Solvency and Financial Condition Report (SFCR)

ERGO Insurance SE

Financial Year 2016

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Summary

ERGO Insurance SE is presenting the Solvency and Financial Condition Report (SFCR) for the first time. 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 2016 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 2016, ERGO Insurance SE generated premium income of 136,8 million euros, a 13% increase on the year before. The largest classes were motor third party liability insurance and motor vehicle insurance. Investment gain in 2016 was 3,6 million euros, however, majority of the investment income was extraordinary and we do not foresee similar gains during the next periods. There have not been any significant business or other events over the reporting period that have a material impact on ERGO (chapter A Business and Performance).

Solvency II provides insurance companies with numerous guidelines for their governance system. Our 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.

Our company is always in a position to manage the risks involved. This is demonstrated by the implementation of sound risk management (chapter C Risk Profile).

Solvency II creates new 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).

Our company is adequately capitalized and in the reporting year has met the requirements for the provision of solvency capital and minimum capital at all times (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 2016 financial year.

For the first time in the report on the 2017 financial year, we will also present the major changes compared to the previous year.

This Solvency and Financial Condition Report for financial year 2016 was approved by the Management Board of ERGO Insurance on 18.05.2017.

A. Business and Performance

A.1 Business

ERGO Insurance SE, Tallinn, 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). ERGO Group is one of the major insurance groups in Germany and Europe, offering a comprehensive spectrum of insurance services.

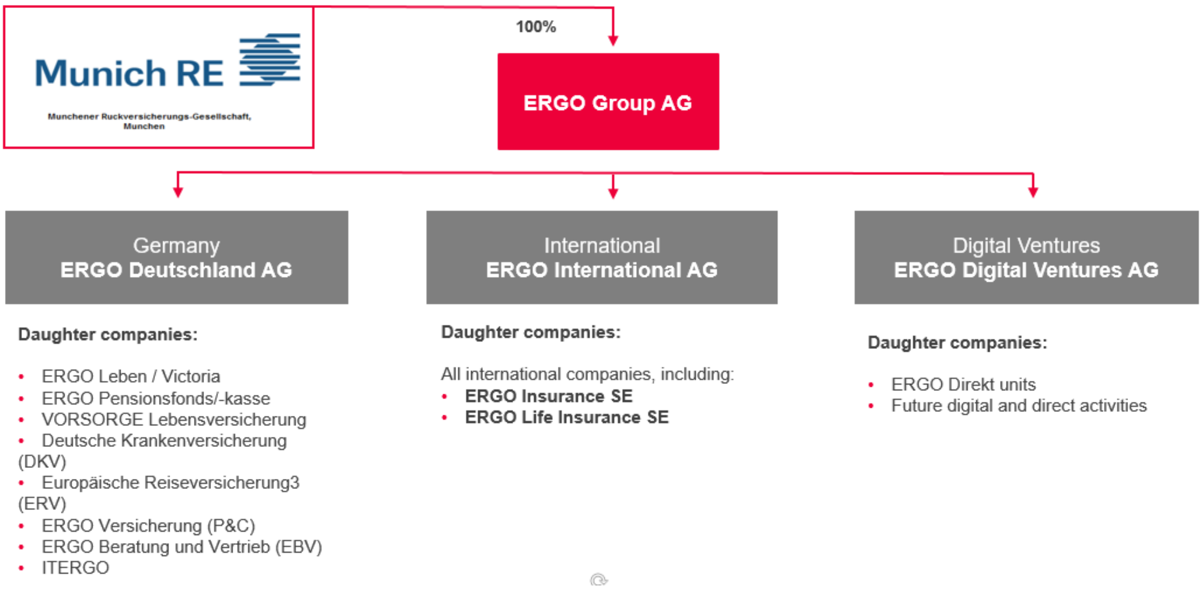

Figure 1. ERGO Group Structure

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 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

There have not been any significant business or other events over the reporting period that have a material impact on ERGO.

The responsible supervisory authority for the company is Estonian Financial Supervision Authority, (Finantsinspektsioon), Sakala 4, 15030 Tallinn, Estonia. The company is audited by KPMG Baltics OÜ, Narva mnt 5, 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 participation in CJSC ERGO Ins. Co, Closed Joint Stock Company, Belarus, share of participation 34,9971%.

A.2 Underwriting Performance

In 2016, ERGO generated premium income of 136.8 million euros, a 13.0% increase on the year before. The largest classes were motor third party liability insurance (hereafter 'motor liability insurance') and motor vehicle insurance (hereafter 'motor own damage insurance'), which generated premium income of 48.3 million euros and 38.5 million euros respectively and accounted for 35.3% and 28.1% of the total portfolio respectively. Individuals' property insurance contributed 10.6 million euros or 7.8% and legal persons' property insurance 9.2 million euros or 6.7%. Premiums written in accident insurance and liability insurance totalled 5.8 million euros and 5.4 million euros respectively and their respective contributions were 4.2% and 4.0%. The total contribution of other insurance classes, which each accounted for less than 4.0%, was 19.0 million euros or 13.9%. Premium income from reinsurance activities amounted to 5.7 million euros.

Compared with year earlier, the share of motor liability insurance increased by 0.8 percentage points and its premium income grew by 6.6 million euros or 15.8%. Strong growth was also achieved in motor own damage insurance where premium income increased by 5.1 million euros or 15.4% and travel insurance where premiums grew by 0.9 million euros or 36.9%.

Gross premium income by line of business:

In euros	**2016**		**2015**		**Change**	
	Gross premiums written	Share of class, %	Gross premiums written	Share of class, %	Gross premiums written	Share of class, pp
Medical expense insurance	3 472 613	2,54%	2 537 444	2,10%	935 169	0,44
Income protection insurance	5 811 753	4,25%	5 092 314	4,21%	719 439	0,04
Motor vehicle liability insurance	51 166 421	37,39%	44 414 084	36,69%	6 752 337	0,70
Other motor insurance	39 840 747	29,12%	34 714 519	28,68%	5 126 228	0,44
Marine, aviation and transport insurance	1 956 574	1,43%	1 854 367	1,53%	102 207	-0,10
Fire and other damage to property insurance	25 828 692	18,88%	24 370 867	20,13%	1 457 825	-1,25
General liability insurance	5 449 863	3,98%	4 982 994	4,12%	466 869	-0,14
Credit and suretyship insurance	1 752 458	1,28%	1 822 105	1,51%	-69 647	-0,23
Assistance	1 537 650	1,12%	1 244 025	1,03%	293 625	0,09

Miscellaneous financial loss	17 886	0,01%	6 447	0,00%	11 439	0,01
Total from insurance activities	***136 834 657***	***100,00%***	***121 039 166***	***100,00%***	***15 795 491***	
Non-proportional health reinsurance	3 412	0,00%	4 787	0,00%	-1 375	0,00
Non-proportional property reinsurance	-61 040	0,00%	0	0,00%	-61 040	0,00
Total from reinsurance activities	***-57 628***	***0,00%***	***4 787***	***0,00%***	***-62 415***	
Total	**136 777 029**	**100,00%**	**121 043 953**	**100,00%**	**15 733 076**	

Gross Premium Income by countries:

In euros	**2016**	**2015**
Estonia	49 992 835	45 925 204
Latvia	25 552 523	22 844 279
Lithuania	61 289 299	52 269 683
Total from insurance activities	***136 834 657***	***121 039 166***
Estonia	3 412	2 177
Latvia	0	2 610
Romania	-61 040	0
Total from reinsurance activities	***-57 628***	***4 787***
Total	**136 777 029**	**121 043 953**

A.3 Investment Performance

Strategic investment management is the responsibility of the company's asset and liability management committee 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, the group's asset management company MEAG (MEAG Munich ERGO Asset Management GmbH), which delivers the service in accordance with the strategic investment management plan and risk profile approved by the management board of ERGO.

In 2016, 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: 54.5% (2015: 33.6%) had an AAA (by Standard & Poor's) or Aaa (by Moody's) credit rating, 21.2% (2015: 34.1%) were rated AA or Aa, 12.8% (2015: 19.7%) had an A rating and 11.5% (2015: 12.6%) were rated BBB or Baa.

