products we offer. Furthermore, the number of potential clients might decrease constantly.
- The possible impact to the business model of ERGO by changed customers' behaviour and needs in terms overall situation in the world and digitalization.

In addition, to the risks mentioned above ERGO has identified new strategic risks for the upcoming years. These are as following:

- Changes of monetary policies; increase in the cost of capital for companies. While higher inflation increases premium income, it also increases claims and reserves for long-tail businesses. Higher interest rates reduce the net present value of liabilities. However, this effect is – at least in part – offset by the declining value of fixed income assets. A sudden increase in real interest rates could lead to higher credit risk of corporate customers.

- General energy supply risk. Can be viewed on country-level as well as on company-level. For the operational risk it is seen as business continuity affecting operations, i.e. stability of energy supply is important for smoothly functioning digital infrastructure, especially in times of remote home office working. Possible impact and exposure could be identified on underwriting, i.e. increasing number of business interruptions.

Strategic risks are addressed by interlocking strategic decision making and risk management processes, especially with regards to preparations and decisions as part of the planning process.

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

C.6.2 Reputational risks

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

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

ERGO has defined two sub-categories of Reputational risk:

- Data and Information
- Image risks

The reputational risk associated with unauthorized publishing of confidential information is increasing, as implementation of data protection regulations in EU countries sets strict rules for processing the confidential information as well as the society is getting more and more educated regarding (potential) disclosure of personal data.

The top reputational risks are incorporated into the risk profile of the Company and reported during the quarterly risk reporting. Ad-hoc reporting processes have been implemented to ensure that (potential) reputational risks are communicated promptly.

The control functions – the Compliance function and Internal Audit – perform the reputational risk assessment process in accordance with their own methodology and report identified real of presumable reputational risks to the Risk Management function as well as other responsible stakeholders.

C.7 Any other information

There is no other information.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

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

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

ASSETS	Solvency II value 2022	IFRS value 2022	Explanations
Deferred acquisition costs	0	9 578 483	Acquisition costs are not shown as an asset in the solvency balance sheet but are considered in the valuation of the technical provisions.
Intangible assets	0	29 284 979	Other intangible assets are only shown in the solvency balance sheet if they are both accounted for in IFRS and traded in an active market. The latter requirement is deemed to be met if an active market exists for similar assets. Since ERGO Insurance SE’s intangible assets do not currently meet this requirement, this item in the solvency balance sheet is empty.
Deferred tax assets	235 870	235 870	Deferred tax assets valuation does not differ in SII and IFRS reporting.
Property, plant & equipment held for own use	16 792 605	11 376 112	The difference 5'416'493 euros is equal to the difference between property appraisal and book value.
Investments (other than assets held for index-linked and unit-linked contracts)	**218 441 806**	**218 441 806**	
Holdings in related undertakings, including participations	50 000	50 000	
Equities	43 443	43 443	SII and IFRS values are equal.
Equities - unlisted	43 443	43 443	SII and IFRS values are equal.
Bonds	215 250 396	215 250 396	SII and IFRS values are equal.
Government Bonds	98 848 000	98 848 000	SII and IFRS values are equal.
Corporate Bonds	116 402 396	116 402 396	SII and IFRS values are equal.
Collective Investments Undertakings	3 097 967	3 097 967	SII and IFRS values are equal.
Insurance and intermediaries receivables	2 767 982	25 380 575	In the balance sheet under Solvency II, receivables not due in the amount 22’612’593 are included in the calculation of *Technical Provisions*. At the end of the reporting period, discounting of this item has not been required.
Reinsurance receivables	3 077 844	3 077 844	SII and IFRS values are equal. At the end of reporting period discounting of this item has not been required.
Receivables (trade, not insurance)	1 686 761	1 686 761	SII and IFRS values are equal. At the end of reporting period discounting of this item has not been required.
Cash and cash equivalents	14 735 663	14 735 663	SII and IFRS values are equal.
Any other assets, not elsewhere shown	3 545 235	3 545 235	SII and IFRS values are equal. At the end of reporting period discounting of this item has not been required.
Total assets without technical provisions	**261 283 766**	**317 343 328**	

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

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

In addition to the different valuation methods used for individual items, the structure of the solvency balance sheet also differs from that of the IFRS balance sheet. Not all balance sheet items are therefore directly comparable. The differences are particularly significant for assets shown under investments. In the IFRS balance sheet, loans on policies are included in investments as "loans", whilst under Solvency II they are shown outside investments as a separate item. There are also differences in the classification of receivables and other assets, which are described under the individual items. Where it was possible to reclassify assets as per IFRS in order to comply with the structure prescribed for the solvency balance sheet, we did so.

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

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

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

D.1.3 Goodwill

No goodwill is shown in the solvency balance sheet. Goodwill resulting from the first-time consolidation of subsidiaries is tested for impairment at least annually, in accordance with IAS 36. We additionally carry out ad-hoc impairment tests if there are indications of impairment. For impairment testing, the goodwill is allocated to the cash-generating units or groups of cash-generating units expected to derive benefit from the synergies of the business combination.

D.1.4 Deferred Acquisition Costs

Acquisition costs are not shown as an asset in the solvency balance sheet but are considered in the valuation of the technical provisions.

Whereas under IFRS deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. In life business and long-term health primary insurance, acquisition costs are capitalized and amortized over the duration of the contracts.

The deferred acquisition costs are amortized on a straight-line basis over the average term of the policies, from one to five years. Deferred acquisition costs are regularly tested for impairment.

D.1.5 Intangible assets

Other intangible assets are only shown in the solvency balance sheet if they are both accounted for in IFRS and traded in an active market. The latter requirement is deemed to be met if an active market exists for similar assets. Since ERGO's intangible assets do not currently meet this requirement, this item in the solvency balance sheet is empty.

The other intangible assets mainly comprise self-developed and other software. Intangible assets are recognised at acquisition or production cost and depreciated on a straight-line basis over their planned useful life.

D.1.6 Deferred tax assets

Deferred income tax is provided for, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax calculations are based on the tax rates effective on the balance sheet date expected to be effective in the periods when the Company will realize the deferred tax asset or settle deferred tax liabilities. The principal temporary differences arise from different property and equipment depreciation rates, as well as from accrued expenses, provisions for doubtful debts and tax losses carried forward.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are not discounted. The same deferred tax assets value is used for Solvency II and IFRS purposes.

D.1.7 Property, plant & equipment held for own use

For Solvency II purposes property, plant and equipment held for ERGO own use shall be valuated with their fair value. The valuation must be performed annually. Property is not evaluated by the company itself, but appraisal service is outsourced to professional real estate appraiser.

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

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

For the purpose of Solvency II plant and equipment is – for reasons of simplification – measured with its IFRS value that means at amortized costs, subject to scheduled depreciation over the course of its useful life in accordance with the decline in its utility to the necessity of unscheduled depreciation to a lower value. The same method is applied in IFRS for property objects.

D.1.8 Investments

Participations

This item comprises the associates or such entities over which the company has significant influence but not control. Significant influence is presumed to exist when the company holds directly or indirectly through subsidiaries 20-50% of an entity's voting power.

Investments in associates are accounted for using the equity method. Upon initial recognition, investments in associates are measured at cost. The cost of an investment includes directly attributable transaction charges. The financial statements include the company's share of an associate's profit or loss from the date the significant influence commences to the date the significant influence ceases to exist.

In the Solvency II the value of participations must be either the market price or the proportional amount of the equity of the participation.

