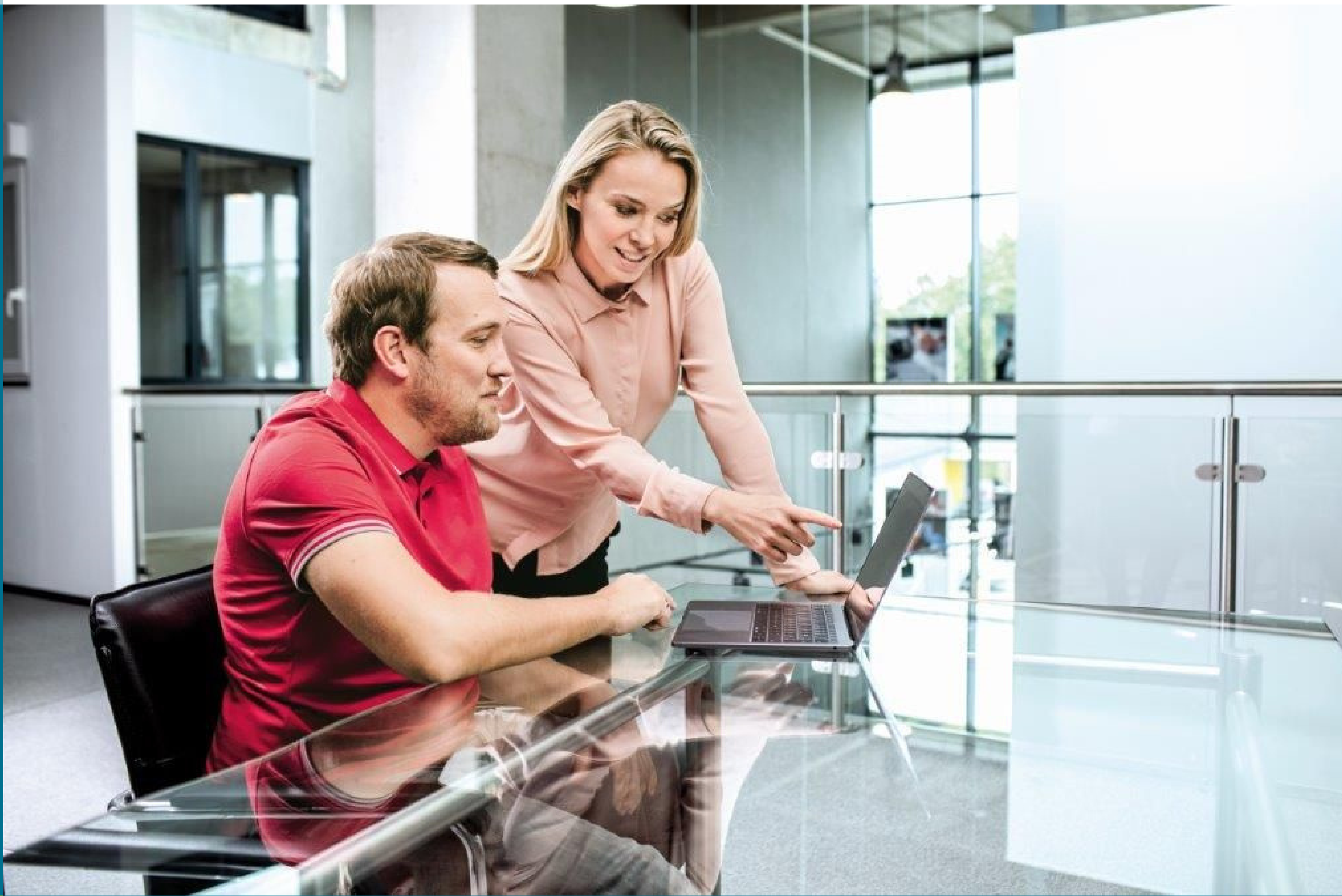

Gothaer Allgemeine Versicherung AG
Annual Report 2021

Five-Year Summary

					€ thousand
	2021	2020	2019	2018	2017
Gross premiums written	2,021,879	1,941,005	1,853,007	1,810,124	1,822,082
Premiums written net of reinsurance	1,673,138	1,646,847	1,608,737	1,564,376	1,576,963
Retention (in %)	82.8	84.8	86.8	86.4	86.5
Claims expenses net of reinsurance	1,165,222	1,046,055	1,064,040	1,071,392	998,573
In % of premiums earned	69.6	63.5	66.1	68.5	63.3
Underwriting expenses net of reinsurance	500,735	485,457	473,136	461,918	469,405
In % of premiums earned	29.9	29.5	29.4	29.5	29.8
Net income for the year 1)	80,199	102,054	142,164	114,803	123,885
Investments 2)	3,654,664	3,628,503	3,583,423	3,544,163	3,481,268
Net return (in %)	2.1	2.1	3.2	3.3	3.1
Gross underwriting reserves	3,846,863	3,410,231	3,337,471	3,349,938	3,301,762
In % of gross premiums written	190.3	175.7	180.1	185.1	181.2
Equity capital 3)	609,423	609,423	609,423	609,423	609,423
In % of premiums earned	36.4	37.0	37.9	39.0	38.6
Policies in force (in thousands)	6,322	6,333	6,342	6,285	6,237
Claims reported (in thousands)	334	337	361	386	381

1) Before transfer of profit and tax charged by the controlling company
2) Exclusive of outstanding deposits
3) Including subordinate liabilities, less outstanding contributions not called in

The Company

Gothaer Allgemeine Versicherung AG is part of the Gothaer Group. With 4.1 million members and premium income of € 4.7 billion, the Gothaer Group is one of Germany's major insurance groups and ranks among the country's largest mutual insurance associations. All lines of insurance are offered. In delivering them, Gothaer does more than just supply insurance products; it attaches great importance to providing high-quality personal and digital advice and customer support. Gothaer customers are essentially private clients and small and medium-sized businesses. For both of these groups we offer a wide range of cover concepts. In 2020, Gothaer celebrated its bicentenary and is thus one of the oldest mutual insurance companies in Germany.

Ensuring and insuring a better future

Gothaer's goal is to be credibly sustainable. And the launch pad for integrating sustainability into its core business is its sustainability strategy. Sustainability criteria are applied to investments, sustainable insurance products are developed, the carbon footprint of business operations is measured and reduced, solutions are sought for climate neutrality and, through the Gothaer Foundation in particular, commitment to society is promoted. To ensure the continuous development of sustainability management, Gothaer is signed up, amongst other things, to the following sustainability-related initiatives: It is a supporter of the UN Principles for Sustainable Insurance (UNEP FI PSI) and signatory to the UN Principles for Responsible Investment (UN PRI).

More information is available in German at www.gothaer.de/ueber-uns/nachhaltigkeit/, where the first sustainability report and the declaration of compliance with the German sustainability Code can also be found.

Gothaer Allgemeine Versicherung AG is the largest risk carrier for property and casualty insurance in the Gothaer Group. Since it was established in 1820, it has ranked among the largest property insurers in the German insurance market. In addition to flexibly selectable, high-performance single-line products, the product portfolio of Gothaer Allgemeine Versicherung AG encompasses combined insurance concepts and multi-risk products for seamless all-round protection at high performance level. With solutions tailored to specific needs, Gothaer is a reliable partner for both private clients and commercial customers in the SME and industrial sectors. Responding immediately to emerging trends and developments, Gothaer devises modern needs-based solutions and places them in the market in the form of innovative products. At the same time, Gothaer Allgemeine Versicherung AG works constantly on the delivery of simple, digital and automated processes for its customers and sales partners. The company's special focus is on positioning itself as a leading partner for SMEs and thus strengthening what is already a robust brand position in that target group's awareness. It meets the diverse requirements of the various sectors with individual risk concepts, high expertise in sector-specific risks and a customized marketing approach. Great importance is also attached to sustainability – a megatrend that is integral to the company's strategy for growth. This is evidenced not least by Gothaer's role as market innovator and market leader in wind turbine insurance. Sustainable solutions are also continuously added to all product ranges, for both private and corporate clients. The focus here is particularly on loss prevention – because nothing is as sustainable as preventing damage from occurring in the first place. However, Gothaer Allgemeine Versicherung AG goes a step further – a step beyond the role of a classic insurer. With targeted measures and its strong partner network, it will help 500 corporate clients in the SME sector to meet the challenges of energy transition over the next few years. In doing so, it will make a positive contribution to the achievement of German climate targets.