At the year-end, the investment portfolio comprised investments in associates of 1.8 million euros (2015: 3.5 million euros), debt securities of 107.3 million euros (2015: 85.7 million euros), loans of 1.4 million euros (2015: 2.1 million euros), and equities and fund units of 12.7 million euros (2015: 20.1 million euros). There were no investments in term deposits.

Income on assets with interest rate risk amounted to 1.13 million euros (2015: 0.94 million euros). Realisation of equities and units resulted in a gain of 1.13 million euros (2015: 0.46 million euros) and realisation of debt securities in a loss of 0.25 million euros (2015: a gain of 0.39 million euros). Dividend income amounted to 0.31 million euros (2015: 0.64 million euros) and income from the sale of an investment in an associate amounted to 1.7 million euros. The fair value reserve decreased by 1.2 million euros (2015: 0.39 million euros). Thus, the overall yield of the investment portfolio was 2.4% (2015: 1.7%). Investment management expenses accounted for 0.3% of the carrying value of managed investments.

ERGO does not have any investments in securitisation.

Gains and losses recognised directly in equity

The fair value reserve comprises the net change in the fair value of available-for-sale financial assets. When a financial asset is derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

In euros	**2016**	**2015**
At 1 January	**2,929,554**	**3,321,210**
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	-1,540,237	-1,119,716
Derecognised from equity and recognised in profit or loss in connection with arrival of maturity date	401	-7,270
Net change in fair value recognised in other comprehensive income or expense during the year	363,722	735,330
At 31 December	**1,753,440**	**2,929,554**

A.4 Performance of other activities

Other income contains fees, commissions and charges received; insurance brokerage income; income from currency revaluation; rental income and other income not related to insurance activities. Observed decrease of other income in the year 2016 is caused by many unrelated factors; mostly decreased rental income and income from currency revaluation.

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. There were no significant changes in the other expenses structure and volume during the reporting period.

In euros			**2016**				**2015**	
Other activities	**Estonia**	**Latvia**	**Lithuania**	**Total**	**Estonia**	**Latvia**	**Lithuania**	**Total**
Other income	823 787	261 201	700 050	**1 785 038**	896 001	222 298	1 405 352	**2 523 651**
Other expenses	835 148	157 545	272 442	**1 265 135**	682 306	180 353	275 292	**1 137 951**
Total result	**-11 361**	**103 656**	**427 608**	**519 903**	**213 695**	**41 945**	**1 130 060**	**1 385 700**

A.5 Any other information

There is no any other information.

B. System of Governance

B.1 General information on the system of governance

From 18th of May 2016 ERGO has in force an updated System of Governance document (version 2). This document describes the whole governance system and main processes in ERGO that enables to oversee and control activities of the company.

No material changes in the system of governance have taken place over the year 2016.

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 organisational and operational structures aimed 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 3 members, elected for a term of 3 years)
- **Management Board** (consists of 5 members, elected for a term of 5 years)
- **Committees** (ALM committee, AL-Team, Business Continuity committee, Fit & Proper Committee, Internal Audit committee, etc.)

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.

Management Board is acting in accordance with 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, unless it is stipulated by law that the

Management Board members elect one from among themselves to be the Chairman of the Management Board (in the Lithuanian Republic).

The branches of the company are managed by the branch managers. Branch manager is one of the Management Board Members. The branch managers are appointed by the Management Board. All terms applicable for Management Board Members according to the current procedure are applicable for Branch Managers also.

The roles and responsibilities of the members of the Management Board until 01.04.2017 were as follows:

- Chairman of the Management Board Kęstutis Bagdonavičius is responsible for the following departments: communication, corporate strategy, HR and office administration, legal and compliance, regional development, internal audit (administratively), business organization and innovation.

- Member of the Management Board and Chief Financial Officer Deniss Sazonovs is responsible for financial management and the following departments: accounting, planning and controlling, actuarial, risk management and IT.

- Member of the Management Board and ERGO's COO in Latvia Ingrida Kirse is responsible for life, health and pension insurance in the Baltics as well as property & casualty insurance, claims handling, sales and marketing in Latvia.

- Member of the Management Board and ERGO's COO in Lithuania Saulius Jokubaitis is responsible for reinsurance and pricing in the Baltics and property & casualty insurance, claims handling, sales and marketing in Lithuania.

- Member of the Management Board and ERGO's COO in Estonia Tarmo Koll is responsible for bank insurance in the Baltics and property & casualty insurance, claims handling, sales and marketing and customer contract management in Estonia.

Member of the Management Board Mr Deniss Sazonovs has submitted a notification of the intention to be resigned from the office from 1st April 2017. In relation with that Supervisory Board has revoked him from the Management Board from 1st April 2017.

Until the appointment of the new CFO the roles and responsibilities of the CFO from 01.04.2017 have been temporarily reorganized as follows:

- Chairman of the Management Board Kęstutis Bagdonavičius is responsible for IT.
- Member of the Management Board and ERGO's COO in Estonia Tarmo Koll has taken over the CFO functions and in addition to the COO responsibilities is responsible for financial management and the following additional departments: accounting, planning and controlling, actuarial and risk management.

The possible conflicts of interest arising from the COO in Estonia being responsible for both Underwriting performance and Risk Management have been acknowledged and temporarily accepted by the Supervisory Board taking into account that this is temporary solution and the following measures have been taken to minimize the risk: Risk Management reports to the whole Board and has a dotted reporting line to the ERGO Group CRO.

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 have to be presented to the Management Board for information and/or deciding. Any matters having impact on another business area have to 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 solely.

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 according to the annual plan.

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

There are also special decrees on determining signature rights of executives on concluding 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.

A Member of the Supervisory Board may be paid remuneration in accordance with their tasks and the financial situation of the Company, the amount of and procedure for payment of which is determined by a resolution of the general meeting.

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.

The Chairman of the Supervisory Board, their deputies have to be elected in a constituent assembly that follows the general meeting, in which the Supervisory Board members that have to be elected by the general meeting have been elected.

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.

The members of the Supervisory Board:

- Thomas Hans Schirmer – Chairman of the Supervisory Board
- Malgorzata Makulska – member of the Supervisory Board
- Thomas Schöllkopf – 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 to 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.

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.

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 Appointed actuary is the holder of the actuarial function in ERGO. Please see chapter B6 for details.

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.

Internal Audit

The Internal Audit Function is provided by local auditors in Estonia, Latvia and Lithuania. The Internal Audit Function performs assigned audits independently, objectively and under its own responsibility.

The Internal Audit Function provides independent, objective assurance and consulting services designed to add value and improve the effectiveness of risk management, control and governance processes. The Internal Audit Function supports ERGO Supervisory Board and ERGO Management Board in performing its monitoring tasks and is responsible in particular for checking the internal governance system, including the risk management system, internal control system and the other Solvency II key functions (compliance, risk management and actuarial function). Please see chapter B5 for details.

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 ERGO Management Board to effectively implement a risk management system and 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.3.2 for details.

B.1.4 Remuneration policy

ERGO Remuneration policy sets the transparent and common remuneration system that facilitates the implementation of Company strategy. The coherent and transparent remuneration system allows proper evaluation of each employee's contribution according to the achieved results.

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 of the policy are:

- remuneration policy is in line with the achievement of objectives defined in the Company strategy; in the event of changes of the strategy, the remuneration system structure shall be reviewed and if necessary, amended;
- remuneration policy shall help to avoid negative incentives, especially conflicts of interest, as remuneration will be paid strictly according to this policy;
- remuneration system comprises a fixed component and a variable component, both of which must stand in an appropriate relationship to one another;
- remuneration policy shall ensure internal fairness and external competiveness;
- employees are offered a competitive and market aligned remuneration package;
- every position is evaluated to determine both its relative internal value and external value based on written position description – job profile.

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.

Where the Management Board Member occupies Other Positions on the basis of employment agreement, the Management Board Member shall receive due remuneration for the performed work pursuant to the procedure and conditions specified in a respective employment contract.

Job grading

All job positions within the Company are classified. The basis for classifying a position is the corresponding job evaluation based on Hay Method. The Hay Method is an analytic method to evaluate job requirements by means of defined evaluation criteria. As is always the case with Hay Method, the approach is job and not person related.

Total Compensation approach

ERGO applies a total compensation approach. The total remuneration contains not only fixed components, but also variable remuneration. Remunerations ranges are assigned to the grades and subgrades. Each remuneration range has fixed and variable components. These remuneration ranges are checked every two years whether to reflect current market situation.