Other financial assets

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

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

D.1.9 Determining fair values

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

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

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

Assets allocated to Level 2 are valued using models based on observable market data. For this, we use inputs directly or indirectly observable in the market, other than quoted prices. If the financial instrument concerned has a fixed contract period, the inputs used for valuation must be observable for the whole of this period. The financial instruments we have allocated to this level mainly comprise borrowers' note loans, pfandbriefs, subordinated securities and derivatives not traded on the stock market.

For assets allocated to Level 3, we use valuation techniques not based on inputs observable in the market. This is only permissible insofar as no observable market data are available. The inputs used reflect ERGO Insurance's assumptions regarding the factors which market players would consider in their pricing. We use the best available information for this, including internal company data. The financial instruments allocated to this level of the fair value hierarchy largely comprise investments in private equity, renewable energy and new technologies (RENT), certain credit structures, and investments in affiliated companies and associates measured at fair value. We also allocate insurance derivatives and derivative components that are separated from the host insurance contract to Level 3. Regularly, at each quarterly reporting date, we assess whether the allocation of our investments and liabilities to the levels of the valuation hierarchy is still appropriate. If changes in the basis of valuation have occurred – for in-stance, if a market is no longer active or the valuation was performed using parameters that make it necessary to change the allocation – we make the necessary adjustments.

D.1.10 Valuation categories according to IFRS

Unlike in the solvency balance sheet, IFRS assets are classified into four categories, depending on the purpose of acquisition:

- financial assets at fair value through profit or loss;
- loans and receivables
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets at fair value through profit or loss are financial assets which on initial recognition are designated as at fair value through profit or loss.

Derivatives are classified as held for trading and are designated as at fair value through profit or loss unless they are designated and used as effective hedging instruments.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities which the company intends and is able to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market.

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or are not classified to any of the other categories.

Purchases of financial assets are recognised at the settlement date. A financial asset is derecognised when contractual rights to receive cash flows from the asset expire, or where the asset, together with substantially all the risks and re-wards of ownership, has been transferred.

Financial assets are initially measured at their fair value. After initial recognition, the company measures financial assets at fair value through profit or loss and available-for-sale financial assets at their fair value, without any deduction for the transaction costs it may incur on disposal. The fair value of a quoted financial asset is its quoted bid price at the reporting date. If the market for a financial asset is not active, the company determines fair value using valuation techniques. These include the use of recent arm's length market transactions, references to another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If the value of equity instruments cannot be measured reliably, they are measured at cost.

Held-to-maturity investments are measured at amortised cost less impairment losses using the effective interest method. Loans and receivables are measured at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, cash flows are estimated considering all contractual terms of the financial instrument excluding future credit losses. The calculation includes all fees paid or received between parties to the contract, direct transaction costs, and all other premiums or discounts.

Realised gains and losses and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income or expense. When available-for-sale financial as-sets are sold or become impaired, the cumulative gains or losses previously recognised in other comprehensive income or expense are recognised in the income statement. Where these investments are interest-bearing, the interest income calculated using the effective interest rate method is recognised in the income statement.

As the deposits with banks mainly have a period to maturity of less than one year, the fair values largely correspond to the carrying amounts.

D.1.11 Impairment

For IFRS at each balance sheet date, we assess whether there is any substantial objective evidence of impairment in a financial asset or group of financial assets. Impairments in value are recognised as an expense in the income statement. IAS 39.59 contains a list of factors providing substantial objective evidence of impairment of such financial assets. In addition, IAS 39.61 states that for equity investments, a significant or prolonged decline in the fair value of the investment below its acquisition cost is objective evidence of impairment. These rules are given more concrete form by means of internal guidelines. For equities quoted on the stock exchange, we assume a significant de-cline in fair value if the market value at the re-view date is at least 20% below the average purchase price or has been lower than this amount for at least six months.

In the case of fixed-interest securities and loans, the main basis for establishing impairment is an indication of substantial financial difficulty on the part of the issuer, the current market situation, or media reports on the issuer.

We determine acquisition cost on the basis of the average purchase price. In the case of an impairment, a write-down is made to the fair value at the balance sheet date, i.e. generally the publicly quoted market price. If there is a further fall in the fair value of equity investments that have already been written down once, a further write-down recognised in the income statement is made again immediately. Such impairments recognised in profit or loss may not be reversed through profit or loss. If, in a subsequent period, the reasons for the impairment of fixed-interest securities or loans cease to apply, the impairment is reversed, with impact on the income statement. The resultant carrying amount may not exceed the original amortised cost.

As all assets in the solvency balance sheet are shown at fair value, no impairment rules are required. For the same reason, no unbundling or hedge-accounting rules are necessary either.

D.1.12 Insurance & intermediaries receivables

In the solvency balance sheet Insurance & intermediaries receivables have to be measured with their fair values; compared to investments no special requirements have to be considered.

Insurance and intermediaries receivables have to be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered. Receivables aged less than one year should not be discounted.

For IFRS insurance & intermediaries receivables is recognised at face value. Regular aging analysis is performed based on the time buckets (0-30 days old, 31-60 days old, 61-90 days old and older than 90 days), in case if receivable falling into time bucket older than 90 days, it should be written down immediately.

D.1.13 Reinsurance receivables

In the solvency balance sheet reinsurance receivables have to be measured with their fair values; compared to investments, no special requirements have to be considered. Reinsurance receivables have to be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered. Receivables aged less than one year should not be discounted.

For IFRS reinsurance receivables is recognised at face value. Regular aging analysis is performed based on the time buckets (0-30 days old, 31-60 days old, 61-90 days old and older than 90 days), in case if receivable falling into time bucket older than 90 days, it should be written down immediately.

Both reinsurance receivables and insurance & intermediaries receivables are included in other receivables under IFRS but shown as separate items in the solvency balance sheet. Additionally, under Solvency II all insurance contracts are to be assigned to the technical provisions irrespective of the level of insurance risk in individual contracts. Therefore, receivables resulting from reinsurance contracts without significant risk transfer, which do not fall within the scope of IFRS 4, are – notwithstanding IFRS – not reported as receivables, but as part of the technical provisions.

D.1.14 Receivables (trade, not insurance)

Under Solvency II, the receivables (trade, not insurance) include in particular receivables from dividends, receivables from profit pooling or transfer agreements, receivables from taxes or other receivables. Basically, these receivables have to be measured with their fair values. However, for reasons of simplification, receivables from dividends and receivables from profit pooling or transfer agreements are measured at their IFRS book value, i.e. at amortised costs. Doubtful receivables are written down to the envisaged amount attainable.

Receivables (trade, not insurance) have to be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered. Receivables aged less than one year should not be discounted.

For IFRS receivables is recognised at face value. Regular aging analysis is performed based on the time buckets (0-30 days old, 31-60 days old, 61-90 days old and older than 90 days), in case if receivable falling into time bucket older than 90 days, it should be written down immediately.

D.1.15 Cash and cash equivalents

For the purpose of Solvency II, for cash the fair value is the par value. Transferable deposits (including cheques) are valued at amortized cost (usually this is the par value). Credit risk is considered by write-off of doubtful deposits and doubtful cheques to the envisaged amount attainable. For IFRS, we show cash held at face value.

D.1.16 Any other assets, not elsewhere shown

Other assets, not elsewhere shown, cover all assets that cannot be allocated in any other class of assets. This includes work of arts and prepayment assets. In contrast to our Financial Reporting, in the solvency balance sheet activated deferred premium refunds are included in the valuation of the technical provisions.