Gothaer Allgemeine Versicherung AG

Report for the Financial Year as of 1 January to 31 December 2021

Registered Office
Gothaer Allee 1
50969 Cologne
Germany

Cologne Local Court, HRB 21433

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NB: For better legibility, we have refrained from using gender-neutral language. All personal references are non-gender-specific.

Supervisory Board

Prof. Dr. Werner Görg Chairman		Lawyer, Tax Consultant
Peter-Josef Schützeichel *) Vice Chairman		Employee, Chairman of Group Works Council and Central Works Council of Gothaer Allgemeine Versicherung AG
Carl Graf von Hardenberg		Chairman of the Supervisory Board of Hardenberg-Wilthen AG
Uta Kemmerich-Keil	up to 31 December 2021	Member of the Supervisory Board of various companies in the chemical and pharmaceutical sector
Dr. Judith Kerschbaumer *)		Trade Union Secretary of ver.di, Lawyer
Dr. Dirk Niedermeyer		Managing Director of NZD Grundbesitzverwaltung GmbH & Co. KG
Dr. Christine Prauschke	as of 1 January 2022	Chief Revenue Officer, Enpal GmbH
Gesine Rades		Diplom-Kauffrau, Auditor/Tax Consultant Rades partnership
Simone Robens *)		Employee
Thorsten Schlack *)		Employee, Chairman of the Central Works Council of Gothaer Krankenversicherung AG
Edgar Schoenen *)		Employee
Ulrich Heinz Wollschläger		Lawyer
Markus Wulfert *)		Employee, Head of Liability Claims Department

*) Elected by employees

Management

Thomas Bischof Chairman	as of 1 January 2021	Chairman of the Board of Management of Gothaer Allgemeine Versicherung AG and member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Lebensversicherung AG
Oliver Brüß		Chief Sales Officer - member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG Gothaer Lebensversicherung AG
Dr. Mathias Bühring-Uhle		Chief Operating Officer - member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG Gothaer Lebensversicherung AG
Harald Epple		Chief Finance Officer - member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG Gothaer Lebensversicherung AG
Michael Kurtenbach Director of Industrial Relations		Chief Human Resources Officer - Chairman of the Board of Management of Gothaer Lebensversicherung AG and member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG
Oliver Schoeller		Chairman of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG and member of the management boards of Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG Gothaer Lebensversicherung AG

Pursuant to section 285 no.10 of the German Commercial Code (HGB), the names of the members of the Supervisory Board and Management must also be disclosed in the Notes to the Financial Statements.

Advisory Board

Quentin Carl Adrian	as of 21 November 2021	Tax Consultant and partner of dhpg Dr. Harzem & Partner mbB
Christina Begale		Consultant
Wilm-Hendric Cronenberg		Managing Partner of Julius Cronenberg o.H.
Werner Dacol		Real Estate Valuer
Dr. Matthias Eickhoff	as of 25 June 2021	Member of the Management Board of Amevida SE
Dr. Jörg Friedmann		Lawyer, Law firm Dr. Friedmann & Partner mbB
Dr. Vera Nicola Geisel		Head of Human Resources & Legal of VDI GmbH
Birgit Heinzel		Master craftswoman in ophthalmic optics and auditory acoustics, Managing Director of HEINZEL Sehen + Hören
Knut Kreuch		Lord Mayor of the City of Gotha
Regina Menger-Krug	as of 25 June 2021	Former Managing Director and owner of Sektgut Menger-Krug
Uwe von Padberg		Diplom-Kaufmann, Managing Director of Creditreform Cologne v. Padberg GmbH & Co. KG
Peter Riegelein		Diplom-Kaufmann, Managing Partner of Hans Riegelein + Sohn GmbH & Co. KG
Prof. Dr. Torsten Rohlfs		Professor at Technical University Köln, Institute of Insurance Studies (ivw Cologne)
Jürgen Scheel		Chairman of the Management Board of Kieler Rückversicherungsverein a. G., (Retd.)
Astrid Schulte		Member of the Management Board of Heraeus Bildungsstiftung
Birgit Schwarze	up to 25 June 2021	President of DSSV e.V. Arbeitgeberverband deutscher Fitness- und Gesundheits-Anlagen
Dr. Katrin Vernau		Administrative Director of WDR Westdeutscher Rundfunk, Cologne
Sabine Walser		Publishing Director of P. Keppler Verlag GmbH & Co. KG

Management Report

Developments in the property and casualty insurance sector

Trends in 2021

For property and casualty insurance as a whole, the German Insurance Association (GDV) anticipates moderate premium growth of 2.4 % to € 76.7 billion in 2021 – despite the ongoing corona crisis. Claims expenditure during the financial year increased by a significant margin against the prior year, rising by 23.6 %. In both motor insurance and, above all, the property insurance segments, there were marked upturns in claims expenditure. These developments were driven in particular by increased expenditures arising from natural hazards and major losses. As a result of the aforementioned developments, an overall underwriting loss is anticipated for the first time in years. The shortfall is forecast to be in the order of € 2.9 billion. The combined ratio will rise sharply in comparison with the previous year and is expected to be around 104 %.

In property insurance, premium income is expected to grow by 4.0 % to € 23.6 billion, fuelled by equally vigorous upturns in private and non-private property insurance. In non-private property insurance, the growth is attributable in particular to the industrial lines. In the private insurance segment, the pace of growth was slowed by lower adjustments of insured sums at the beginning of the year. Nearly all property insurance lines were impacted in the fiscal year by claims resulting from the "Bernd" flood disaster. Heavy rain and hailstorm events also gave rise to high claims expenses. In terms of extended natural hazards, 2021 was the year with the highest claims expenditure since statistics began. The burden of major fire losses was also above average in the financial year. Furthermore, the cost of claims was driven even higher by a significant increase in the price of construction materials. Overall, property insurers' claims expenses for the financial year are expected to increase by a very sharp 66.9 % in 2021, pushing property insurance into the underwriting loss zone. The combined ratio is expected to be 135 % in 2021, the highest since the first statistical analysis was made in 2000.

In motor insurance – the largest property and casualty insurance class, generating 38 % (€ 29.1 billion) of premium income – portfolio growth is set to continue but premium income will only edge up in 2021, rising by 0.7 %. Even after the lifting of many coronavirus restrictions, mobility behaviour remains below pre-pandemic levels. In partial own damage and motor liability insurance, average premiums are expected to fall by 1.0 % against the prior year. In collision & comprehensive insurance, the average premium is expected to fall by as much as 1.5 %. Owing to natural hazard events, claims expenditure in 2021 is expected to be above average. As regards vehicle spare parts prices, the hyperinflationary trend is expected to continue. Overall, an upturn of 10.0 % is anticipated in claims expenses for the financial year. With claims expenses high, the cost ratio constant and the run-off result largely back to normal, the underwriting result will be recessive in 2021. Accordingly, the combined ratio will be higher than in the prior year, potentially around 95 %.

Outlook 2022

Property and casualty insurance business should recover in 2022 against an anticipated backdrop of positive macroeconomic growth. The upturn in premium revenues is again expected to be more vigorous in the coming year, at 3.2 %. In private property insurance, there will be marked adjustments of insured sums as a global upswing in construction activity and supply bottlenecks push up prices for construction materials. Furthermore, demand for extensions of cover will increase due to the discussion about natural hazards. In non-private property insurance, a sharper upturn in premium income is anticipated in 2022 because of rising inflation. Assuming there are no new lockdowns due to the pandemic, mobility should continue to return to normal in 2022. This will provide impetus for premium growth in motor insurance. Moderate premium growth is anticipated in marine and aviation insurance. Here, the economic recovery will only slowly make itself felt.

Business developments in 2021

The single most defining event this year was the flood disaster in July. The "Bernd" underlined the fact that the annual result in property and casualty insurance is always dependent on the unforeseeable impacts of natural catastrophes and major losses. However, the massive extent of the damage and the many fatalities that "Bernd" caused on our doorstep highlight the importance of cli-mate protection and sustainability. This is why we are even more convinced of our 500-50-5 initiative. With it, we aim to help 500 corporate clients reduce their CO2 emissions by 50 % over the next five years in order to speed up the drive for climate neutrality and make a sustainable contribution to climate change mitigation. We are also successively upgrading our products to promote sustainability. In our new Go-thaer homeowners insurance, for instance, we support good environmental practice and cover new risks that arise as a result of sustainable future design. Our motor tariffs also feature a number of benefit improvements for purely electric and hybrid cars which fall within the basic cover and are thus not subject to possible surcharge.