Basic remuneration

The basic remuneration is determined on the basis of the role, position and respective salary range, including professional experience, responsibility, job complexity, local market conditions. It is paid monthly or twice per month according to local legislation.
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 salary is divided into 12 monthly instalments to be paid in accordance with the national laws.
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 salary to be paid to the Management Board Member does not exceed the annual gross salary set forth in the Management Agreement.

Variable remuneration

The variable remuneration component must reflect overall business performance of the Company. The variable remuneration motivates and rewards high performers who significantly contribute to sustainable results, perform according to set expectations for the individual in question, strengthen long-term stakeholder's relations, and generate profitable income and shareholder value within Company.

According to the positions' direct influence to company results, percentage of variable remuneration can differ – depending on whether it is business or support function.

The annual variable remuneration calculation is based on Company's annual targets achievements as well as individual annual targets achievements:

a. Company's targets include 40% and
b. Individual targets include 60%

Annual targets of the Company are set by the Management Board based on the agreements with the Supervisory Board. The targets are achievable, sufficiently ambitious and challenging to provide the long-term value for all stakeholder groups of the Company.

Annual individual targets are set in accordance to company's strategy, performance targets, priorities of the responsibility area and should be achievable, sufficiently ambitious and challenging to provide the long-term value for all stakeholder groups of the Company.

Variable remuneration of Management Board members and for the key function holders consists of short term variable remuneration component and long term variable remuneration component.

Short term variable remuneration component (annual bonus)

The target amount for each fiscal year for 100% target achievement is stated in the Management Agreement of the Management Board Member. The short term variable remuneration component (annual bonus) is subject to negotiation and if applicable ERGO Group regulations and is depending on the defined responsibilities and tasks of the respective Management Board Member. The target achievement range is between 0% and 150%. The necessary agreement on targets (corporate goals, individual goals) is to be agreed in the beginning (and at the latest by the end of first quarter) of each fiscal year between the Chairman of the Supervisory Board and the Management Board Member. Individual goals shall be defended to be measurable by objective criteria within evaluation process.

Long term variable remuneration component (long term bonus)

As a part of the variable remuneration, a long term bonus is agreed for a period of three years respectively. In addition to the Management Board members the long-term target setting is adopted for Head of Internal audit function, Head of Compliance function, Head of Risk management function and Head of Actuarial function (the key functions) according to the following example model.

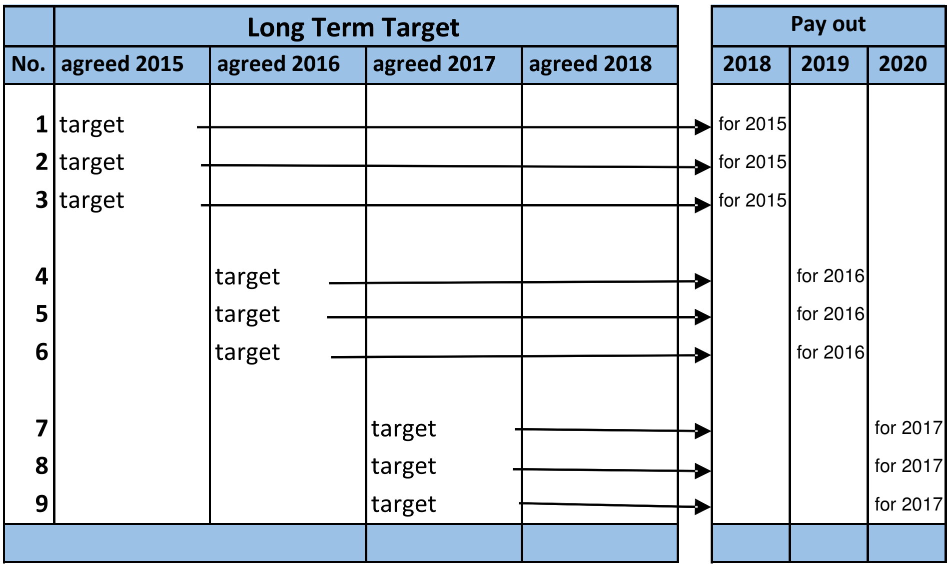

Figure 2. Long term bonus

Social package

Company provides for employees 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. In case if the contract is terminated before 10 years of service the amount saved stays with the company.

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

- Sale of the minority stake in the real estate vehicle ERGO Invest SIA to ERGO Life Insurance SE.
- Borrowing subordinated loan from ERGO Life Insurance SE in the amount of € 6 million.

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
- 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. The respective duties allocated to that Key Person and, where relevant, his/her insurance, financial, accounting, actuarial and management skills should be taken into account.

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

(i) Insurance and financial markets;
(ii) the business strategy and business model;
(iii) the system of governance;
(iv) financial and actuarial analysis and the regulatory framework and requirements.

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 knowledge of the ERGO Board Members need to be maintained at an adequate level at all times.

Members of the Supervisory Board must have the qualifications, experience and knowledge to fulfill their supervisory tasks adequately. Such qualifications, experience and knowledge may have been acquired from functions in other businesses, the public or academic sector or from political institutions, if relevant topics were in the focus of that function for a longer period of time.

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. This is not the case when the assessment of the Key Person’s honesty and financial soundness – based on his/her character, and behaviour and business conduct, including any criminal, financial or supervisory aspects – may justify the assumption that such aspects could affect the sound and prudent performance of his/her duties as a Key Person.

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.

B.2.3 Assessment of fitness and propriety

The assessment of each Key Person’s fitness and propriety will be conducted prior to his/her appointment by the corresponding Committee of Assessment.

In order to perform 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.

While knowledge and qualification are significant factors, account may be taken of 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 deficient during the assessment.

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:

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 personal declaration of no conflict of interest.

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.

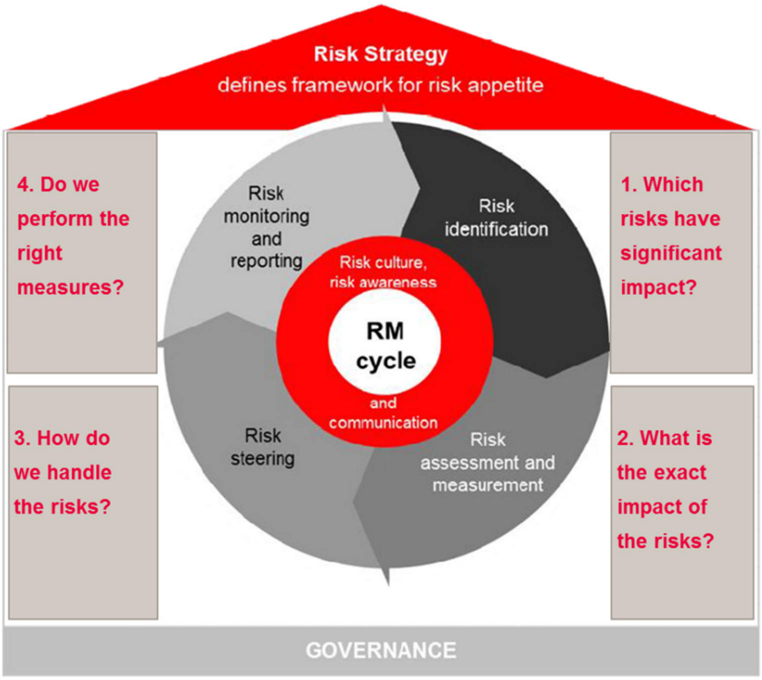

Figure 3. Risk Management Cycle

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 defence) 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.

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 4. 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. 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 considered as the Chief Compliance Officer. Three local Compliance Officers (i.e in Estonia, Latvia and Lithuania) are appointed from Legal and Compliance division.

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). Local Compliance Officers report (functionally) directly to the Chief Compliance Officer.

The activity of the Compliance function is regulated with the Compliance Manual (version 2) applicable form 1st of June 2016.

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

The Compliance Function has these basic responsibilities:

1. 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;

2. early warning - monitoring of significant changes in the legal environment and provision or relevant information to respective recipients; recommendations regarding compliance risks and escalation;

3. 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;

4. monitoring - monitoring of adherence to legal requirements on a regular basis and creation of necessary controls.