As a basic principle, under Solvency II all other assets are to be measured with their fair values. However, similarly to IFRS, prepayments are calculated pro rata temporis and cover the period between the reporting date and the date the corresponding benefit is earned or becomes due. Contrary to IFRS, the prepayments are discounted, considering the actual relevant risk-free interest rate as well as relevant interest rate spreads, unless the effect from discounting is immaterial.

D.2 Technical provisions

D.2.1 Value of Technical provisions

ERGOs technical provision values as at 31.12.2022 are set out in the table below.

in Euros	**Solvency II value**	**IFRS value**
Technical provisions – non-life	149 894 739	198 057 323
Technical provisions – non-life (excluding health)	145 890 131	190 774 155
TP calculated as a whole	0	0
Best Estimate	140 281 421	0
Risk margin	5 608 710	0
Technical provisions - health (similar to non-life)	4 004 608	7 283 168
TP calculated as a whole	0	0
Best Estimate	3 470 666	0
Risk margin	533 942	0
Technical provisions - life (excluding index-linked and unit-linked)	14 427 424	14 457 014
Technical provisions - health (similar to life)	0	0
TP calculated as a whole	0	0
Best Estimate	0	0
Risk margin	0	0
Technical provisions – life (excluding health and index-linked and unit-linked)	14 427 424	14 457 014
TP calculated as a whole	0	0
Best Estimate	14 313 359	0
Risk margin	114 065	0
Technical provisions – index-linked and unit-linked	0	0
TP calculated as a whole	0	0
Best Estimate	0	0
Risk margin	0	0

Life insurance technical provisions in the above table stem only from Motor Third Party Liability annuities, non-life insurance technical provisions are further split into lines of business as in the following table.

in Euros	**Solvency II Best Estimate**	**Risk Margin**	**Solvency II Technical provision**
Medical expense insurance	1 156 715	181 038	1 337 753
Income protection insurance	2 361 968	352 904	2 714 872

in Euros	Solvency II Best Estimate	Risk Margin	Solvency II Technical provision
Motor vehicle liability insurance, excl. annuities	57 066 260	2 243 938	59 310 199
Other motor insurance	16 413 282	1 163 120	17 576 402
Marine, aviation and transport insurance	8 817 275	340 811	9 158 086
Fire and other damage to property insurance	24 911 477	1 273 650	26 185 127
General liability insurance	7 748 521	356 887	8 105 408
Credit and suretyship insurance	1 907 521	116 107	2 023 628
Legal expense insurance	34 303	41 405	75 708
Assistance	758 265	72 791	831 056
Total	**121 175 587**	**6 142 652**	**127 318 239**

The value for reinsurance recoverables as at 31.12.2022 is set out below.

in Euros	Solvency II value	IFRS value
Reinsurance recoverables from:	24 447 263	32 463 729
Non-life and health similar to non-life	22 576 500	30 273 124
Non-life excluding health	22 624 517	30 273 124
Health similar to non-life	-48 017	0
Life and health similar to life, excluding health and index-linked and unit-linked	1 870 764	2 190 604
Health similar to life	0	0
Life excluding health and index-linked and unit-linked	1 870 764	2 190 604
Life index-linked and unit-linked	0	0

D.2.2 Overall requirements for technical provisions

Insurance and reinsurance undertakings have to establish technical provisions with respect to all of their insurance and reinsurance obligations towards policy holders and beneficiaries of insurance or reinsurance contracts. The value of technical provisions shall correspond to the current amount insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking. The calculation of technical provisions shall make use of and be consistent with information provided by the financial markets and generally available data on underwriting risks (market consistency). Technical provisions shall be calculated in a prudent, reliable and objective manner. Following the principles set out above, the calculation of technical provisions is carried out as described below.

D.2.3 Calculation of technical provisions

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

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

The risk margin is such as to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations. Where the best estimate and the risk margin are valued separately, the risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of eligible own funds (Cost-of-Capital rate) is the prescribed rate.

D.2.4 Valuation of financial guarantees and contractual options included in insurance and reinsurance contracts

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

D.2.5 Segmentation

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

D.2.6 Uncertainty Associated with the Amount of Technical Provisions

The estimation of technical provisions is subject to uncertainty due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments. Unforeseen loss trends resulting from court rulings, changes in the law, differences in loss adjustment practice, medical and long-term care, and economic factors such as inflation can have a considerable impact on run-off results.

We calculate the technical provisions for losses and claims settlement costs in accordance with actuarial practice based on substantiated assumptions, methods and assessments. The assumptions are regularly reviewed and updated. Application of Group-wide reserving rules guarantees a substantially reliable and consistent procedure. In addition, internal audits are carried out Group-wide to verify compliance with these rules and the appropriateness of the technical provisions.

The uncertainty in technical provisions is further analysed by stressing certain assumptions and parameters in the calculations. In addition, we define and monitor scenarios that have the potential to impact the level of technical provisions significantly. Our technical provisions reflect the outcome of these analyses.

D.2.7 Financial statements: Application of International Financial Reporting Standards (IFRS)

ERGOs financial statements meet the requirements of IFRS.

D.2.8 Financial statements: Recognition and measurement of gross technical provisions

The technical provisions are shown as gross figures in the balance sheet, i.e. before deduction of the ceded share. The ceded share is calculated and accounted for on the basis of the individual reinsurance agreements. Acquisition costs for insurance contracts are capitalised and amortised over the terms of the contracts. The actuarial assumptions are adjusted if this is shown to be necessary by a liability adequacy test in accordance with IFRS 4.

Unearned premiums are accrued premiums already written for future risk periods. For primary insurance, these premiums are calculated separately for each insurance policy pro rata temporis; for reinsurance, nominal percentages are used in some cases where the data for a calculation pro rata temporis are not available.

The provision for outstanding claims is for payment obligations arising from insurance contracts in primary insurance and reinsurance where the size of the claim or the timing of the payment is still uncertain. Part of the provision is for known claims for which individually calculated provisions are posted. Another part is for expenses for claims whose occurrence is not yet known (e.g. because they have not been reported yet or have not yet manifested themselves). A third class of provisions covers claims which are known but whose extent has turned out to be different than originally foreseen. Expenses for internal and external loss adjustment expenses are included.

The provision for outstanding claims is based on estimates: the actual payments may be higher or lower. The amounts posted are the realistically estimated future amounts to be paid; they are calculated on the basis of past experience and assumptions about future developments (e.g. social, economic or technological factors). Future payment obligations are generally not discounted; exceptions are annuities stemming from property-casualty lines of business, which we discount. For determining the provision for outstanding claims, ERGO uses a range of actuarial projection methods, including the chain ladder and the Bornhuetter-Ferguson method. In applying the statistical methods, we consider large exposures separately. The standard actuarial methods we use are applied both to the run-off triangles for the payments and to the run-off triangles for the reported claims, so that we obtain a range of estimates for the ultimate loss. Within this range, a realistic estimated value for the ultimate loss is determined.

All technical provisions are regularly subjected to a liability adequacy test in accordance with IFRS 4. If current experience shows that the provisions posted on the basis of the original assumptions – less the related deferred acquisition costs and the present value of the related premiums – are inadequate to cover the expected future benefits, we adjust the relevant technical provisions with recognition in profit or loss and disclose this under impairment losses/unscheduled changes in the notes to the consolidated balance sheet. The appropriateness of unearned premiums and of the provision for outstanding claims is assessed in relation to the realistically estimated future amount to be paid. The appropriateness of the provision for future policy benefits is assessed on the basis of realistic estimates of the actuarial assumptions, the proportional investment result and, for contracts with participation in surplus, the future profit sharing.