Despite the flood disaster, we can look back on a satisfactory financial year in economic terms. With gross written premiums totalling € 2,021.9 million, we again achieved above-market premium growth of 4.2 % across all lines of business. That growth was driven in particular by business with corporate clients. Our modular product Gothaer GewerbeProtect, which enables us to offer customized cover with high process efficiency, already produces good growth rates. Excellent sales opportunities are also created by the revisions and additions to our industrial liability insurance. Apart from good sales results, we receive positive feedback on our private client products from external product comparison services. Both our private liability insurance and our private pet owners liability insurance were selected for the German Insurance Award 2021 this year. We are thus systematically pursuing our Ambition25 goal of being one of the five fastest-growing companies in the property and casualty insurance market by 2025.

The "Bernd" flooding disaster was the biggest loss event in our history, giving rise to gross claims expenses of € 502.6 million. Its impact was further compounded by a burden of major losses that was significantly heavier than in the prior year, especially in the industrial fire sector. After the easier claims situation experienced in 2020, gross claims expenditure increased by € 619.4 million to € 1,832.6 million. As a result, the gross loss ratio moved up to 91.1 % and the combined ratio – with a moderately higher gross cost ratio of 29.0 % – rose to 120.1 %.

Nevertheless, since we are robustly covered for natural hazards by reinsurance, the underwriting account showed a profit of € 51.7 million after reinsurance and adjustment of equalization reserves.

The low interest rate situation did not ease significantly in 2021. The yield of ten-year German government bonds remained negative at -0.2 %. Against this backdrop, our investment portfolios again yielded a net return of 2.1 % this year.

Income before taxes was again lower than in the prior year due to reduced income from underwriting. However, we consider the result, at € 82.6 million, very satisfactory.

Premium income

Gross premium income from direct written business increased by 3.6 % to € 1,841.4 million. Growth was thus stronger than the market average. The sharpest increases in premium income achieved in this financial year were mainly in liability, homeowners comprehensive and other property insurance. Our growth strategy continues to be based on a profit-oriented underwriting policy and thus selective writing of new business.

Gross premiums from direct foreign business totalled € 72.4 million (PY: € 62.8 million), € 29.2 million of which (PY: € 23.6 million) was generated by our branch operation in France. Our local presence in France is a major prerequisite for the development of renewable energy business.

At year-end, policies in force comprised 6,322,050 (PY: 6,332,688) direct policies of at least one year's duration.

	Gross premiums written € million		In % of gross premiums written		Number of insurance policies in force	
	2021	2020	2021	2020	2021	2020
Accident	137.7	137.9	7.5	7.8	655,229	669,576
Liability	368.4	356.5	20.0	20.1	1,621,797	1,642,030
Motor liability	242.8	244.3	13.2	13.7	859,574	864,386
Other motor	164.9	163.0	9.0	9.2	674,753	673,420
Fire	106.3	100.4	5.8	5.6	108,654	110,744
Comprehensive householders	83.9	85.8	4.6	4.8	692,010	714,297
Comprehensive homeowners	224.9	208.3	12.2	11.7	390,813	379,337
Other property	302.0	282.9	16.4	15.9	655,483	632,145
Marine and aviation	70.0	63.0	3.8	3.5	28,295	27,103
Other insurance	140.5	135.5	7.6	7.6	635,442	619,650
Direct written business	1,841.4	1,777.7	100.0	100.0	6,322,050	6,332,688

Claims

The coronavirus pandemic continued to affect claims expenditure in 2021. In motor insurance, traffic volumes and thus accident figures remained lower than in pre-corona times due to people working from home and fewer business trips being made. However, this was eclipsed by the largest loss event in our history, the "Bernd" flood disaster, which presented a gross claims burden of € 502.6 million. The flood catastrophe and the summer's hailstorms resulted in higher partial own damage losses but impacted particularly on comprehensive homeowners insurance and other property insurance lines. At the same time, as in the market as a whole, the number of claims reported and the volume of major loss expenses – especially in industrial fire business – were significantly higher than in the prior year.

The total number of claims reported fell from 336,586 to 334,219. Gross claims expenditure in direct written insurance business increased to € 1,717.2 million (PY: € 1,109.5 million) due to major losses and the increase in the price of construction materials and spare parts. The gross loss ratio in direct written business moved up to 93.6 % (PY: 62.8 %). The loss reserve ratio – the ratio of provisions for outstanding claims to gross earned premiums – rose to 160.8 % (PY: 140.2 %).

	Gross claims expenses € million		In % of Gross premiums earned		Number of claims reported	
	2021	2020	2021	2020	2021	2020
Accident	64.5	63.4	47.0	45.9	14,099	14,956
Liability	190.4	201.4	51.8	56.6	70,063	76,732
Motor liability	166.5	178.1	68.6	72.9	40,187	43,778
Other motor	143.7	116.2	87.2	71.3	65,709	62,890
Fire	109.3	48.2	103.4	48.3	1,990	1,790
Comprehensive householders	51.6	28.0	61.1	32.4	25,941	24,536
Comprehensive homeowners	300.2	142.2	135.2	69.5	55,458	54,564
Other property	398.3	202.5	132.5	71.8	25,761	26,954
Marine and aviation	54.1	47.9	77.5	77.2	4,979	4,205
Other insurance	238.6	81.5	172.1	61.7	30,032	26,181
Direct written business	1,717.2	1,109.5	93.6	62.8	334,219	336,586

Underwriting expenses

Gross underwriting expenses in direct written business increased by € 22.3 million to € 532.0 million. Total underwriting expenses included € 293.3 million (PY: € 276.6 million) in acquisition costs and € 238.7 million (PY: € 233.1 million) in insurance policy management costs. Acquisition costs rose as a result of good production figures and the gross cost ratio in direct written insurance business accordingly ended moderately higher than in the prior year at 29.0 % (PY: 28.8 %).

Reinsurance business assumed

Gross written premiums from reinsurance business assumed totalled € 180.5 million (PY: € 163.3 million) and gross earned premiums amounted to € 177.0 million (PY: € 161.4 million). More than half of the upturn was due to business with Gothaer Group companies.

Claims expenses increased to € 115.4 million (PY: € 103.7 million); underwriting expenses also rose, from € 47.9 million to € 51.0 million.

Unlike in the prior year, an amount of € 9.8 million needed to be allocated to the equalization reserve (PY: € 15.8 million withdrawal). After deduction of reinsurers' shares, net underwriting profit thus totalled € 2.6 million (PY: € 23.0 million).

Reinsurance business ceded

We pass risks on to reinsurers in order to hedge our own positions. The conditions on which our reinsurance treaties were concluded showed only moderate change against the prior year. There was a change in our reinsurance structure, however: part of our corporate client portfolio was proportionally reinsured in order to achieve higher homogenization of risks in the retention. The development of reinsurance premiums paid and reinsurance commissions received was thus somewhat more markedly in line with the development of reinsured portfolios than in previous years.

Premium shares totalling € 339.7 million (PY: € 283.7 million) were transferred to assignees in the financial year. This resulted in a retention rate of 83.2 % (PY: 85.4 %). Particularly because of the very highly reinsured flood event "Bernd", the claims expenses shouldered by our reinsurers increased to € 667.4 million, after totalling € 167.1 million in the prior year. In line with the development of the reinsured portfolios, reinsurance commissions totalled € 82.2 million and were € 10.1 million higher than in the previous year. Overall, the reinsurance balance was € 412.7 million in our favour after a positive result of € 38.9 million for reinsurers in the prior year. The historically high reinsurance balance for Gothaer Allgemeine Versicherung AG was due largely to robust hedging, which we endeavour to ensure in the area of natural hazards.

Underwriting result

Before adjustment of equalization reserves, the underwriting result net of reinsurance was in deficit in the year under review, standing at € -22.0 million in direct written insurance business (PY: € 97.7 million) and € -9.7 million in business overall (PY: € 104.9 million). Gratifying premium growth and good reinsurance cover in the area of natural hazards failed to fully offset the impact of "Bernd", the biggest loss event in the company's history.