The strategic objectives of the Compliance:

1) to reduce or eliminate the possibility of loss of reputation and credibility of ERGO, resulting from failure to observe or incorrect application of applicable laws and/or ERGO internal regulations, as well as significant standards of ERGO Group and local supervisory authorities;

2) to promote corporate culture through active value management including establishment of a tone-from-the-top concerning compliance matters;
3) to support ERGO Board and executives in their actions aimed at mitigating or eliminating compliance risks;
4) define a communication strategy to staff / management concerning Compliance matters (e.g. newsletter, tips etc.).

Compliance risk management

Compliance function performs the on-going compliance risk management. This process includes:

- identification and assessment of compliance risks;
- measurement of compliance risks;
- determination of control measures;
- collecting and reporting of information on compliance risks;
- recommendations regarding actions for mitigating and eliminating compliance risks;
- monitoring of compliance risks.

Area of compliance (domains)

Compliance Function bears responsibility for the objectives under the following subject areas (domains):

1. Code of conduct (incl. conflicts of interest)
2. Gifts, invitations and incentives
3. Reputational risks
4. Internal Fraud prevention
5. Bribery / corruption
6. Money laundry prevention
7. Antitrust compliance
8. Financial sanctions
9. Personal data protection
10. Sales compliance

For these domains Compliance Function is responsible for risk analysis, program, policies, communication, training and inspections. The spectrum of ERGO covers many other related areas also which are not managed by Compliance Function directly. Therefore Compliance Function has defined and concluded written interfaces with relevant units with special responsibilities. These areas are as follows:

1. HR and occupational safety;
2. Information security;
3. Business Continuity Management;
4. Investments;
5. Accounting and taxes
6. Internal fraud.

B.5 Internal audit function

Internal Audit 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

The 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:

Audit Performance: 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.

Reporting tasks: A written report must be submitted promptly following each audit by Internal Audit. At least once per year, Internal Audit will prepare a report compromising 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 audit function is adequately ensured.

The Internal Audit is an independent function and is subordinated to the Supervisory Board. 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.

The Internal Audit 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 the auditing function by her behaviour.

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.

In order to ensure independence, the employees of the 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.

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 per-forms 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

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.

An activity is insurance-specific only when there is a relation between the outsourced activities and the original insurance business. A transferred task is considered important for the company when it is long-term (usually more than one year) or occurs with a certain frequency (not one-off business or business with occasional external character) and is also of significance for the company (thus not ancillary, preparatory or subordinate activities). This applies also in case of partial transfer of the task.

The important outsourcing (outsourcing of important function or insurance activity) arises when an insurance company would otherwise not be able to provide its services to its policyholders (indispensability) and in the case of a malperformance or an unsuitable service provider the abstract risk would arise that the quality of the business organization would be significantly impaired or the operational risk unreasonably increased.

In this sense, the outsourcing of the following functions and insurance activities are considered as important outsourcing:

- The outsourcing of key functions of the company:
  - internal audit function;
  - compliance function;
  - risk management function;
  - actuarial function.

- The outsourcing of other functions and insurance activities that are fundamental for the ability of the company to carry out its core business, such as:
  - sales,
  - claims management,
  - policy management, incl. underwriting
  - accounting,
  - investments and/or asset management,
  - product development and pricing of insurance products,
  - rendering of data storage services
  - regular maintenance and support for the relevant IT systems
  - ORSA process (Own Risk and Solvency Assessment).

A transferred task will be considered important for the company when it is related to any of the above mentioned important functions or insurance activities or when it does not fall under definition of importance, but is insurance specific and has annual net costs above € 50.000,00.

In the event of an outsourcing, the responsibility for the outsourced task remains with the management of the outsourcing company, which also has to ensure that the outsourcing requirements have been fulfilled.

The outsourcing must not be allowed to hinder or impair the correct performance of the outsourced tasks and activities, the possibilities of control for the management of the outsourcing company and the audit and control rights of the supervisory authority. Service providers can be an external provider or a group company.

B.7.2 The following critical or important operational functions or activities are outsourced in ERGO

- **Sales function** is partially outsourced.
- **Claims management function** is partially outsourced.
- **Policy administration** is partially outsourced, specifically call centres and printout and sending of dunning letters.
- **Investments and/or asset management** is outsourced.
- **Rendering of data storage services** is partially outsourced. Specifically, administration and tuning of Oracle database of ERGO Latvian branches and services related to archiving.
- **Regular maintenance and support for the relevant IT systems** is partially outsourced.

ERGO has not outsourced any key functions.

All of the service providers of above mentioned outsourced or partially outsourced functions are located on the territory of the European Union.

B.8 Any other information

B.8.1 Appropriateness of the organizational and operational structure to ERGO's business strategy and operations

Appropriateness of the organizational structure

The organizational structure of ERGO is considered appropriate to the complexity and size of the operations as well as to the business strategy.

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

The business organisation and all disciplinary and functional reporting lines are documented in organisational charts.

Responsibilities are appropriately segregated in order to ensure the effective working of the system of governance:

A concept of independent governance functions ("1st, 2nd and 3rd lines of defence") 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 ("Regulation for Establishment Internal Regulations of ERGO Insurance SE and ERGO Life Insurance SE"), 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 organisational set up of the key functions provides for independence in performing their control function:

- The internal audit is established as separate organizational unit and performing no additional functions. The function reports directly to the Chief Executive Officer (CEO) (administratively) and to the Supervisory Board (functionally).
- Due to efficiency reasons the Company has taken an approach to combine the Legal (advisory support) and Compliance (control) functions under one Division. Legal and compliance

functions are carried out by Legal and Compliance Division. The Head of Legal and Compliance Division reports directly to the CEO. In order to mitigate the possible conflicts between the different nature of legal (support) and compliance (control) function the Head of Legal and Compliance Division as a nominated Chief Compliance Officer has a direct reporting line to the Supervisory Board and ERGO Group Compliance.

- The risk management function and the actuarial function are established as separate organizational units, reporting directly to the Chief Financial Officer (CFO) of the company.
- All key functions have written policies in place, all of which were approved by the Management Board.

Appropriateness of the operational structure

For the ERGO Business Organization & Innovation unit (BO&I) and the process owners the following applies with regard to the operational structure:

General responsibilities

BO&I together with the process owners is responsible for the operational structure of ERGO. The documentation standards are defined by BO&I, the process modelling is generally delegated to the process owner.

BO&I provides transparency through the consistent consolidation of the processes in the process map, whose master document is also managed by BO&I. Changes to the process map can be made only in consultation with BO&I.

The process owners are responsible for the processes in their areas of responsibility. This responsibility includes process design, optimization, additional process documentation (if necessary) and communication. The departments are also responsible for verifying the correct and current process documentation.

Documentation requirements

The fulfilment of the defined documentation requirement (accompanying document to the process) is mandated by the relevant department head to the respective responsible documentation process owner.

Publication and Communication

The responsibility for storage, publication and required communication regarding processes rests with the respective process owner and BO&I. For the process map and processes BO&I ensures their central storage and maintenance and is responsible for the generally accessible storage in the respective process management IT system (Adonis).

C. Risk Profile

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“

Company runs 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, Company has sufficient solvency capital available it can deviate from risk neutral asset portfolio. Otherwise Company will build up asset portfolio which corresponds to liability structure as much as practically possible.

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 fixed income portfolio (as this forms biggest part of the asset portfolio). Company ensures also 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 risks, catastrophe risks. 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 misestimated. 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.

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

During 2016 portfolio increases have had clear impact to premium and reserve risk capital calculations. While underwriting risk has increased together with the portfolio, capital requirements for other risks have decreased and thus the share of underwriting risk in total capital requirement has increased.

By lines of business the biggest share of underwriting risk is expectedly rising from Motor portfolio. During 2016 Company's Motor portfolio in terms of Gross Written Premium and its share in total portfolio increased, when compared to year 2015.

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.

Company believes that over the years it has accumulated enough knowledge and expertise 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) 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.

The performed stress tests to evaluate the sensitivity of solvency ratio show the highest impact from increase of combined ratio. Combining increase of claims ratio and expenses ratio both by 10% results in Solvency ratio deterioration below 100% (30 ppts). From the two the claims ratio has the main impact to the result. In this stress test claims ratio has been increased by 10% in claims reserve and expected claims ratio in premium reserve, all other positions left unchanged.