D.2.9 Financial statements: Recognition and measurement of deferred acquisition costs

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. In property-casualty business and short-term health primary insurance, the deferred acquisition costs are amortised on a straight-line basis over the average term of the policies. Deferred acquisition costs are regularly tested for impairment using a liability adequacy test as per IFRS 4.

D.2.10 Financial Statements: Recognition and Measurement of Ceded Share of Technical Provisions

The share of technical provisions for business ceded is determined from the respective technical provisions in accordance with the terms of the reinsurance agreements.

D.2.11 Explanation of the qualitative differences between the methodologies used for valuation for solvency purposes and those used for valuation in financial statements

Definition and scope

Under Solvency II the best estimate for non-life insurance obligations is calculated separately for the premium provision and for the provision for claims outstanding. The premium provision differs significantly from the IFRS Unearned Premium Reserve described in D.2.8. The premium provision relates to future claim events covered by insurance and reinsurance obligations falling within the defined contract boundary. Similarly, to IFRS, the provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not.

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

Contract boundary

When valuating technical provisions under Solvency II, the company has to include obligations relating to existing (re)insurance business and exclude obligations relating to future business. The contract boundary is defined by the policyholder's options to establish, renew, extend, increase or resume the (re)insurance cover and the company's options to terminate the contract or amend premiums or benefits.

There are no specific differences against IFRS with respect to the boundary for the determination of unpaid claim costs and claims adjustment expenses after insured events occur. There are differences against financial statements about what is considered existing or future business.

There might be cases where the company's processes lead to a differing contract boundary compared to Solvency II requirements. The impact of those differences is not material.

Discounting

Under IFRS the provision for outstanding claims is generally not discounted; exceptions are annuities stemming from property-casualty business lines of business, which are discounted. Unearned premiums are not discounted.

Under Solvency II technical provisions are discounted. The company uses the risk-free interest rates depending on currency and maturity published by EIOPA when discounting technical provisions.

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

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

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

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

Risk margin

Solvency II prescribes an explicit risk margin as a part of technical provisions. By contrast, actuarial assumptions in line with IFRS include adequate provision for adverse deviation to make allowance for the risks of change, error and random fluctuations. In particular, no explicit risk margin is calculated.

The general principle for the calculation of the risk margin assumes that the whole portfolio of insurance and reinsurance obligations of the entity that calculates the risk margin (the original entity) is taken over by another undertaking. It is required to calculate the risk margin separately for the portfolio of insurance obligations related to life and to non-life activities.

In particular, the risk margin should cover underwriting risk, credit risk with respect to reinsurance contracts, arrangements with special purpose vehicles, intermediaries, policy holders and any other material exposures which are closely related to the insurance and reinsurance obligations, and operational risk. The risk margin is calculated by projecting the SCR under a 1-year risk horizon, covering the above risk categories, by using suitable risk drivers. The present value of the total SCR requirements is then multiplied with a cost of capital rate of 6%. The allocation of the risk margin to lines of business takes fair account of the cause of risk capital cost, by considering both the inherent risk drivers of the SCR and the best estimate technical provisions.

Company uses a simplified calculation of the risk margin as described in Article 58 of the Commission Delegate Regulation (EU) 2015/35.

Non-performance risk

While the methodology to determine the allowance for credit risk when calculating the ceded share of technical provisions (i.e. reinsurance recoverables in terms of Solvency II) is not prescribed under IFRS, we comply with the Solvency II requirements for the determination of the counterparty default adjustment.

Acquisition costs

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

D.2.12 General requirements for the calculation of reinsurance recoverables

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

A separate calculation shall be carried out for the amounts recoverable from reinsurance contracts and special purpose vehicles for non-life insurance obligations regarding premium provisions and provisions for claims outstanding. The cash-flows relating to provisions for claims outstanding shall include the compensation payments relating to the claims accounted for in the gross provisions for claims outstanding of the insurance or reinsurance undertaking ceding risks. The cash-flows relating to premium provisions shall include all other payments. For the purpose of calculating the amounts recoverable from reinsurance contracts and special purpose vehicles, the cash-flows shall only include payments in relation to compensation of insurance events and unsettled insurance claims. Payments in relation to other events or settled insurance claims shall be accounted for outside the amounts recoverable from reinsurance contracts and special purpose vehicles and other elements of the technical provisions. Where a deposit has been made for the cash-flows, the amounts recoverable shall be adjusted accordingly to avoid a double counting of the assets and liabilities relating to the deposit.

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

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

D.2.13 Counterparty default adjustment

The result from the calculation of the best estimate shall be adjusted to take account of expected losses due to default of the counterparty. That adjustment shall be based on an assessment of the probability of default of the counterparty and the average loss resulting therefrom (loss-given-default).

The adjustment to take account of expected losses due to default of the counterparty shall be calculated as the expected present value of the change in cash-flows underlying the amounts recoverable from that counterparty, resulting from a possible default of the counterparty, including insolvency or dispute, at a certain point in time. For this purpose, the change in cash-flows shall not take into account the effect of any risk mitigating technique that mitigates the credit risk of the counterparty. These risk mitigating techniques shall be separately recognised as an asset, without increasing the amount recoverable from reinsurance contracts and special purpose vehicles.

The calculation shall take into account possible default events over the lifetime of the reinsurance contract or arrangement with the special purpose vehicle and the dependence on time of the probability of default. It shall be carried out separately by each counterparty and each line of business, and in non-life insurance also separately for premium provisions and provisions for claims outstanding.

The company uses a simplified calculation of the counterparty default adjustment as described in Article 61 of the Commission Delegate Regulation (EU) 2015/35.

D.2.14 Management actions

Management actions are implemented as rules that reflect management discretion. The aim is to model potential management decisions realistically under various scenarios.

ERGO belongs to the Munich Re Group. A Manual of Methods for Technical Provisions ensures consistent valuation approaches throughout Munich Re Group. The technical provisions are calculated using established principles for actuarial valuation. In this context, requirements regarding segmentation of business, data used, economic and non-economic assumptions as well as methods and models are set out.

Management actions that have a potential to influence technical provisions include setting a reinsurance strategy. Company’s management has taken a balanced and stable approach to reinsurance and drastic changes are not assumed.

D.2.15 Material changes in the assumptions made in the calculation of technical provisions compared to the previous reporting period

During 2022 Solvency II Best Estimate assumptions were reviewed in both the outstanding claims and the premium provisions. In the outstanding claims provisions the claim development and cash-flow patterns were reviewed. In the premium provision the assumptions about future premiums, claims and expenses were reviewed.

During 2022 the provision for outstanding claims without the reinsurance impact decreased by 11.7 million Euros, the premium provision increased by 0.6 million Euros, with reinsurance impact the changes were respectively -12.6 and 5.6 million Euros. The biggest changes were seen in Motor and Marine insurance portfolios.

D.3 Other liabilities

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

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

OTHER LIABILITIES	Solvency II values 2022	IFRS values 2022	Explanations
Financial liabilities other than debts owed to credit institutions	5 607 779	5 607 779	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Insurance & intermediaries payables	24 767 963	24 767 963	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Reinsurance payables	7 416 896	7 416 896	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Payables (trade, not insurance)	9 096 697	9 096 697	SII and IFRS values are equal. At the end of reporting period, discounting of this item has not been required.
Subordinated liabilities	20 162 996	21 703 396	
Subordinated liabilities not in Basic Own Funds	203 396	203 396	SII and IFRS values are equal.
Subordinated liabilities in Basic Own Funds	19 959 600	21 500 000	SII presents fair value, while IFRS - is at cost. The difference is equal to 1'540'400 euros.
Total other liabilities	**67 052 331**	**68 592 731**	

According to Article 75(1) (b) of Directive 2009/138/EC all the other liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction, that means with their fair values. When valuing liabilities, no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made. As in general the valuation basis for Solvency II and IFRS is different, we explain the differences in more detail for the respective liabilities classes below. Only if differences between the fair values and IFRS values are immaterial, the other liabilities are measured with the latter values as explained in more detail below.