After adjustment of equalization reserves, however, the underwriting result remained distinctly positive at € 51.7 million (PY: € 66.6 million). Whereas large sums needed to be allocated to equalization reserves in the prior year – particularly in direct written insurance business – large withdrawals needed to be made in the year under review. Accident and motor liability lines, in particular, saw reversals to the minimum funding requirement. Withdrawals due to excess of loss were made in fire insurance and elsewhere.

	Change in equalization reserves		Underwriting result net of reinsurance	
€ million	2021	2020	2021	2020
Accident	-18.2	-3.5	52.1	37.1
Liability	4.0	5.1	29.4	24.7
Motor liability	-27.4	-14.5	50.9	34.5
Other motor	5.5	19.2	-11.0	-7.3
Fire	-25.2	30.6	-1.1	-18.5
Comprehensive householders	0.0	0.0	18.9	26.1
Comprehensive homeowners	1.4	11.8	-42.4	-28.7
Other property	-7.8	7.5	-29.4	-20.6
Marine and aviation	-3.9	-2.7	-4.7	-4.7
Other insurance	0.6	0.6	-13.6	1.0
Direct written business	-71.1	54.1	49.1	43.6

Investments

Gothaer Allgemeine Versicherung AG pursues an investment strategy that is primarily geared to generating a robust, sustained net return in a competitive environment while taking account of regulatory requirements that need to be met by investment earnings, liquidity, security and quality as well as Solvency II requirements. This is ensured by the systematic use of risk-adjusted and risk-balanced performance management aimed at optimizing the return/risk ratio of the investment portfolio. The Company's current investment strategy and the resulting strategic asset allocation should therefore be seen as the result of a continuous and comprehensive asset liability management process that also, and particularly, takes account of underwriting requirements. In 2021, Gothaer Allgemeine Versicherung AG remained systematically committed to a long standing investment policy that is largely geared to stable current income. The two priorities of this strategy are to generate attractive returns even in the current market environment of sustained low interest rates and to ensure that risks are reduced overall by being spread as broadly as possible over the different types of investment. Investment decisions have also taken account of environmental, social and governance criteria – so-called sustainability criteria. Moreover, in May 2020, Gothaer underlined the importance of responsible investment by joining the UN Principles for Responsible Investment (UN PRI).

Global economic development in the period under review was shaped by gradual recovery from the coronavirus pandemic. With demand for goods growing dynamically and capacity utilization rising across the economy, however, supply constraints were experienced in the first half of the year. In autumn, demand in the leisure and service sectors was dampened by the emergence of new mutations of the virus. Nevertheless, global economic output for the year as a whole increased vigorously against the prior year, by 5.9 %. Germany recorded the weakest growth among EU countries at 2.8 %. Mirroring the previous year, inflation trended steeply upwards in the period under review. In Germany, annual inflation reached 3.2 % in 2021, its highest level since 1993. Monetary policy did not switch to inflation-fighting mode until the second half of the year. In December, the Bank of England became the first of the G7 central banks to raise its key interest rate, while the US Federal Reserve (Fed) and the European Central Bank (ECB) decided only to phase out the asset purchase programmes launched to shield the economy from the Covid-19 pandemic. The ECB has announced there will be no change in its interest rate policy until 2023 at the earliest.

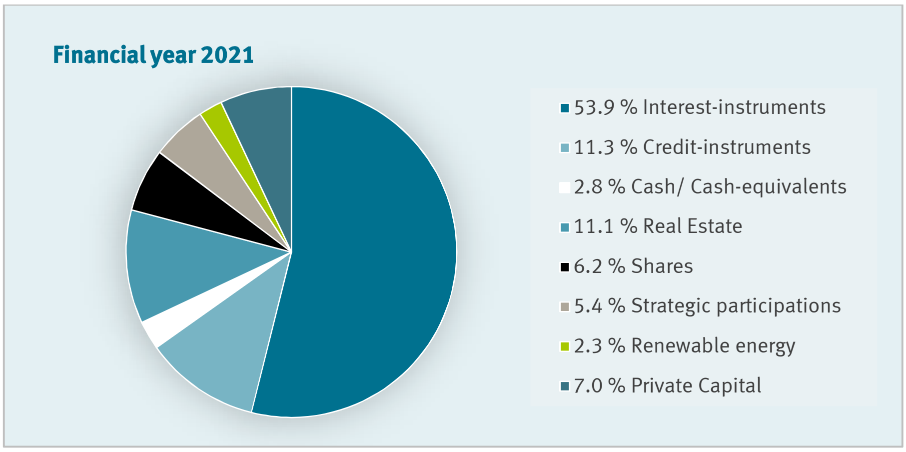
Capital market developments in the period under review were marked by the unexpectedly sharp acceleration of inflation and the growing market expectation that this would force a change in monetary policy. In the case of German government bonds, yields in the ten-year maturity segment rose on a very flat, rippling curve in the period under review. Starting from a low of -0.6 % at the beginning of the year, the first two surges in May and October each took yields to around -0.1 %, after which they fell back to -0.5 % and -0.4 % respectively. The third wave started in December and ended the year at around -0.2 %. Over the year as a whole, German government bonds posted a negative performance of 2.8 %. In the case of US government bonds, yields moved largely in line with those of German government bonds, although at a higher level.

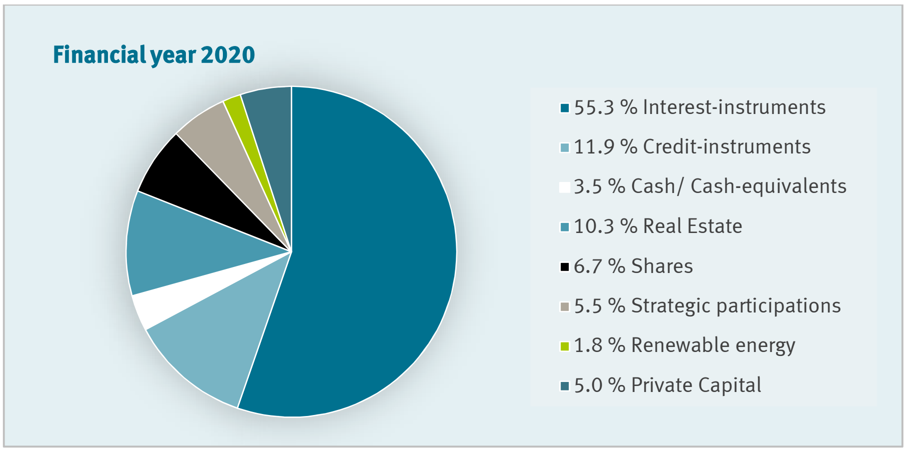
For equity investors, 2021 was a very good year. In the European markets, however, the price rise curve flattened out from the second quarter onwards, with the result that performance over the year as a whole lagged behind that of the US indices. While the annual performance of the S&P500 Total Return Index in USD stood at +28.7 %, European dividend stocks (EuroStoxx50 Total Return Index) achieved a total return of only 23.3 % and German stocks (Dax Performance Index) 15.8 %.

The book value of the Gothaer Allgemeine Versicherung AG investment portfolio increased by around € 27.8 million to € 3,682.0 million in the year under review (PY: € 3,654.2 million). The value of net valuation reserves at overall portfolio level rose to € 270.9 million (PY: € 252.8 million). This development was essentially driven by a sharp increase in private capital reserves to € 96.6 million (PY: € 40.8 million); reserves for interest rate instruments decreased to € 59.0 million (PY: € 93.7 million).

Composition of investments

At balance sheet date, the composition of the investment portfolio of Gothaer Allgemeine Versicherung AG on the basis of market values was as follows:





Selective optimization of returns and risk continued to be a major focus of investment activity last year, so asset allocation remained largely unchanged. The percentage of investments held in the fund portfolio increased to 52.2 % by book value (PY: 47.5 %). Disposals in the interest rate and credit instrument asset classes were largely reinvested in attractive private capital and real estate opportunities in 2021. Because of the indirect real estate strategy pursued, investment in property (real estate asset class) within the investment structure is not reported under the balance sheet item "Land, land rights and buildings, including buildings on third-party land". Duration increased over the course of the year from 5.8 to 6.2.