Another stress with significant impact on solvency ratio is Nat Cat event and related reinsurance default, which would lead to decrease of Solvency ratio by 13 ppts. In this test a scenario of default of one reinsurer with natural catastrophe event has been chosen. We have assumed that one of the main reinsurance partners goes bankrupt in the following 12 months after natural catastrophe event with € 5 million impact.

In addition, reverse stress test scenarios to identify events, which could lead Own Funds to 0 (which means loss of 44,6 million EUR), seem to be very unlikely. The probabilities of such deviations are very low.

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)
- Extreme interconnections of the international financial world and rapid speculative market movements. Hence there is increased risk for the stress situations in the capital markets.

Most noticeable development during 2016 has been de-risking of asset portfolio. The Company has realized equity positions, emerging market bond positions and participation in Real Estate Company ERGO Invest SIA. As a result of this development and short term nature of fixed income portfolio (modified duration of 2,1 years at the end of 2016) Company is relatively resilient to possible shocks in financial markets.

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 two 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 class (when available)	Total exposure, €
Groupe BPCE S.A.	3 - Mortgage covered bond or public sector covered bonds exposure	AAA - AA	7 081 106
Vilnius, Gelezinio Vilko 6/6A, Lithuania	4 - Property exposure		5 460 000
Barclays PLC	1 - Standard	A	4 922 375
Commerzbank AG	3 - Mortgage covered bond or public sector covered bonds exposure	AAA - AA	3 580 275
Norddeutsche Landesbank Girozentrale Group	3 - Mortgage covered bond or public sector covered bonds exposure	A	3 384 291
DEXIA S.A.	1 - Standard	AAA - AA	2 515 044

C.R.H. - Caisse de Refinancement de l'Habitat S.A.	3 - Mortgage covered bond or public sector covered bonds exposure	AAA - AA	2 493 101
Landesbank Berlin Holding AG	3 - Mortgage covered bond or public sector covered bonds exposure	AAA - AA	2 431 224
Norddeutsche Landesbank Girozentrale Group	3 - Mortgage covered bond or public sector covered bonds exposure	AAA - AA	2 262 793
Societe Generale S.A., Paris	3 - Mortgage covered bond or public sector covered bonds exposure	AAA - AA	2 227 897

C.2.4 Risk reduction techniques

Company does not have any risk mitigation techniques currently in place. At the end of 2016, Company did not have any risk mitigation contracts outstanding.

C.2.5 Description of Stress tests and scenario analyses

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 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 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. The proof can be found in "Specification of the adequacy of the standard formula for the risk profile of the ERGO undertakings". Credit risk reasonableness in proved in "Manual of Methods of Credit Risk".

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 very high demands on issuers are also reflected in Group-wide investment principles. The majority of our investments consist of securities issued by issuers with very good credit ratings.

C.3.3 Material risk concentrations

Please see chapter C.2 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 Market risk

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, 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 € 1 598 205.

C.4.3 Measures used for risk assessment

Finance and Investment department prepares cash flow report on quarterly basis where both liability and asset side cash flows are forecasted for next 12 months. In case significant shortage or excess is foreseen then appropriate steps on asset side is 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 consist 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 to 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 Company’s ability to continue with business operations. These events include errors in reserving and underwriting, internal fraud and business interruption due to system failure or fire.

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.

In addition, 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.

The main strategic risks stem from competitive market environment – competition in the market stress the price competition and have negative impact on the overall profitability. Furthermore, demographical situation – continuing population aging might trigger a need for different products we offer as well as number of possible clients will decrease constantly. Also, changed customers’ behavior triggers the needs in terms of digitalization.

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 society’s awareness on disclosure on personal data is growing, also in relation with the implementation of new data protection regulations in EU countries.

The identification process of Reputational risk takes place in three ways:

- ad hoc reporting;
- regular quarterly communication between the Risk Management function and relevant parties such as the Compliance function, Internal Audit or Corporate Communication;
- internal control system, where basic assessment of potential reputational loss for each operational risk takes place.

Respective risk takers define measures including an implementation plan to minimize and steer the risk. Depending on the relevance and materiality, other relevant parties such as the Compliance function or Internal Audit are consulted and informed about the defined measures. As a minimum, measures for the most important reputational risks are discussed and approved by the local Management Board. ERGO Group AG Management Board, Munich Re Management Board or relevant committees are informed about the initiated measures as necessary.

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 the 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 any 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**	**IFRS value**	**Explanations**
Deferred acquisition costs	0	5 505 972	Acquisition costs are not shown as an asset in the solvency balance sheet, but are taken into account in the valuation of the technical provisions.
Intangible assets	0	7 170 836	Other intangible assets are only shown in the solvency balance sheet if they are both ac-counted 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	1 163 682	1 176 265	Usually deferred tax assets valuation does not differ in SII and IFRS reporting. The difference in amount 12'584 euros is temporary and caused by correction in IFRS reporting.
Property, plant & equipment held for own use	10 203 488	9 657 339	The difference 575'973 euros is equal to difference between property appraisal and book value. Works of art 29'824 in amount euros are reported in SII on item *Any other assets, not elsewhere shown.*
Investments (other than assets held for index-linked and unit-linked contracts)	**121 307 422**	**121 907 631**	
Holdings in related undertakings, including participations	1 255 248	1 855 475	Participations to affiliated companies are accounted by equity method. The difference 600'227 euros between SII and IFRS values comes from different base values taken for the calculation, because affiliated company's SII and IFRS own funds are not equal.
Bonds	107 325 560	107 325 542	Financial investments are reported in fair value for both purposes, SII and IFRS. For valuation of bonds issued in USA dollars, different currency rates have been applied, which caused current difference.
Government Bonds	32 974 294	32 974 294	SII and IFRS values are equal.
Corporate Bonds	69 428 891	69 428 874	Financial investments are reported in fair value for both purposes, SII and IFRS. For valuation of bonds issued in USA dollars, different currency rates have been applied, which caused current difference.
Structured notes	4 922 375	4 922 375	SII and IFRS values are equal.
Collective Investments Undertakings	12 683 171	12 683 171	SII and IFRS values are equal.
Other investments	43 443	43 443	SII and IFRS values are equal.
Loans and mortgages	**1 384 634**	**1 384 634**	
Other loans and mortgages	1 384 634	1 384 634	SII and IFRS values are equal.
Insurance and intermediaries receivables	15 013 180	14 936 827	In SII reporting receivables related to reinsurance activities are shown on the item *Insurance and intermediaries receivables*, not on the item *Reinsurance receivables* as is common for IFRS. The difference 76'440 euros on both items is caused by that fact. At the end of reporting period discounting of this item has not been required.

Reinsurance receivables	810 617	887 057	In SII reporting receivables related to reinsurance activities are shown on the item *Insurance and intermediaries receivables*, not on the item *Reinsurance receivables* as is common for IFRS. The difference 76'440 euros on both items is caused by this fact. At the end of reporting period discounting of this item has not been required.
Receivables (trade, not insurance)	2 133 028	2 105 591	At the end of reporting period discounting of this item has not been required.
Cash and cash equivalents	7 106 929	7 619 488	Under SII as cash are not reported amounts of securities traded, but not settled at the year end. The difference 512'559 euros is caused by that fact.
Any other assets, not elsewhere shown	1 206 452	1 051 419	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. The difference 125'148 euros comes from one positions, which is reported under SII as prepayment, but under IFRS as receivable. Works of art in amount 29'886 are shown in IFRS on item *Property, plant & equipment held for own use*. At the end of reporting period discounting of this item has not been required.
Total assets without technical provisions	**160 329 432**	**173 403 060**	

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 affect both the assets and the other liabilities shown in the solvency balance sheet.