The statutory accounts of the undertaking (financial statements prepared under local requirements) shall be reported in the format of Solvency II. Therefore, items of the statutory financial statements shall be classified into the Solvency II split where possible.

D.3.2 Provisions other than technical provisions

Both in the solvency balance sheet and for IFRS, we produce a best estimate of the sum that would be required to settle the liabilities as at the balance sheet date, which is the amount we would reasonably have to pay to satisfy them or transfer them to a third party as at the balance sheet date. If there is a range of possible estimates having an equal degree of probability, the mid-point of the range is used. If the interest rate is a material factor, we value the provision at the present value of the expected expenditure, and if it is immaterial, we disregard it for Solvency II purposes.

D.3.3 Financial liabilities

Insurance & intermediaries payables

Under Solvency II, insurance & intermediaries payables must be recognised at fair value, for IFRS, at the amount actually required to redeem or settle them.

Reinsurance payables

Under Solvency II, reinsurance payables must be recognised at fair value, for IFRS, at the amount actually required to redeem or settle them.

Both reinsurance payables and insurance & intermediaries payables are included in other payables under IFRS but shown as separate items in the solvency balance sheet. Additionally, under Solvency II all insurance contracts are to be assigned to the technical provisions irrespective of the level of insurance risk in individual contracts. Therefore, payables resulting from insurance or reinsurance contracts without significant risk transfer, are – notwithstanding IFRS – not reported as payables, but as part of the technical provisions.

Payables (trade, not insurance)

In the Solvency balance sheet, the item Payables (trade, not insurance) covers in particular Payables from dividends, Payables from profit pooling or transfer agreements, and Payables from taxes as well as other Payables. Thus, payables (trade, not insurance) shall be measured at their reporting date fair value without considering any upsides or downsides for the own credit risk of the undertaking. However, for reasons of simplification, payables from dividends and payables from profit pooling or transfer agreements are measured at their IFRS book value, i.e. at amortised costs.

Payables from taxes and other receivables are discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. However, the undertaking’s own credit risk must not be considered.

D.3.4 Any other liabilities, not elsewhere shown

Other liabilities, not elsewhere shown, cover all liabilities that cannot be allocated in any other class of liabilities. As a basic principle, under Solvency II, all other liabilities have to be measured with their fair values. For IFRS such liabilities are recognised at the amount actually required to redeem or settle them.

D.4 Alternative methods for valuation

Alternative methods for valuation applied only for Property measurement. The valuation must be performed annually. Property is not evaluated by the company itself, but appraisal service is outsourced to professional real estate appraiser.

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

D.4.1 Sales Comparison Approach

The Sales Comparison Approach compares subject property to the recently sold local similar properties. This approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transactions. The process uses one of several techniques to adjust the prices of the comparable transactions according to the presence, absence, or degree of characteristics which influence value.

This principle holds that a prudent person would not pay more for a property than cost of acquiring an equally satisfactory substitute property, in the absence of the complicating factors of time, greater risk, or inconvenience. The Sales Comparison Approach relies upon the development of a value estimate from prices paid in the open market for properties with adequate exposure to ensure that the prices represent fair market value.

D.4.2 Income Approach

The Income Approach is based on the principle according to which the value of the real estate reflects the present value of NET income to be earned from it in the future. Methods that fall under the income approach include: income capitalization and discounted cash flow analysis.

This principle holds that a prudent person would not pay more than expected monetary returns subject property can produce.

Discounted cash flow (DCF) analysis is a technique based on explicit assumptions regarding the prospective income and expenses of a property. Such assumptions pertain to the quantity, quality, variability, timing, and duration of inflows and outflows that are discounted to present value. Upon estimating the value, the following formula is used:

$$V_0 = \sum_{i=1}^{n} \frac{CF_t}{(1+i)^t} + \frac{CF_{closing}}{(1+i)^n}$$

where

CF0 ... CFn – cash flow for the period (upon estimating market value – NOI (net operating income)
CF closing – cash flow by the end of the forecasted period (upon estimating market value – Market Value minus sales expenses)
i – discount rate (rate of return)
n – number of considered periods

Upon estimating the market value all elements of the cash flow as well as the discount rate should be market derived. The duration of the forecasted period depends on the economic environment. If the economic environment is risky, then the forecasted period is shorter and vice versa.

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

Both methods are widely used in the world practice and the Company considers them as reliable.

D.5 Any other information

There is no other information.

E. CAPITAL MANAGEMENT

E.1 Own funds

E.1.1 Differences between IFRS equity and SII excess of assets over liabilities

Material differences between equity shown in ERGO IFRS financial statements and excess of assets over liabilities as calculated for Solvency II purposes arise from differing rules and regulations for valuation and consideration of balance sheet items.

As per Solvency II methodology, fair value principles are applied comprehensively. This means, either a market value is available and applicable (e.g. investments), or a predefined approach determines the fair value of assets and liabilities without an active market (e.g. best estimate and risk margin for technical provisions). The time value of money is considered under Solvency II and requires the discounting of cash flows, which is only the case for selected technical provisions in IFRS. In contrast to the IFRS balance sheet, the Solvency II balance sheet does not include any claims equalisation provisions.

In consequence, IFRS equity and SII excess of assets over liabilities differ due to differing total balances for assets as well as liabilities in a Solvency II compliant balance sheet and an IRFS balance sheet.

Excess of assets over liabilities - attribution of valuation differences	31.12.2022	31.12.2021
Total of reserves and retained earnings from financial statements	68 699 989	77 548 614
Difference in the valuation of assets	-56 059 563	-42 663 504
Difference in the valuation of technical provisions	-40 175 708	-27 601 013
Difference in the valuation of other liabilities	1 540 400	0
Solvency II Excess of assets over liabilities	**54 356 534**	**62 486 123**

E.1.2 Composition of own funds

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

Basic own funds	31.12.2022	31.12.2021	Tier classification
Ordinary share capital (gross of own shares)	6 391 391	6 391 391	Tier 1 - unrestricted
Reconciliation reserve	47 729 273	55 944 109	Tier 1 - unrestricted
Subordinated liabilities	19 959 600	12 000 000	Tier 2
Net deferred tax assets	235 870	150 622	Tier 3
Total basic own funds	**74 316 134**	**74 486 123**	

E.2 Solvency Capital Requirement and Minimum Capital Requirement

ERGO discloses and safeguards the regulatory needed capitalisation based on the Standard Formula.

E.2.1 Values of Solvency Capital Requirement and Minimum Capital Requirement

The following table shows the Company’s Solvency II Capital Requirement (SCR) composition:

In Euros	**Value 31.12.22**	**Value 31.12.22**
Market risk	7 171 763	8 692 613
Counterparty default risk	3 769 391	3 537 738
Life underwriting risk	386 774	371 662
Health underwriting risk	4 172 655	3 228 471
Non-life underwriting risk	43 812 708	49 809 926
Diversification	-10 689 458	-10 773 643
Intangible asset risk	-	-
Basic Solvency Capital Requirement	**48 623 834**	**54 866 767**
Operational risk	6 335 165	5 928 584
Loss-absorbing capacity of deferred taxes	-	-
Net Solvency Capital Requirements (SCR)	**54 958 999**	**60 795 351**

Minimum Capital Requirement (MCR) is calculated as a maximum of two components: combined MCR and the absolute floor referred to in Article 129(1)(d) of Directive 2009/138/EC. The combined MCR shall be equal to the Linear MCR but not more than 45% of SCR and not less than 25% of SCR.