Extraordinary income was negative against the prior year at € -5.6 million (PY: € 15.7 million). Depreciation on special bond funds was only partially offset by realized price gains and write-ups in other areas.

Set against the fall in extraordinary income in 2021 was a moderate rise in current income. Over the year as a whole, investment income was thus only moderately down at € 75.6 million (PY: € 77.3 million). This made for a net return of 2.1 % (PY: 2.1 %).

Net income for the year

Including other income and expenses, income before taxes totalled € 82.6 million, as against € 99.4 million in the prior year. After taxes, the entire profit of € 80.2 million (PY: € 102.1 million) was transferred as a tax allocation and profit transfer to our parent company, Gothaer Finanzholding AG, under the existing profit transfer and tax allocation agreement.

Shareholders' equity

At € 359.4 million, shareholders' equity in the Company was unchanged at the end of 2021. The equity ratio – defined here as the ratio of equity to premiums earned net of reinsurance – thus reached 21.5 % (PY: 21.8 %). Together with subordinate liabilities of € 250.0 million, the volume of the guarantee assets of the Company at balance-sheet date was unchanged at € 609.4 million.

Comparison of business developments in 2021 with the forecast made in 2020

From an underwriting viewpoint, 2021 was an exceptional financial year. Accordingly, actual developments differed significantly from the original forecast.

The economic impacts of the coronavirus pandemic in 2021 proved less severe than anticipated. In particular, the downturn in premium income from sales-based policies was significantly less pronounced than originally assumed. Overall, the projected premium target was even exceeded.

On the claims side, 2021 was dominated to a large extent by the disastrous weather event caused by the low-pressure system "Bernd". Gothaer Allgemeine Versicherung AG always takes a certain volume of major and natural losses into account in its projections. However, it was not possible to forecast a loss event of this unprecedented magnitude for 2021. The extraordinary event's impact on earnings was cushioned thanks to our excellent reinsurance cover and reduced by a withdrawal from equalization reserves. However, the gross loss ratio and the gross underwriting result fell significantly short of projected targets. Despite the overall economic situation, investment income moderately exceeded projection. Overall, income before taxes was thus actually higher than anticipated.

Insurance lines and coverages

- **Health insurance**[2)]

- **Accident insurance**
  Personal accident, group accident, clinical trials, motor accident, accident insurance with premium return, other general accident insurance

- **Liability insurance**
  Personal, employers' and professional malpractice, environmental, property damage, carriers liability, radiation and nuclear plant, fire, marine, inland and river shipping[1)], other liability insurance

- **Motor insurance**
  Motor liability, other motor insurance (collision and comprehensive, and partial own damage coverage)

- **Fire insurance**
  Fire industrial, agricultural and other fire insurance

- **Aviation insurance**[2)]

- **Comprehensive householders insurance**

- **Comprehensive homeowners insurance**

- **Marine insurance**
  Hull, goods in transit, valuables (commercial) [1)], war risk[1)], other marine insurance[1)]

- **Credit and surety insurance**
  Delcredere insurance[1)]

- **Motorist assistance insurance**
  Motor travel service[1)]

- **Aviation and spacecraft liability insurance**[2)]

- **Other property insurance**
  Burglary and robbery, water damage, glass, storm, engineering insurance (machinery, electronic, erection all risks, contractor's all risks[1)] and other engineering insurance), stock in transit[1)], insurance of extended coverage for fire and fire business interruption insurance (EC), business interruption insurance (fire business interruption, engineering and other business interruption insurance)

- **Other non-life insurance**
  Other property damage insurance, other financial loss, other combined insurance, fidelity insurance[1)]

[1)] only direct written insurance business
[2)] only reinsurance business assumed

Membership in associations and similar organizations

The Company is a member of the following associations:

- Gesamtverband der Deutschen Versicherungswirtschaft e. V., Berlin
- Arbeitgeberverband der Versicherungsunternehmen, Munich
- Wiesbadener Vereinigung, Cologne
- Der Versicherungsombudsmann e. V., Berlin
- Verein Hanseatischer Transportversicherer e. V., Hamburg and Bremen
- Verkehrsopferhilfe e. V., Hamburg

We also belong to the following European associations:

- Fédération Française de l'Assurance (FFA), Paris
- France Énergie Éolienne, Paris
- L'Office franco-allemand pour la transition énergétique (OFATE)
- Verband der Versicherungsunternehmen Österreichs VVO, Wien

Employees

Qualified, motivated employees are crucially important for the Company. Their skills, their dedication and their outstanding commitment are the basis for our success. In view of digitalization and the challenges of the market, capacity for change is increasingly important, both for the organization as a whole and for each individual employee.

The way we dealt with the challenges of the coronavirus pandemic showed that we are on the right track. To protect the health of our employees, we made it possible for many to work from home. Skype for Business was implemented to support virtual collaboration and the work-time framework was extended to provide greater time flexibility for employees. Thanks to these measures and the commitment and creativity of our employees, we were able to continue to operate without any major restrictions on productivity.

Mobile and flexible working, the promotion of innovativeness and transformational leadership are hugely important for the organization's capacity for change. We meet the challenges of mobile and flexible working through home office solutions, modern office concepts and innovative processes and techniques. With regard to the capacity for innovation and change required from employees, we invest special efforts in upgrading leadership and change management skills. Cross-departmental networking, embedding agile methods in project management and piloting agile organizational models are also key topics.

The new Gothaer Group strategy Ambition25 clearly defines cornerstones and core objectives, establishing a basic frame of reference for HR action. The goals set out in the Team Capacity for Change strategy module are a particular focus. They comprise the following lines of action:

- New Work
- Agile Organization
- Mindset and Diversity
- Skill Portfolio and Personal Development
- Attractive Employer

Absolute priority is assigned in our HR operations to personnel recruitment, development and retention in line with corporate strategy. This has become even more important in the light of the outcomes of the 2018 Group Dialogue as well as the current labour market situation. Both internal and external employer attractiveness is crucial for the retention and recruitment of employees. The establishment of a consistent employer brand and competitive employment benefits are thus an important focus of HR management. Regular rating via the Group Dialogue and external audits provide important impulses for the further development of our HR services and offerings.

Our efforts are also geared at present to making Gothaer demographic-proof, maintaining staff performance and heightening job satisfaction. In addition to commercially viable financial incentives, we here rely on targeted development and training programmes such as the project leader career programme and other specialist career models. Qualitative and quantitative demographic management, multiple award-winning company health management and affirmative action for the advancement of women are naturally elements of our human resource management.

Gender diversity

As a company subject to parity codetermination, Gothaer Allgemeine Versicherung AG is required under the Act to Supplement and Amend the Regulations for Equal Participation of Women in Management Positions in the Private and Public Sector to set recurrent gender quotas for the Supervisory Board, the Management Board and the first two tiers of management below the Management Board.

The following chart shows the targets set by the Company in 2020 for the different groups.

Target 30.06.2023	in %
Supervisory Board	33.3
- Shareholder side	16.7
- Employee side	16.7
Management Board/Executives	20.0
Managers	
- Management tier I	20.0*
- Management tier II	20.0*

*) Target for 31.12.2023

New measures were implemented as part of the Gothaer Group's Ambition25 strategy to achieve the gender diversity targets set. Those measures can be broken down into the following areas for action: Attitude, Recruitment, Promotion & Development and Working Conditions.

In the area focused on attitude, measures include requiring managers in management tiers 1 and 2 to participate in workshops on unconscious bias. In recruitment, a (female) active sourcing system is being introduced so that more female talent figures in future job selections. Headhunters are also required to fulfil balanced gender quotas in their selections. As regards the promotion and development of high-potential female employees, training courses will be offered for employees, managers and, above all, HR decision-makers so that more female talent can be considered for management positions in the future. Two measures are currently being implemented with the aim of adapting working conditions. First, all vacant positions are advertised on a full- and part-time basis. Secondly, job sharing and reduced working hours are being made possible. Both measures are intended, among other things, to improve the compatibility of career and family life.

The above statements simultaneously constitute the declarations required for compliance with section 289f paragraph 4 of the German Commercial Code (HGB).