Solvency II amounts should be determined as accurately as possible, taking into account 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 taken into account 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 ac-counted 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 has to 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 has to 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, for IFRS assets are classified into four categories, de-pending 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 prof-it 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, taking into account 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, taking into account 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, taking into account 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, taking into account 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 31.12.2016 are set out in the table below.

in Euros	**Solvency II value**	**IFRS value**
Technical provisions – non-life	100 771 579	122 055 304
Technical provisions – non-life (excluding health)	96 798 475	117 180 438

TP calculated as a whole	0	0
Best Estimate	93 790 353	0
Risk margin	3 008 122	0
Technical provisions - health (similar to non-life)	3 973 104	4 874 866
TP calculated as a whole	0	0
Best Estimate	3 738 121	0
Risk margin	234 984	0
Technical provisions - life (excluding index-linked and unit-linked)	7 835 782	0
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)	7 835 782	0
TP calculated as a whole	0	0
Best Estimate	7 715 797	0
Risk margin	119 985	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 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	1 182 122	67 712	1 249 834
Income protection insurance	2 555 999	167 271	2 723 270
Motor vehicle liability insurance, excl. annuities	46 268 475	1 263 444	47 531 919
Other motor insurance	18 063 044	781 175	18 844 219
Marine, aviation and transport insurance	955 451	49 704	1 005 154
Fire and other damage to property insurance	19 784 503	672 191	20 456 694
General liability insurance	7 209 268	178 659	7 387 927
Credit and suretyship insurance	955 587	33 828	989 415
Assistance	554 026	29 121	583 146
Total	**97 528 473**	**3 243 106**	**100 771 579**

The value for reinsurance recoverables as at 31.12.2016 is set out below.

in Euros	Solvency II value	IFRS value
Reinsurance recoverables from:	13 365 810	15 370 195
Non-life and health similar to non-life	11 741 122	15 370 195
Non-life excluding health	11 704 638	15 285 829
Health similar to non-life	36 484	84 366
Life and health similar to life, excluding health and index-linked and unit-linked	1 624 688	
Health similar to life	0,00	
Life excluding health and index-linked and unit-linked	1 624 688	
Life index-linked and unit-linked	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 regard 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

In line with Solvency II, technical provisions (and reinsurance recoverables, respectively) 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

Liability for unpaid claim costs including estimates of incurred but not reported claims and claims adjustment expenses is accrued when insured events occur. There are no specific provisions with respect to the boundary for the determination of unpaid claim costs and claims adjustment expenses.

On the other hand, actuarial practice depending on type of product has evolved. There might be cases where this leads to a differing contract boundary compared to Solvency II requirements.

Discounting

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

For Solvency II 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 adjustment

Solvency II prescribes an explicit risk adjustment calculated using a 6% cost of capital approach. 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 adjustment is calculated.

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.

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. Munich Re does not use simplified methods to calculate technical provisions.

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 (the reference 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 (e.g. from an internal model for entities where an internal model is in place) and the best estimate technical provisions.

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

During 2016 annuity reserving methodology within Baltic States (incl. interest rates) was unified and Solvency II Best Estimate assumptions were reviewed for both Claims and Premium reserves.

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	IFRS values	Explanations

Insurance & intermediaries payables	7 350 540	7 146 963	At the end of reporting period discounting of this item has not been required. The difference between SII and IFRS data comes from the differences in presentation. For example, the difference 27'279 euros is caused by the fact that payables related to reinsurance activities are shown on the item *Insurance & intermediaries payables*, not on item *Reinsurance payables* as is common for IFRS.
Reinsurance payables	1 878 615	2 178 299	At the end of reporting period discounting of this item has not been required. The difference between SII and IFRS data comes from the differences in presentation. Under IFRS on this item reported ceded part of Deferred acquisition costs in amount 272'405 euros.
Payables (trade, not insurance)	6 667 440	7 074 955	At the end of reporting period discounting of this item has not been required. The difference between SII and IFRS data comes from the differences in presentation. For example, the difference 512'559 euros is related to traded, but not settled securities, which are shown on this item under IFRS, but not reported under SII.
Subordinated liabilities	6 005 055	6 000 000	
Subordinated liabilities not in Basic Own Funds	5 055	0	Interest payable 5'055 euros is shown under IFRS on item *Payables (trade, not insurance).*
Subordinated liabilities in Basic Own Funds	6 000 000	6 000 000	SII and IFRS values are equal.
Total other liabilities	**21 901 650**	**22 400 217**	

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 taking into account 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, taking into account 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 is recognised at the amount actually required to redeem or settle them.

D.5 Any other information

There is no any 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 taken into account 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	**31.12.2016**	**31.12.2015**
Total of reserves and retained earnings from financial statements	44 317 734	43 636 529
Difference in the valuation of assets	-15 078 013	-9 692 830
Difference in the valuation of technical provisions	13 447 943	10 642 234
Difference in the valuation of other liabilities	498 567	0
Solvency II Excess of assets over liabilities	**43 186 231**	**44 585 933**

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	**31.12.2016**	**31.12.2016**	**Tier classification**
Ordinary share capital (gross of own shares)	6 391 391	6 391 391	Tier 1 - unrestricted
Reconciliation reserve	35 631 158	37 322 694	Tier 1 - unrestricted
Subordinated liabilities	6 000 000	0	Tier 2
Net deferred tax assets	1 163 682	871 848	Tier 3
Total basic own funds	**49 186 231**	**44 585 933**	

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 31.12.16**
Market risk	5 369 731
Counterparty default risk	4 109 006
Life underwriting risk	202 729
Health underwriting risk	2 425 942
Non-life underwriting risk	29 836 075
Diversification	-7 763 455
Intangible asset risk	-
Basic Solvency Capital Requirement	**34 180 028**
Operational risk	3 913 328
Loss-absorbing capacity of deferred taxes	-
Net Solvency Capital Requirements (SCR)	**38 093 356**

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	1 121 496	3 204 212	*4,7%*	*4,7%*	203 308
Income protection insurance	2 580 141	5 792 666	*13,1%*	*8,5%*	830 375
Motor vehicle liability	41 284 412	49 749 167	*8,5%*	*9,4%*	8 185 597
Motor, other classes	18 200 291	39 493 370	*7,5%*	*7,5%*	4 327 025
Marine, aviation, transport (MAT)	953 079	1 765 643	*10,3%*	*14,0%*	345 357
Fire and other property damage	14 626 566	22 335 148	*9,4%*	*7,5%*	3 050 033
Third-party liability	5 905 822	4 526 368	*10,3%*	*13,1%*	1 201 254
Credit and suretyship	561 517	910 516	*17,7%*	*11,3%*	202 277
Assistance	554 026	1 537 650	*18,6%*	*8,5%*	233 749
Total Linear MCR for non-life obligations					**18 578 975**
Linear MCR for life obligations	6 091 109		*2,1%*		127 913
Total Linear MCR					**18 706 888**

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

In Euros	**Value 31.12.16**	[%]
Linear MCR	18 706 888	109%
SCR	38 093 356	222%

MCR cap	17 142 010	100%
MCR floor	9 523 339	56%
Combined MCR	17 142 010	100%
Absolute floor of the MCR	3 700 000	22%
Minimum Capital Requirement (MCR)	**17 142 010**	**100%**

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

In Euros	**Value 31.12.16**
SCR	38 093 356
MCR	17 142 010
Eligible Own Funds for SCR coverage	49 186 231
Eligible Own Funds for MCR coverage	45 450 951
SCR Coverage	**129%**
MCR Coverage	**265%**

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

Solvency capital requirements for insurance companies were significantly changed from 01 January 2016. During 2016 there were no changes to calculation methodology, Solvency Capital Requirement value was affected by changes in submodules, e.g. insurance portfolio growth in Underwriting risk, asset portfolio changes in Market risk.

E.2.3 Simplified calculations

ERGO uses simplified calculations with longevity risk as described in Article 92 of the Commission Delegate Regulation (EU) 2015/35.