The Linear MCR is calculate separately for life and non-life obligations and added. For non-life the calculation depends on written premiums and technical provisions without the risk margin, for life technical provisions and capital at risk as described in Articles 250 and 251 of the Commission Delegate Regulation (EU) 2015/35.

The following data is used for Linear MCR calculations:

in Euros	**Net technical provisions**	**Net written premiums**	**α**	**β**	**Linear MCR**
Medical expenses insurance	1 156 715	4 404 777	4,7%	4,7%	261 390
Income protection insurance	2 361 968	10 527 080	13,1%	8,5%	1 204 220
Motor vehicle liability	57 066 260	69 921 999	8,5%	9,4%	11 423 300
Motor, other classes	16 413 282	48 948 594	7,5%	7,5%	4 902 141
Marine, aviation, transport (MAT)	8 817 275	5 269 025	10,3%	14,0%	1 645 843
Fire and other property damage	24 911 477	40 217 353	9,4%	7,5%	5 357 980
Third-party liability	7 748 521	9 802 800	10,3%	13,1%	2 082 264
Credit and suretyship	1 907 521	3 172 592	17,7%	11,3%	696 134
Legal expense insurance	34 303	1 508 204	11,3%	6,6%	103 418
Assistance	758 265	3 179 512	18,6%	8,5%	411 296
Total Linear MCR for non-life obligations					28 087 986
Linear MCR for life obligations	12 442 596		*2,10%*		261 295
Total Linear MCR					**28 349 280**

The value of Minimum Capital Requirement (MCR) is shown below:

In Euros	**Value 31.12.22**	**Value 31.12.21**
Linear MCR	28 349 280	28 693 902
SCR	54 958 999	60 795 351
MCR cap	24 731 549	27 357 908
MCR floor	13 739 750	15 198 838
Combined MCR	24 731 549	27 357 908
Absolute floor of the MCR	4 000 000	3 700 000
Minimum Capital Requirement (MCR)	**24 731 549**	**27 357 908**

The following table shows that ERGO is sufficiently covered under Solvency II:

In Euros	**Value 31.12.22**	**Value 31.12.21**
SCR	54 958 999	60 795 351
MCR	24 731 549	27 357 908
Eligible Own Funds for SCR coverage	74 316 134	74 486 123

In Euros	**Value 31.12.22**	**Value 31.12.21**
Eligible Own Funds for MCR coverage	59 066 974	67 807 082
SCR Coverage	**135%**	**123%**
MCR Coverage	**239%**	**248%**

E.2.2 Material changes to Solvency Capital Requirement and Minimum Capital Requirement over the reporting period

During 2022 Solvency Capital Requirement value decreased by 5.8 million Euros. Capital Requirement for Underwriting risk before diversification decreased by 5.4 million Euros; mainly due to decrease in premium and reserve volume in Motor and Marine insurance portfolio.

Minimum Capital Requirement decreased by 2.6 million Euros due to Solvency Capital Requirement decrease. Similar to the last year, the Minimum Capital Requirement was determined by MCR cap value of 45% of SCR, despite the fact that absolute floor for MCR was increased.

E.2.3 Simplified calculations

ERGO uses simplified calculations with longevity risk, lapse risk and catastrophe risk.

Article 88 of the Delegated Regulation (EU) 2015/35 regulates the use of the simplified calculations. The Company assesses that the use of the simplification is justified considering the nature, scale and complexity of the specific risk.

E.2.4 Use of Undertaking-specific Parameters

ERGO does not use Undertaking-specific Parameters (USP) as described in to Article 104 (7) of Directive 2009/138 / EC.

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

As the duration-based equity risk sub-module only applies to life insurance undertakings, ERGO does not use it.

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

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

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

As at 31.12.2022 ERGO is compliant with the Minimum Capital Requirement and with the Solvency Capital Requirement.

E.6 Any other information

There is no other information.

APPENDICES

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

S.02.01.02

Balance sheet

Assets		Solvency II value C0010
Intangible assets	R0030	
Deferred tax assets	R0040	235 870
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	16 792 605
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	218 441 806
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	50 000
Equities	R0100	43 443
Equities - listed	R0110	
Equities - unlisted	R0120	43 443
Bonds	R0130	215 250 396
Government Bonds	R0140	98 848 000
Corporate Bonds	R0150	116 402 396
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	3 097 967
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	R0270	24 447 263
Non-life and health similar to non-life	R0280	22 576 500
Non-life excluding health	R0290	22 624 517
Health similar to non-life	R0300	-48 017
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	1 870 764
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	1 870 764
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	2 767 982
Reinsurance receivables	R0370	3 077 844
Receivables (trade, not insurance)	R0380	1 686 760
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	14 735 663
Any other assets, not elsewhere shown	R0420	3 545 235
Total assets	**R0500**	**285 731 029**

Liabilities		Solvency II value C0010
Technical provisions – non-life	R0510	149 894 739
Technical provisions – non-life (excluding health)	R0520	145 890 131
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	140 281 421
Risk margin	R0550	5 608 710
Technical provisions – health (similar to non-life)	R0560	4 004 608
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	3 470 666
Risk margin	R0590	533 942
Technical provisions – life (excluding index-linked and unit-linked)	R0600	14 427 424
Technical provisions – health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	14 427 424
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	14 313 359
Risk margin	R0680	114 065
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	5 607 779
Insurance & intermediaries payables	R0820	24 767 963
Reinsurance payables	R0830	7 416 896
Payables (trade, not insurance)	R0840	9 096 697
Subordinated liabilities	R0850	20 162 996
Subordinated liabilities not in Basic Own Funds	R0860	203 396
Subordinated liabilities in Basic Own Funds	R0870	19 959 600
Any other liabilities, not elsewhere shown	R0880	0
Total liabilities	**R0900**	**231 374 495**
Excess of assets over liabilities	**R1000**	**54 356 534**

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**	4 458 985	10 559 569		80 837 666	56 530 548	5 888 514	45 404 751	11 574 628	6 004 638
Gross - Proportional reinsurance accepted	**R0120**									
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	54 208	32 489		10 915 668	7 581 954	619 489	5 187 397	1 771 827	2 832 046
Net	**R0200**	4 404 777	10 527 080		69 921 999	48 948 594	5 269 025	40 217 353	9 802 800	3 172 592
Premiums earned										
Gross - Direct Business	**R0210**	3 590 558	10 092 714		73 929 200	52 856 753	6 645 516	42 455 806	10 944 111	5 824 541
Gross - Proportional reinsurance accepted	**R0220**									
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	55 782	32 489		10 865 768	7 532 077	618 538	5 130 838	1 674 544	2 683 639
Net	**R0300**	3 534 776	10 060 225		63 063 432	45 324 677	6 026 978	37 324 968	9 269 567	3 140 902
Claims incurred										
Gross - Direct Business	**R0310**	1 277 476	4 057 998		45 315 477	36 848 734	6 960 635	27 684 092	3 276 561	180 182
Gross - Proportional reinsurance accepted	**R0320**									
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	-373			6 289 707	4 693 127	2 024 524	4 608 214	58 372	-18 231
Net	**R0400**	1 277 849	4 057 998		39 025 770	32 155 607	4 936 111	23 075 878	3 218 189	198 414