Brand

A strong brand is a critical success factor, especially for an insurance company. The decision to buy an intangible asset such as insurance cover is based on the trust associated with the brand. Gothaer is among the ten best-known insurance brands in Germany and remains a relevant and attractive brand even 200 years after its foundation. Our brand image is supported by contemporary advertising communication. The modern target-group-oriented approach, coupled with an efficient integrated mix of digital and classical media as well as other brand communication tools, give Gothaer a contemporary brand presence.

Code of conduct for sales and distribution

Business success for Gothaer depends crucially on the trust that is placed in us by our customers. Those customers, with their needs and expectations, are therefore at the heart of our sales and marketing activities. Insurance agents play an important and responsible role here as a link between customers and insurance companies.

Since becoming part of the two insurance industry initiatives "GDV-Verhaltenskodex für den Vertrieb von Versicherungsprodukten" and "gut beraten" in 2013, Gothaer has consistently implemented the relevant requirements within the framework of a Compliance Management System. All employees and agents have been informed of the fact. At the same time, Gothaer has implemented the requirements of the Insurance Distribution Directive (IDD), which became mandatory in Germany in February 2018. The GDV Code of Conduct has also been updated for alignment with the new legal framework.

As far as sales and distribution are concerned, the requirements of the GDV Code of Conduct are designed to ensure objective customer information and needs-based counselling in the customer's best interest so that the customer is in a position to make a well-informed decision. Special importance is thus attached to the advisory expertise and further training of agents, in whom Gothaer has traditionally invested heavily.

Non-financial Declaration

We claim exemption on grounds of group membership under section 289b (2) of the German Commercial Code (HGB). Gothaer Versicherungsbank VVaG prepares a separate non-financial report for the Gothaer Group using the German Sustainability Code. This is published in accordance with section 315 (3) of the German Commercial Code (HGB) at www.gothaer.de/ueber-uns/nachhaltigkeit/ and together with the consolidated financial statements in the Federal Gazette.

Outlook for 2022

Proviso

The forecasts and estimates contained in this annual report are based on the information available to us in December 2021. They thus take no account of the war in Ukraine. Possible impacts of that conflict on the Company are described in the Notes to the Financial Statements under "Events of special significance".

The following statements on future business are still subject to a high degree of uncertainty due to the coronavirus pandemic. Assessments of its impact are very challenging, as the past year has shown with the various virus mutations and unanticipated infection rates. At the turn of the year we face the onset of another wave of infection and a return to tighter corona-related restrictions on private life and businesses, so the expected economic upswing could possibly be further delayed. As a result, the assessment of future business performance remains subject to heightened uncertainty.

Apart from the possible impacts of the coronavirus pandemic, especially on economic developments and capital market performance, the accuracy of projections may be affected by unanticipated major and accumulation losses, changes in the legal or tax environment and changes in the competitive situation of the Company.

Premium income

Our corporate strategy in the coming year will continue to focus on stable and substantial sales performance. The after-effects of the coronavirus pandemic are expected to be very limited in 2022. We anticipate positive premium growth in the coming year. In particular, we project strong growth for direct written business in 2022.

In the private client segment, we continue to expect significant growth impulses from comprehensive homeowners insurance. Moderate premium growth is targeted in private motor insurance. A new product and pricing strategy has been developed to cater to market requirements for private customers in property, liability and casualty insurance. In future, differentiated products can be offered depending on the market situation for the individual lines.

In the corporate client segment, our focus is on broad-based growth. Due to a significant hardening of the market – in industrial property and other lines – we anticipate vigorous increases in premium income. Growth impulses are also projected for liability insurance. In 2022, significant growth stimuli will be generated in commercial business by portfolio transfers from brokers initiated in 2021.

For reinsurance business assumed, the coming year is expected to bring a significant downturn in premium income.

Claims

On the claims side, projections are based on the assumption that the burden of major and natural hazard claims will return to a normal level. The generally growing risk presented by natural disasters is hedged by appropriate reinsurance programmes. Given our portfolio structure and the year of extraordinary claims experience due to the disastrous flooding caused by the low-pressure weather system "Bernd", we anticipate a significantly lower gross loss ratio than in 2021.

Underwriting expenses

Due to investment in strategic planning, administrative costs will increase. However, ongoing premium growth offers an opportunity to keep prorated cost upturns for clients at a very low level.

Underwriting result

Owing to the level of claims forecast, the gross underwriting result will be significantly higher than in the prior year. The gross combined ratio will again fall below the 95 % mark.

Investments

The post-pandemic growth upswing is forecast to continue worldwide in 2022 with pressure on prices decreasing. The growth rates expected over the year as a whole will be generally lower than in 2021 but will still be at a historically high level. In Germany, the German Council of Economic Experts expects growth to accelerate to 4.6 %, bringing the economy back to its pre-coronavirus level. As regards annual inflation, the Council forecasts a fall to 2.6 %. For bond markets, 2022 is likely to be a difficult year. In the first half of the year in particular, upward pressure on yields in the US government bond market is likely to accelerate in the wake of the first US interest rate hike. In the second half of the year, European government bond markets will look for a possible tightening of monetary policy by the ECB in early 2023.

In the coming year, the focus of investment activities will continue to be on selective risk-return optimization of the investment portfolio, so apart from a moderate asset class shift from credit instruments to interest-rate instruments, no significant changes in asset allocation are planned. Overall, we anticipate a moderate increase in net return.

Income before taxes

We anticipate a substantial allocation to equalization reserves in the coming year and a non-underwriting result slightly below the prior-year level. Overall, we expect a recessive but distinctly positive net profit for the year.

Against the backdrop of our projected results we will remain a reliable partner for our customers ion 2022.

Opportunities and risks of future developments

Risk-oriented management concept

The purpose of the risk management system is to identify and limit potential risks at an early stage to create scope for action that can help provide a long-term guarantee of existing and future success potential. To this end, corporate governance across the Group is geared to the "safety first" principle and value-based management. The operational framework in which the companies in the Group accept risks and do business is defined by risk principles approved by the Management. Furthermore, internal and external standards need to be observed relating to risk-bearing capacity. Risk tolerance, i.e. the limit of permissible risk exposure, is defined with the following in mind:

- From a regulatory perspective, minimum standards are in place to ensure that risk capital requirements are met at all times. This applies to both Pillar I (standard model) and Pillar II (company-specific total solvency capital requirement identified in the ORSA process) risk capital requirements.

- From a rating perspective (financial strength rating), we seek to maintain a capital adequacy ratio that, in conjunction with the other rating factors, is sufficient for at least an A-category rating.

Risk management organization

The risk management unit at Gothaer Finanzholding AG has central responsibility for Gothaer risk management. Central guidelines ensure that uniform standards are applied throughout the Group. Group Risk Management also consults regularly with subsidiaries that have their own decentralized risk management systems in order to perform support and monitoring tasks.

Risk management is regarded as a process consisting of five phases:

- risk identification
- risk analysis
- risk assessment
- risk control and management
- risk monitoring

The risk management process focuses on the risks quantified in the Standard Formula, which include market risk, underwriting risk, counterparty default risk and operational risk. However, it also examines other, non-Standard Formula risks such as strategic risk, reputational risk and legal risks, which are identified, reviewed and assessed in the course of risk inventories.

To facilitate the Group-wide identification of risks in risk inventories, risk officers have been designated at the operative units to define duties, responsibilities, deputation arrangements and authority for dealing with risks while ensuring separation of functions. They also assess risks in terms of foreseeable damage and probability of occurrence. Operational risks that are not identified in risk inventories are deemed insignificant. The risk management function (second line of defence) is performed by the central risk controlling unit at Gothaer Finanzholding AG, which is supported in its work by the actuarial departments of the Group companies and the Middle/Back Office of Gothaer Asset Management AG.

Risk management principles, methods, processes and responsibilities are documented in accordance with the Risk Management Guideline.

The risk management process implemented includes an annual systematic inventory of risks, a qualitative and quantitative risk assessment, various risk management measures and risk monitoring by the operative units and risk controlling. An internal monitoring system (IMS) is in place for this purpose. Its aim is to prevent or reveal damage to assets and to ensure proper, reliable business activity and financial reporting. The IMS comprises both organizational security measures such as access authorizations, use of the four-eye principle or proxy arrangements, for example, and process-integrated and cross-company controls. A central compliance function and the actuarial function have also been set up as key functions in compliance with the Solvency II Directive. Regular risk reporting and ad hoc reports on specific developments make for a transparent risk situation and provide pointers for targeted risk management.