Article 88 of the above-mentioned Delegated Regulation 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 31.12.2016 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	1 163 681,80
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	10 203 488,01
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	121 307 421,54
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	1 255 248,17
Equities	R0100	43 443,00
Equities - listed	R0110	
Equities - unlisted	R0120	43 443,00
Bonds	R0130	107 325 559,63
Government Bonds	R0140	32 974 293,54
Corporate Bonds	R0150	69 428 891,09
Structured notes	R0160	4 922 375,00
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	12 683 170,74
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	1 384 633,92
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	4 633,92
Other loans and mortgages	R0260	1 380 000,00
Reinsurance recoverables from:	R0270	13 365 810,11
Non-life and health similar to non-life	R0280	11 741 122,36
Non-life excluding health	R0290	11 704 638,35
Health similar to non-life	R0300	36 484,01
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	1 624 687,75
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	1 624 687,75
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	15 013 180,23
Reinsurance receivables	R0370	810 616,96
Receivables (trade, not insurance)	R0380	2 133 028,42
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	7 106 928,92
Any other assets, not elsewhere shown	R0420	1 206 451,84
Total assets	R0500	173 695 241,75

Liabilities		Solvency II value C0010
Technical provisions – non-life	**R0510**	100 771 579,18
Technical provisions – non-life (excluding health)	**R0520**	96 798 474,72
Technical provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	93 790 352,60
Risk margin	**R0550**	3 008 122,12
Technical provisions - health (similar to non-life)	**R0560**	3 973 104,46
Technical provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	3 738 120,75
Risk margin	**R0590**	234 983,71
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	7 835 781,91
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**	7 835 781,91
Technical provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	7 715 796,96
Risk margin	**R0680**	119 984,95
Technical provisions – index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
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**	
Insurance & intermediaries payables	**R0820**	7 350 539,96
Reinsurance payables	**R0830**	1 878 614,53
Payables (trade, not insurance)	**R0840**	6 667 440,45
Subordinated liabilities	**R0850**	6 005 055,00
Subordinated liabilities not in Basic Own Funds	**R0860**	5 055,00
Subordinated liabilities in Basic Own Funds	**R0870**	6 000 000,00
Any other liabilities, not elsewhere shown	**R0880**	
Total liabilities	**R0900**	130 509 011,03
Excess of assets over liabilities	**R1000**	43 186 230,72

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**	3 472 612,23	5 811 753,31		51 166 420,91	39 840 746,89	1 956 572,47	25 828 694,13	5 449 863,34	1 752 457,30
Gross - Proportional reinsurance accepted	**R0120**									
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	268 399,82	19 087,13		1 359 626,73	347 377,36	190 929,05	3 493 545,74	923 495,35	859 826,89
Net	**R0200**	3 204 212,41	5 792 666,18		49 806 794,18	39 493 369,53	1 765 643,42	22 335 148,39	4 526 367,99	892 630,41
Premiums earned										
Gross - Direct Business	**R0210**	3 143 841,03	5 509 269,43		48 419 262,99	37 672 633,78	1 979 453,28	25 307 800,10	5 238 524,57	1 762 979,53
Gross - Proportional reinsurance accepted	**R0220**									
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	252 463,75	20 218,66		1 359 626,73	346 078,73	190 921,05	3 693 655,62	1 105 622,75	945 713,43
Net	**R0300**	2 891 377,28	5 489 050,77		47 059 636,26	37 326 555,05	1 788 532,23	21 614 144,48	4 132 901,82	817 266,10
Claims incurred										
Gross - Direct Business	**R0310**	1 291 703,12	2 536 223,44		32 447 722,17	24 168 164,71	694 330,72	12 426 255,22	1 003 162,65	162 585,69
Gross - Proportional reinsurance accepted	**R0320**									
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	210 297,36	0,00		1 313 851,30	-3 923,73	0,00	117 815,92	-497 186,04	59 279,49
Net	**R0400**	1 081 405,76	2 536 223,44		31 133 870,87	24 172 088,44	694 330,72	12 308 439,30	1 500 348,69	103 306,20

		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**		511,41			-21 789,08				
Gross - Proportional reinsurance accepted	**R0420**									
Gross - Non-proportional reinsurance accepted	**R0430**									
Reinsurers' share	**R0440**									
Net	**R0500**		511,41			-21 789,08				
Expenses incurred	**R0550**	1 758 689,19	2 614 212,22		19 302 491,52	14 660 466,49	735 343,43	9 819 657,80	1 656 297,14	302,90
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**		1 537 649,58	17 885,74					136 834 655,90
Gross - Proportional reinsurance accepted	**R0120**								
Gross - Non-proportional reinsurance accepted	**R0130**				3 412,36			-61 040,00	-57 627,64
Reinsurers' share	**R0140**								7 462 288,07
Net	**R0200**		1 537 649,58	17 885,74	3 412,36			-61 040,00	129 314 740,19
Premiums earned									
Gross - Direct Business	**R0210**		1 448 344,28	17 363,58					130 499 472,57
Gross - Proportional reinsurance accepted	**R0220**		0,00	0,00					
Gross - Non-proportional reinsurance accepted	**R0230**				5 582,08			-60 788,56	-55 206,48
Reinsurers' share	**R0240**		22,74						7 914 323,46
Net	**R0300**		1 448 321,54	17 363,58	5 582,08			-60 788,56	122 529 942,63
Claims incurred									
Gross - Direct Business	**R0310**		487 551,96	3 139,97					75 220 839,65
Gross - Proportional reinsurance accepted	**R0320**								
Gross - Non-proportional reinsurance accepted	**R0330**					-33 967,37			-33 967,37
Reinsurers' share	**R0340**					-72 373,34			1 127 760,96
Net	**R0400**		487 551,96	3 139,97		38 405,97			74 059 111,32

		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**		158,56						-21 119,11
Gross - Proportional reinsurance accepted	**R0420**								
Gross - Non-proportional reinsurance accepted	**R0430**								
Reinsurers' share	**R0440**								
Net	**R0500**		158,56						-21 119,11
Expenses incurred	**R0550**		931 195,06	39,12	682,49			-3 024,06	51 476 353,30
Other expenses	**R1200**								1 067 457,15
Total expenses	**R1300**								52 543 810,45

		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**						780 407,57			780 407,57
Reinsurers' share	**R1620**						-9 250,00			-9 250,00
Net	**R1700**						789 657,57			789 657,57
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	49 992 833,78	61 289 298,55	25 552 523,57	136 834 655,90
Gross - Proportional reinsurance accepted	R0120				
Gross - Non-proportional reinsurance accepted	R0130	1 229,65	-60 734,37	1 877,08	-57 627,64
Reinsurers' share	R0140	2 015 079,60	3 609 878,32	1 837 330,15	7 462 288,07
Net	R0200	47 978 983,83	57 618 685,86	23 717 070,50	129 314 740,19
Premiums earned					
Gross - Direct Business	R0210	49 248 061,56	56 576 464,31	24 674 946,70	130 499 472,57
Gross - Proportional reinsurance accepted	R0220				
Gross - Non-proportional reinsurance accepted	R0230	3 650,81	-60 734,37	1 877,08	-55 206,48
Reinsurers' share	R0240	2 032 492,04	3 861 731,10	2 020 100,32	7 914 323,46
Net	R0300	47 219 220,33	52 653 998,84	22 656 723,46	122 529 942,63
Claims incurred					
Gross - Direct Business	R0310	28 356 546,24	31 360 476,28	15 503 817,13	75 220 839,65
Gross - Proportional reinsurance accepted	R0320	0,00			
Gross - Non-proportional reinsurance accepted	R0330	0,00	-34 957,37	990,00	-33 967,37
Reinsurers' share	R0340	36 381,86	1 413 987,07	-322 607,97	1 127 760,96
Net	R0400	28 320 164,38	29 911 531,84	15 827 415,10	74 059 111,32

		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		-21 119,11		-21 119,11
Gross - Proportional reinsurance accepted	R0420				
Gross - Non-proportional reinsurance accepted	R0430				
Reinsurers' share	R0440				
Net	R0500		-21 119,11		-21 119,11
Expenses incurred	R0550	17 808 815,82	24 187 791,09	9 479 746,39	51 476 353,30
Other expenses	R1200				1 067 457,15
Total expenses	R1300				52 543 810,45

		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	552 601,97	39 410,22	188 395,38	780 407,57
Reinsurers' share	R1620	-15 260,00	6 010,00		-9 250,00
Net	R1700	567 861,97	33 400,22	188 395,38	789 657,57
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**								7 715 796,96		7 715 796,96
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**								1 624 687,75		1 624 687,75
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**								6 091 109,21		6 091 109,21

		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**								119 984,95		119 984,95
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**										
Best estimate	**R0120**										
Risk margin	**R0130**										
Technical provisions - total	**R0200**								7 835 781,91		7 835 781,91