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Changes in other technical provisions										
Gross - Direct Business	**R0410**					-10 324	372 078			
Gross - Proportional reinsurance accepted	**R0420**									
Gross - Non-proportional reinsurance accepted	**R0430**									
Reinsurers' share	**R0440**									
Net	**R0500**					-10 324	372 078			
Expenses incurred	**R0550**	1 684 355	4 413 465		21 112 772	15 557 530	1 539 223	16 120 717	3 518 726	984 106
Other expenses	**R1200**									
Total expenses	**R1300**									

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**	1 508 204	3 179 512						**225 947 014**
Gross - Proportional reinsurance accepted	**R0120**								
Gross - Non-proportional reinsurance accepted	**R0130**								
Reinsurers' share	**R0140**								**28 995 078**
Net	**R0200**	1 508 204	3 179 512						**196 951 936**
Premiums earned									
Gross - Direct Business	**R0210**	1 507 479	2 963 741						**210 810 419**
Gross - Proportional reinsurance accepted	**R0220**								
Gross - Non-proportional reinsurance accepted	**R0230**								
Reinsurers' share	**R0240**								**28 593 676**
Net	**R0300**	1 507 479	2 963 741						**182 216 744**
Claims incurred									
Gross - Direct Business	**R0310**	144 264	373 290						**126 118 709**
Gross - Proportional reinsurance accepted	**R0320**								
Gross - Non-proportional reinsurance accepted	**R0330**								
Reinsurers' share	**R0340**								**17 655 339**
Net	**R0400**	144 264	373 290						**108 463 371**

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of business for: accepted non-proportional reinsurance				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Changes in other technical provisions									
Gross - Direct Business	R0410								361 754
Gross - Proportional reinsurance accepted	R0420								
Gross - Non-proportional reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	R0500								361 754
Expenses incurred	R0550	811 496	2 176 574						67 918 965
Other expenses	R1200								
Total expenses	R1300								67 918 965

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**									
Reinsurers' share	**R1420**									
Net	**R1500**									
Premiums earned										
Gross	**R1510**									
Reinsurers' share	**R1520**									
Net	**R1600**									
Claims incurred										
Gross	**R1610**						436 768			**436 768**
Reinsurers' share	**R1620**						-102 785			**-102 785**
Net	**R1700**						539 553			**539 553**
Changes in other technical provisions										
Gross	**R1710**									
Reinsurers' share	**R1720**									
Net	**R1800**									
Expenses incurred	**R1900**									
Other expenses	**R2500**									
Total expenses	**R2600**									

S.05.02.01

Premiums, claims and expenses by country

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0010	C0020	C0030	C0070
Country	R0010		LITHUANIA	LATVIA	
Premiums written		C0080	C0090	C0100	C0140
Gross - Direct Business	R0110	68 920 862	119 828 163	37 197 989	**225 947 014**
Gross - Proportional reinsurance accepted	R0120				
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	8 023 446	15 263 682	5 707 950	**28 995 078**
Net	R0200	60 897 416	104 564 481	31 490 039	**196 951 936**
Premiums earned					
Gross - Direct Business	R0210	66 927 625	107 844 192	36 038 603	**210 810 419**
Gross - Proportional reinsurance accepted	R0220				
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	8 025 971	14 823 585	5 744 120	**28 593 676**
Net	R0300	58 901 654	93 020 607	30 294 483	**182 216 744**
Claims incurred					
Gross - Direct Business	R0310	40 991 511	65 886 104	19 241 095	**126 118 709**
Gross - Proportional reinsurance accepted	R0320				
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340	5 705 231	12 717 416	-767 308	**17 655 339**
Net	R0400	35 286 280	53 168 688	20 008 403	**108 463 371**

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0010	C0020	C0030	C0070
	R0010		LITHUANIA	LATVIA	
Changes in other technical provisions					
Gross - Direct Business	R0410	372 078	-10 324		**361 754**
Gross - Proportional reinsurance accepted	R0420				
Gross - Non-proportional reinsurance accepted	R0430				
Reinsurers' share	R0440				
Net	R0500	372 078	-10 324		**361 754**
Expenses incurred	R0550	18 963 929	35 942 888	13 012 147	**67 918 965**
Other expenses	R1200				
Total expenses	R1300				**67 918 965**

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0150	C0160	C0170	C0210
Country	R0010		LITHUANIA	LATVIA	
Premiums written		C0220	C0230	C0240	C0280
Gross	R1410				
Reinsurers' share	R1420				
Net	R1500				
Premiums earned					
Gross	R1510				
Reinsurers' share	R1520				
Net	R1600				
Claims incurred					
Gross	R1610	937 082	340 730	-841 043	**436 768**
Reinsurers' share	R1620	-96 250	-6 535		**-102 785**
Net	R1700	1 033 331	347 265	-841 043	**539 553**
Changes in other technical provisions					
Gross	R1710				
Reinsurers' share	R1720				
Net	R1800				
Expenses incurred	R1900				
Other expenses	R2500				
Total expenses	R2600				

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options or guarantees		Total (Life other than health insurance, incl. Unit-Linked)	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020										
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030								14 859 834		**14 859 834**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080								2 279 913		**2 279 913**
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090								12 579 922		**12 579 922**

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options or guarantees		Total (Life other than health insurance, incl. Unit-Linked)	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
Risk Margin	**R0100**								114 065		**114 065**
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**										
Best estimate	**R0120**										
Risk margin	**R0130**										
Technical provisions - total	**R0200**								14 427 424		**14 427 424**

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**						
Risk Margin	**R0100**						
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**						
Best estimate	**R0120**						
Risk margin	**R0130**						
Technical provisions - total	**R0200**						

S.17.01.02 Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Technical provisions calculated as a whole	**R0010**									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	**R0060**	643 105	1 213 609		18 291 059	11 273 511	95 012	13 642 871	1 341 781	1 133 488
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-9 355	-38 662		-1 338 426	-661 654	-61 462	241 048	-269 535	39 651
Net Best Estimate of Premium Provisions	**R0150**	652 460	1 252 271		19 629 485	11 935 165	156 475	13 401 823	1 611 316	1 093 837
Claims provisions										
Gross	**R0160**	504 255	1 109 697		48 625 250	6 756 333	10 235 733	19 270 838	7 511 650	1 311 326
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**				11 188 475	2 278 216	1 574 934	7 761 184	1 374 445	497 642
Net Best Estimate of Claims Provisions	**R0250**	504 255	1 109 697		37 436 776	4 478 117	8 660 800	11 509 654	6 137 205	813 684

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Total Best estimate - gross	**R0260**	1 147 360	2 323 306		66 916 309	18 029 844	10 330 746	32 913 708	8 853 431	2 444 814
Total Best estimate - net	**R0270**	1 156 715	2 361 968		57 066 260	16 413 282	8 817 275	24 911 477	7 748 521	1 907 521
Risk margin	**R0280**	181 038	352 904		2 243 938	1 163 120	340 811	1 273 650	356 887	116 107
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0290**									
Best estimate	**R0300**									
Risk margin	**R0310**									
Technical provisions - total										
Technical provisions - total	**R0320**	1 328 398	2 676 210		69 160 248	19 192 964	10 671 557	34 187 358	9 210 319	2 560 921
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	-9 355	-38 662		9 850 049	1 616 562	1 513 471	8 002 231	1 104 910	537 293
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	1 337 753	2 714 872		59 310 199	17 576 402	9 158 086	26 185 127	8 105 408	2 023 628