Representatives of Gothaer Asset Management AG, the actuarial functions and representatives of other specialist departments sit on the risk committee established at Group level. Its responsibilities include monitoring risks from a Group perspective by means of an indicator-based early warning system and further developing uniform risk assessment and management methods and processes across the Group.

The efficacy of the risk management system, checks and balances and management and monitoring processes is constantly improved. Gothaer organization and procedures meet the requirements of the three Solvency II pillars in full. Compliance with those requirements is regularly monitored and assessed by the Group internal auditing unit. A review of the risk early-warning system is also part of the audit of the annual financial statements performed by our auditors.

Opportunities and risks for the Company

Gothaer Allgemeine Versicherung AG writes insurance for both private and corporate clients, especially motor, liability, accident, property, engineering and marine insurance, mostly as direct business but also as indirect business. It thus has a diversified risk portfolio. Major risks are analyzed and rated on the basis of the frequency with which they are expected to occur and the anticipated maximum scale of loss. Major risks are defined as risks that could have an existential or sustained negative impact on the Company's net assets, financial position and earnings. They are analyzed in detail, continuously monitored and actively managed by proactive portfolio management. Risks are controlled and minimized by limit systems, underwriting guidelines and the exclusion of specific risks. Regular risk reports are prepared by Risk Management providing executives with assessments of the current risk situation, changes in its makeup and any new or newly detected major risks.

The pandemic continues to be a dominant issue. While the coronavirus crisis gave rise to a great deal of uncertainty in 2020, the situation in 2021 was much more positive. The German economy started to recover as early as spring 2021, although the process of reopening businesses presented many challenges. The hospitality and service industries have struggled with labour shortages, for example, and the manufacturing sector has faced a wide range of supply shortages as a result of the global recovery.

One consequence of this was the sharp rise in inflation in the course of 2021, which will push up the price of raw materials and intermediate products, for example. Construction prices in particular are steadily rising, which will cause medium-term upturns in premiums across the property insurance sector and increase claims burdens in various lines of property and casualty insurance. The decrease in premiums anticipated mainly for sales-based insurance policies failed to materialize in 2021.

Many legal disputes concerning the scope of coverage of business closure insurance were heard by first- and second-instance courts in 2021. In most of their rulings, they found for the insurers and denied compensation. On 26 January 2022, a supreme court decision was handed down on the subject of business closure insurance. In the specific case of a Gothaer competitor, the Federal Court of Justice ruled that there are no grounds for claims based on the coronavirus pandemic unless the coronavirus is included in the list of diseases and pathogens. The ruling does not yet clarify all issues, so risks still exist in the context of business closure insurance.

We see opportunities for the Company in increasingly dynamic fields such as cyber insurance as well as in existing sectors. Increasingly frequent extreme weather events – especially the low-pressure system "Bernd" in July 2021 – are also expected to continue to push up demand for insurance from both corporate and private clients.

Customer satisfaction levels will continue to rise in the future due to the successful use of Lean Six Sigma tools and efficiency gains will be noted as a result of improvements to processes. In addition, the increasing use of robotics solutions will facilitate the rapid processing of standardized, repetitive transactions. Various projects for digitizing communication with customers and sales partners have been set up throughout the Group and are being stringently developed further.

Underwriting risks

Assumption of risk lies at the core of our business activities. We assume that underwriting risk will be substantially and enduringly influenced by major natural losses in the future as a result of climate change. We will therefore continue to place greater emphasis on reinsurance for natural events.

Furthermore, we counter the risk of natural hazards by making systematic use of ZÜRS, the zoning classification system developed by the GDV to identify exposure to natural hazards, as well as by arranging for each individual underwriting risk to be separately assessed by our risk engineers.

In 2021, the low-pressure system "Bernd" gave rise to an extremely high gross loss burden for the Company. Thanks to our adequate reinsurance structure, the net impact was kept within manageable limits. The weather event emphatically confirms the need for adequate reinsurance of such hazards in the future as well as the need for detailed analyses of hazard potentials in the area of natural hazards.

To limit premium and loss risk, we regularly monitor operations in the individual lines of insurance, check the individual and overall contribution margins of relationships and verify the adequacy of underwriting provisions. As a result, we are able to adapt our tariffs and underwriting policy swiftly to changes in circumstances. General premium risk is reduced by a standardized product development process, binding acceptance and underwriting guidelines as well as authorization and competency rules. In new business, this means we can adjust prices promptly to a new claims situation. In portfolio business, we can ensure premiums commensurate with risk by working, on the one hand, with contractually agreed premium adjustment clauses and, on the other, with individual policy adjustments.

Our tariffs are calculated on the basis of actuarial models. Provisions are established on the basis of HGB standards. Both loss reserves and reserve run-off are reviewed on a yearly basis. We are thus able to guarantee the long-term fulfilment of our obligations. To even out fluctuations, we form equalization reserves calculated on the basis of the statutory requirements stipulated for insurers.

Due to the significant overestimation of premium and reserve risk in the standard formula, Gothaer Allgemeine Versicherung AG decided to apply for undertaking-specific parameters (USPs). Use of the USPs applied for significantly reduces premium and reserve risk and thus has a positive impact on the solvency ratio. Approval means that the USPs will be applied for the first time in the 2021 year end calculation of Gothaer Allgemeine Versicherung AG.

In new business, underwriting practice is based on the underwriting guidelines in which our clearly structured, profit-oriented underwriting policy is documented. Furthermore, where claims experience is very poor, existing policies are terminated or restructured on renewal. Compliance with underwriting guidelines is monitored by the use of special controlling instruments. A comprehensive controlling system that identifies negative developments and deviations from projected figures also enables us to counteract undesirable developments promptly. In addition, active claims management and reinsurance are used as instruments of insurance risk management. To guard against major and accumulation losses as well as fluctuations in earnings, we pursue an active reinsurance policy. The effects of natural catastrophes, accumulation losses and major losses are largely mitigated by the structure of Gothaer reinsurance. A good credit and company rating are a prime requirement for any reinsurer selected. In order to identify hazards and risks to earning capacity, we also model the impacts of different loss scenarios on our portfolio within the framework of our internal risk model. Apart from this, measures are taken to keep the impacts on the gross side as low as possible. Rates are thus set as far as possible on the basis of actuarial methods. In addition, underwriting policy provides for targeted use of instruments such as self-insurance, sublimits and coverage limitation agreements.

In the private client segment, competition is still intense for high-margin products. The situation is characterized by growing market transparency on prices and terms due to online comparison platforms as well as the undiminished major significance of the internet direct insurance model and the consequent high level of attrition rates. Overall, underwriting margins are under increasing pressure. We respond to these market requirements with a profit-oriented policy on prices and conditions. End-to-end portfolio management enables us to monitor the portfolio constantly and to respond with individual measures to improve earnings where policies perform particularly poorly. Furthermore, a new product and pricing strategy was implemented for the private client segment in property, liability and casualty insurance. It permits flexible marketing of up to five product lines depending on the state of the market for the various types of insurance, allowing new target group segments to be developed.

Our corporate client portfolio is well spread across types and classes of insurance products. However, it is naturally more exposed to individual risks and thus appreciably more volatile than the private client portfolio. We thus assign high priority to premiums commensurate with risks and to responsible underwriting. Accordingly, we attach particular importance to ensuring that our underwriters remain highly qualified. To ensure long-term high standards here and steadily improve our performance, we have implemented a professional training and young talent concept for underwriters. Here, too, potential risks are limited by binding underwriting guidelines as well as authorization and competency rules for each line of insurance. Because of the competitive dynamics of this segment, professional supervision is provided annually by relevant product managers to ensure the relevance and strict observance of underwriting guidelines. In the case of special and particularly large risks, we reduce exposure by involving other insurers as risk partners or concluding risk-specific facultative reinsurance treaties. One factor of our success in the corporate client segment is profit-oriented portfolio management, which also means that we consciously terminate unprofitable risks or insurance portfolios.