		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**	571 228,38	1 489 558,28		15 606 636,26	12 849 885,33	287 154,22	5 929 852,31	1 031 855,21	323 269,66
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	-99,40	-24 142,38		812 503,79	-137 247,48	-11 023,54	-944 563,46	-239 500,57	16 005,04
Net Best Estimate of Premium Provisions	**R0150**	571 327,78	1 513 700,66		14 794 132,47	12 987 132,81	298 177,76	6 874 415,77	1 271 355,78	307 264,62
Claims provisions	-									
Gross	**R0160**	610 893,73	1 066 440,36		30 661 838,29	5 213 158,27	668 296,35	13 854 651,01	6 177 412,66	632 317,25
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	60 725,79	0,00		4 171 557,68	0,00	13 395,09	6 102 500,75	1 542 946,59	378 064,46
Net Best Estimate of Claims Provisions	**R0250**	550 167,94	1 066 440,36		26 490 280,61	5 213 158,27	654 901,26	7 752 150,26	4 634 466,07	254 252,79

		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**	1 182 122,11	2 555 998,64		46 268 474,55	18 063 043,60	955 450,57	19 784 503,32	7 209 267,87	955 586,91
Total Best estimate - net	**R0270**	1 121 495,72	2 580 141,02		41 284 413,08	18 200 291,08	953 079,02	14 626 566,03	5 905 821,85	561 517,41
Risk margin	**R0280**	67 712,37	167 271,34		1 263 444,30	781 175,47	49 703,72	672 190,73	178 659,19	33 828,16
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**	1 249 834,48	2 723 269,98		47 531 918,85	18 844 219,07	1 005 154,29	20 456 694,05	7 387 927,06	989 415,07
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	60 626,39	-24 142,38		4 984 061,47	-137 247,48	2 371,55	5 157 937,29	1 303 446,02	394 069,50
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	1 189 208,09	2 747 412,36		42 547 857,38	18 981 466,55	1 002 782,74	15 298 756,76	6 084 481,04	595 345,57

		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**		388 990,56						**38 478 430,21**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**								**-528 068,00**
Net Best Estimate of Premium Provisions	**R0150**		388 990,56						**39 006 498,21**
Claims provisions									
Gross	**R0160**		165 035,22						**59 050 043,14**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**								**12 269 190,36**
Net Best Estimate of Claims Provisions	**R0250**		165 035,22						**46 780 852,78**

		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**		554 025,78						**97 528 473,35**
Total Best estimate - net	**R0270**		554 025,78						**85 787 350,99**
Risk margin	**R0280**		29 120,55						**3 243 105,83**
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**		583 146,33						**100 771 579,18**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**								**11 741 122,36**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**		583 146,33						**89 030 456,82**

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Non-life Insurance Claims

Total Non-Life Business

Accident year / Underwriting year

Z0010	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		C0180
Prior	R0100													
N-10	R0150	58 668 618,24	15 791 037,93	1 410 749,74	615 668,06	598 723,32	174 435,99	50 126,63	189 428,43	513 725,39	169 871,21	353 841,26	353 841,26	78 536 226,20
N-9	R0160	47 180 974,90	14 041 689,60	651 789,90	429 363,42	119 459,06	-4 333,14	9 372,94	20 367,24	9 452,44	11 475,04		11 475,04	62 469 611,40
N-8	R0170	62 324 277,93	15 246 035,34	1 330 880,80	435 695,01	262 645,81	638 836,25	26 008,85	161 578,26	170 821,57			170 821,57	80 596 779,82
N-7	R0180	47 508 532,64	10 022 703,19	1 355 185,22	1 949 212,60	519 504,61	148 082,91	180 814,11	25 576,91				25 576,91	61 709 612,19
N-6	R0190	43 187 714,57	11 971 222,33	1 702 076,45	886 094,17	383 105,50	15 426,71	41 969,27					41 969,27	58 187 609,00
N-5	R0200	42 708 191,89	12 406 045,63	1 543 401,16	377 595,97	231 963,95	192 750,19						192 750,19	57 459 948,79
N-4	R0210	42 343 372,09	12 704 570,45	1 083 818,43	576 314,72	227 510,78							227 510,78	56 935 586,47
N-3	R0220	43 226 798,98	11 023 949,26	1 133 052,96	895 915,46								895 915,46	56 279 716,66
N-2	R0230	40 689 074,19	19 158 765,42	1 550 418,88									1 550 418,88	61 398 258,49
N-1	R0240	48 538 884,53	21 536 180,68										21 536 180,68	70 075 065,21
N	R0250	59 849 656,72											59 849 656,72	59 849 656,72
Total	R0260												84 856 116,76	703 498 070,95

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**												
N-10	**R0150**										4 549 339,16	950 949,51	5 405 316,10
N-9	**R0160**									669 309,92	-1 287,46		662 801,50
N-8	**R0170**								1 401 440,02	-4 333,90			1 386 552,71
N-7	**R0180**							847 908,38	-69 816,98				770 648,20
N-6	**R0190**						1 133 671,59	-218 853,04					897 391,74
N-5	**R0200**					947 883,85	-457 726,70						474 376,40
N-4	**R0210**				1 930 916,06	162 120,54							2 015 233,39
N-3	**R0220**			16 390 042,97	-2 390 485,25								13 769 985,15
N-2	**R0230**		7 375 678,76	-1 185 995,69									5 774 876,64
N-1	**R0240**	27 799 036,26	-22 206 623,28										5 400 574,02
N	**R0250**	30 464 432,47											30 208 084,24
Total	**R0260**												66 765 840,09

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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	6 391 391,10	6 391 391,10			
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	35 631 157,82	35 631 157,82			
Subordinated liabilities	R0140	6 000 000,00			6 000 000,00	
An amount equal to the value of net deferred tax assets	R0160	1 163 681,80				1 163 681,80
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	49 186 230,72	42 022 548,92	0,00	6 000 000,00	1 163 681,80
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**	49 186 230,72	42 022 548,92		6 000 000,00	1 163 681,80
Total available own funds to meet the MCR	**R0510**	48 022 548,92	42 022 548,92		6 000 000,00	
Total eligible own funds to meet the SCR	**R0540**	49 186 230,72	42 022 548,92		6 000 000,00	1 163 681,80
Total eligible own funds to meet the MCR	**R0550**	45 450 950,99	42 022 548,92		3 428 402,07	
SCR	**R0580**	38 093 356,39				
MCR	**R0600**	17 142 010,37				
Ratio of Eligible own funds to SCR	**R0620**	1,2912				
Ratio of Eligible own funds to MCR	**R0640**	2,6514				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	43 186 230,72
Own shares (held directly and indirectly)	**R0710**	
Foreseeable dividends, distributions and charges	**R0720**	
Other basic own fund items	**R0730**	7 555 072,90
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	
Reconciliation reserve	**R0760**	35 631 157,82
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	
Expected profits included in future premiums (EPIFP) - Non-life business	**R0780**	1 598 205,00
Total Expected profits included in future premiums (EPIFP)	**R0790**	1 598 205,00

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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**	5 369 730,56		
Counterparty default risk	**R0020**	4 109 006,49		
Life underwriting risk	**R0030**	202 728,97		
Health underwriting risk	**R0040**	2 425 942,17		
Non-life underwriting risk	**R0050**	29 836 074,89		
Diversification	**R0060**	-7 763 454,67		
Intangible asset risk	**R0070**			
Basic Solvency Capital Requirement	**R0100**	34 180 028,41		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	**R0130**	3 913 327,98
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**	38 093 356,39
Capital add-on already set	**R0210**	0,00
Solvency capital requirement	**R0220**	38 093 356,39
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	18 578 975,02

		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	1 121 495,72	3 204 212,41
Income protection insurance and proportional reinsurance	R0030	2 580 141,02	5 792 666,18
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	41 284 413,08	49 749 166,54
Other motor insurance and proportional reinsurance	R0060	18 200 291,08	39 493 369,53
Marine, aviation and transport insurance and proportional reinsurance	R0070	953 079,02	1 765 643,42
Fire and other damage to property insurance and proportional reinsurance	R0080	14 626 566,03	22 335 148,39
General liability insurance and proportional reinsurance	R0090	5 905 821,85	4 526 367,99
Credit and suretyship insurance and proportional reinsurance	R0100	561 517,41	910 516,15
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120	554 025,78	1 537 649,58
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	127 913,29

		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	6 091 109,18	
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070
Linear MCR	R0300	18 706 888,31
SCR	R0310	38 093 356,39
MCR cap	R0320	17 142 010,37
MCR floor	R0330	9 523 339,10
Combined MCR	R0340	17 142 010,37
Absolute floor of the MCR	R0350	3 700 000,00
Minimum Capital Requirement	R0400	17 142 010,37