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**								
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions	_								
Gross	**R0060**	-220 572	599 866						**48 013 731**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**								**-2 098 396**
Net Best Estimate of Premium Provisions	**R0150**	-220 572	599 866						**50 112 127**
Claims provisions	_								
Gross	**R0160**	254 875	158 399						**95 738 355**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**								**24 674 896**
Net Best Estimate of Claims Provisions	**R0250**	254 875	158 399						**71 063 460**

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				Total Non-Life obligation
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Total Best estimate - gross	**R0260**	34 303	758 265						**143 752 087**
Total Best estimate - net	**R0270**	34 303	758 265						**121 175 587**
Risk margin	**R0280**	41 405	72 791						**6 142 652**
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0290**								
Best estimate	**R0300**								
Risk margin	**R0310**								
Technical provisions - total									
Technical provisions - total	**R0320**	75 708	831 056						**149 894 739**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**								**22 576 500**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	75 708	831 056						**127 318 239**

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Non-life Insurance Claims

Total Non-Life Business

Accident year / Underwriting year

Z0020	Accident year

Gross Claims Paid (non-cumulative)

(absolute amount)

		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0170**	**C0180**
Prior	**R0100**											-28 653	-28 653	-28 653
N-9	**R0160**	43 226 799	11 023 949	1 133 053	862 094	687 893	1 842 114	745 545	46 902	37 037	-3 288		-3 288	59 602 097
N-8	**R0170**	40 689 074	19 158 765	1 498 928	705 724	237 650	179 539	21 566	428 013	-17 957			-17 957	62 901 303
N-7	**R0180**	48 538 885	21 521 020	1 738 804	602 512	257 433	149 328	-58 545	21 109				21 109	72 770 545
N-6	**R0190**	59 849 041	18 220 806	2 007 557	986 865	721 643	236 330	-24 537					-24 537	81 997 707
N-5	**R0200**	57 664 207	19 845 886	1 998 184	1 474 617	519 630	211 306						211 306	81 713 831
N-4	**R0210**	64 111 816	23 261 434	3 047 373	999 118	1 222 870							1 222 870	92 642 610
N-3	**R0220**	70 915 387	22 893 912	4 128 053	960 772								960 772	98 898 123
N-2	**R0230**	72 364 524	27 307 486	4 568 349									4 568 349	104 240 358
N-1	**R0240**	89 537 358	37 703 768										37 703 768	127 241 126
N	**R0250**	85 193 540											85 193 540	85 193 540
Total	**R0260**												129 807 278	867 172 586

Gross undiscounted Best Estimate Claims Provisions

(absolute amount)

		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**	**C0360**
Prior	**R0100**											4 494 909	3 957 019
N-9	**R0160**	0	0	16 390 043	13 684 613	6 957 050	5 334 765	4 472 549	4 389 563	4 136 622	4 189 344		3 879 877
N-8	**R0170**	0	7 375 679	5 567 947	2 857 435	2 173 353	2 079 121	1 858 824	880 589	802 992			637 796
N-7	**R0180**	27 799 036	5 379 584	2 453 300	1 897 943	1 342 793	1 702 988	1 054 127	1 084 404				944 659
N-6	**R0190**	30 271 192	7 184 030	5 147 314	3 254 193	2 159 483	1 095 149	816 948					595 558
N-5	**R0200**	32 892 362	8 723 905	5 773 874	4 200 649	2 368 711	1 821 630						1 512 696
N-4	**R0210**	39 217 454	14 236 406	9 776 685	9 286 945	7 817 550							6 381 952
N-3	**R0220**	44 613 667	18 135 754	11 005 628	9 846 170								8 943 860
N-2	**R0230**	46 343 943	12 361 702	6 073 103									5 519 596
N-1	**R0240**	60 409 591	19 548 685										18 473 931
N	**R0250**	46 637 898											44 891 412
Total	**R0260**												95 738 355

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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	**C0020**	**C0030**	**C0040**	**C0050**
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	6 391 391	6 391 391			
Share premium account related to ordinary share capital	**R0030**					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	47 729 273	47 729 273			
Subordinated liabilities	**R0140**	19 959 600			19 959 600	
An amount equal to the value of net deferred tax assets	**R0160**	235 870				235 870
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	74 316 134	54 120 664		19 959 600	235 870
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	74 486 123	62 335 500	0	12 000 000	150 622
Total available own funds to meet the MCR	R0510	74 335 500	62 335 500	0	12 000 000	
Total eligible own funds to meet the SCR	R0540	74 486 123	62 335 500	0	12 000 000	150 622
Total eligible own funds to meet the MCR	R0550	67 807 082	62 335 500	0	5 471 582	
SCR	**R0580**	60 795 351				
MCR	**R0600**	27 357 908				
Ratio of Eligible own funds to SCR	**R0620**	1,2252				
Ratio of Eligible own funds to MCR	**R0640**	2,4785				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	54 356 534
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	
Other basic own fund items	**R0730**	6 627 261
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	47 729 273
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	3 616 412
Total Expected profits included in future premiums (EPIFP)	**R0790**	3 616 412

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Solvency Capital Requirement - for undertakings on Standard Formula

Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0100**
Market risk	**R0010**	7 171 763		
Counterparty default risk	**R0020**	3 769 391		
Life underwriting risk	**R0030**	386 774		
Health underwriting risk	**R0040**	4 172 655		
Non-life underwriting risk	**R0050**	43 812 708		
Diversification	**R0060**	-10 689 458		
Intangible asset risk	**R0070**			
Basic Solvency Capital Requirement	**R0100**	**48 623 834**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	**R0130**	6 335 165
Loss-absorbing capacity of technical provisions	**R0140**	
Loss-absorbing capacity of deferred taxes	**R0150**	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	
Solvency capital requirement excluding capital add-on	**R0200**	54 958 999
Capital add-on already set	**R0210**	
Solvency capital requirement	**R0220**	54 958 999
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

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Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	28 087 986

		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**	1 156 715	4 404 777
Income protection insurance and proportional reinsurance	**R0030**	2 361 968	10 527 080
Workers' compensation insurance and proportional reinsurance	**R0040**		
Motor vehicle liability insurance and proportional reinsurance	**R0050**	57 066 260	69 921 999
Other motor insurance and proportional reinsurance	**R0060**	16 413 282	48 948 594
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	8 817 275	5 269 025
Fire and other damage to property insurance and proportional reinsurance	**R0080**	24 911 477	40 217 353
General liability insurance and proportional reinsurance	**R0090**	7 748 521	9 802 800
Credit and suretyship insurance and proportional reinsurance	**R0100**	1 907 521	3 172 592
Legal expenses insurance and proportional reinsurance	**R0110**	34 303	1 508 204
Assistance and proportional reinsurance	**R0120**	758 265	3 179 512
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**		
Non-proportional health reinsurance	**R0140**		
Non-proportional casualty reinsurance	**R0150**		
Non-proportional marine, aviation and transport reinsurance	**R0160**		
Non-proportional property reinsurance	**R0170**		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	**R0200**	261 295

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits	**R0210**		
Obligations with profit participation - future discretionary benefits	**R0220**		
Index-linked and unit-linked insurance obligations	**R0230**		
Other life (re)insurance and health (re)insurance obligations	**R0240**	12 442 596	
Total capital at risk for all life (re)insurance obligations	**R0250**		

Overall MCR calculation

		C0070
Linear MCR	**R0300**	28 349 280
SCR	**R0310**	54 958 999
MCR cap	**R0320**	24 731 549
MCR floor	**R0330**	13 739 750
Combined MCR	**R0340**	24 731 549
Absolute floor of the MCR	**R0350**	4 000 000
Minimum Capital Requirement	**R0400**	24 731 549