Reinsurance

The renewal of reinsurance treaties at 1 January 2021 was very much shaped by reinsurers' demands that risks from communicable diseases should be excluded from the scope of cover of reinsurance treaties up for renewal. Gothaer was able to meet these requirements without having to accept any substantive restrictions in its own reinsurance cover. Higher reinsurance premiums imposed by reinsurers in Germany remained confined to loss-impacted programmes. The renewal of reinsurance treaties at 1 January 2021 was therefore unproblematic and Gothaer was able to secure sufficient reinsurance capacity for all lines of business on terms that it considered satisfactory.

The structure of reinsurance cover remained virtually unchanged in comparison to the prior year. The excess of loss programme covering natural hazard losses was extended, in line with standard practice, to take account of the increased exposure due to portfolio growth during the course of the year. Furthermore, an additional line of industrial property insurance was included in proportional cover.

Owing to the severe weather events of summer 2021, the results of Gothaer reinsurance cessions for reinsurers were affected by a heavy burden of natural hazard losses. This resulted in historically high net relief from reinsurance.

Gothaer continues to monitor the opportunities and options offered by alternative risk transfer to the capital market. Although the structures and prices of non-traditional reinsurance solutions have moved closer to those of conventional reinsurance, the latter is still the more appropriate solution for Gothaer. Should that change, Gothaer would be prepared to restructure accordingly. This would be possible thanks largely to the exchange of expertise with partners that already successfully practise alternative risk transfer in the international insurance network Eurapco.

Owing to the process of renewal that typically takes place within the industry, there is a possible but very unlikely risk of a temporal mismatch between primary insurance and reinsurance protection. This is due to the fact that negotiation of a reinsurance treaty does not normally begin until the primary insurer has already confirmed cover to policyholders for the coming year and/or can no longer cancel it. In the historically unprecedented event of a total collapse of reinsurance capacities, e.g. in the case of a global financial crisis coinciding with the occurrence of an extreme incidence of natural catastrophes, our risk exposure would significantly increase.

As regards the concentration of insurance risks, Gothaer makes a distinction between various scenarios, such as loss events that produce infrequent but large individual claims and events that result in a large number of individual claims (accumulation losses). Accumulation losses can affect several lines of insurance and/or geographical areas. Sufficient reinsurance protection is in place for all scenarios. In addition, potential scenarios are constantly monitored.

Claims

The following chart shows a ten-year summary of the changes in Gothaer Allgemeine Versicherung AG loss ratios and run-off results across all areas of direct domestic business net of reinsurance:

Claims		in %
	Loss ratio after run-off	Run-off results of initial reserves
2012	66.8	12.5
2013	70.0	11.3
2014	67.0	10.8
2015	69.1	10.4
2016	67.4	9.7
2017	62.9	12.3
2018	69.5	11.6
2019	64.7	11.2
2020	64.3	8.3
2021	71.3	9.6

Risks arising from reinsurance assumed

Within the Gothaer Group, Gothaer Allgemeine Versicherung AG acts as a reinsurance provider for small property and casualty insurers. This activity predominantly involves small business and private client lines. Terms are negotiated annually and are in line with current market conditions.

Risks arising from fronting agreements

Gothaer acts as a fronting partner in Germany for selected foreign companies or captives, i.e. it writes risks and reinsures them to the fronting partner in their entirety. If a partner were unable or unwilling to meet its contractual obligations under the reinsurance contract, Gothaer would in some cases face high liabilities because such business is not ceded under obligatory reinsurance contracts. To avoid exposure to incalculable risks, a set of rules has been created, identifying the kind of companies that may be accepted as cooperation partners, the kind of security checks that need be conducted and the maximum liability that Gothaer is allowed to assume for each line of insurance.

Loss of receivables risk

Accounts receivable from policyholders and insurance agents in connection with direct written insurance business totalled € 96.8 million for Gothaer Allgemeine Versicherung AG at balance sheet date. € 29.4 million of the aggregate total of accounts receivable handled by our central collection systems has been due for more than 90 days. The average collection loss (unsuccessful court orders) in the last three years was € 2.7 million, which represented an average of 0.1 % of gross premiums written.

We cede reinsurance only to high-class reinsurers. 98 % of our reinsurance premiums are ceded to reinsurers with a rating of A- or better. Accounts receivable in connection with assumed and ceded reinsurance business totalled € 68.2 million at balance sheet date. Accounts receivable in connection with reinsurance ceded amounted to € 63.2 million. The structure of receivables from reinsurers by rating category was as follows:

Rating class	€ million
AA	42.8
A	19.7
BBB	0.5
Not rated	0.1

As a result of our security policy, loss of receivables in past years has been insignificant.

Investment risks

Risk strategy

The risk strategy for investments derives directly from the business strategy implemented by Gothaer Allgemeine Versicherung AG. At its heart is the guarantee of the Company's risk-bearing capacity for its selected risk tolerance, which needs to be viewed in direct relation to capitalization, equity requirements under Solvency II and the target rating sought. Investment risk strategy is embedded in a risk-adjusted management policy that takes account of potential earnings opportunities against the backdrop of any risks. This presupposes an effective risk management system employing modern controlling systems to meet the requirements introduced under regulatory legislation and ensure that the additional – and in some cases more restrictive – risk limits set by the Company itself are also observed. In the context of diversification and to avoid excessive concentrations of risks, Gothaer Allgemeine Versicherung AG continues to attach great importance to broad diversification within and across the various asset classes.

Risk situation and management

• Market change risk
Investments are exposed to the risk of possible changes in value due to fluctuations in interest rates, share prices or exchange rates in the international financial markets. Management of market price risks is supported by regular stochastic and deterministic model calculations. The investment portfolio is subjected to stress scenarios at regular intervals in order to measure risk potential.

Simulating interest rate change risk in line with German Accounting Standard DRS 20 A2.14 produced the following result for Gothaer Allgemeine Versicherung AG: a 1 percentage point parallel increase in the interest curve with a modified duration of 6.2 (PY: 5.8) reduced the market value of interest-bearing securities by € 166.7 million (PY: € 158.4 million) in comparison to the year-end value of the portfolio.

The market value of the equity portfolio is also expected to remain stable in the coming year. Share exposure at balance sheet date essentially consists of an equity mandate with option hedge. Risk capital stress testing (20 % downturn in prices) resulted in a fall in market value of around € 164.8 million (PY: € 149.6 million) at balance sheet date.

As in 2020, the coronavirus pandemic continued to shape the real estate market in 2021. It can still be observed that individual markets and occupancy rates are developing differently. In some cases – e.g. high-street retail properties – it is unclear how they are currently priced and how values will develop. Our strategy therefore remains unchanged and we regard investment in real estate loans as an attractive opportunity. Fluctuations in market prices are mitigated here by the defined maturities – which tend to be shorter – and a more conservative position in the capital structure. The portfolio is valued at market prices and highly diversified. In light of market developments and the structure of the portfolio, we do not anticipate the need for substantive extraordinary depreciation. A price fall of 10 % results in a loss of market value of € 44.0 million (PY: € 40.2 million).

Exchange rate risk continues to be almost fully hedged by forward exchange contracts.

• Credit/solvency risk
Credit/solvency risk is the risk of insolvency or late payment; it also includes the risk of a negative change in the creditworthiness of a debtor or issuer. In the interest of risk management, investment vehicles are acquired only when a qualified and cross-checked assessment of credit-worthiness by external agencies such as Standard & Poor's, Moody's or Fitch Ratings or a qualified internal rating is available. Credit risks are also broadly diversified to avoid concentration risks. As well as supervisory requirements, supplementary, more restrictive internal limits are in place to keep credit and concentration risk within reasonable bounds at individual loan, issuer and portfolio level. All critical names are constantly monitored in both the Front and Middle Office of Gothaer Asset Management AG. Regular credit analyses are also performed by Front Office to verify the value of investments that come under pressure during the course of the year in the wake of downgrades or market evaluations. Where these analyses show impairment, depreciation is applied on the fair or market value of the individual bonds. Such value adjustments in the financial year were negligible.

Owing to rating changes and additions and disposals during the course of the year, the spread of ratings in the fixed-interest portfolio changed as follows:

Rating class		in %
	2021	2020
AAA	24.5	28.0
AA+	7.2	6.3
AA	9.2	9.0
AA-	8.7	8.2
A+	5.7	9.2
A	9.4	10.2
A-	9.5	6.5
BBB+	9.7	5.7
BBB	9.4	11.1
BBB-	2.1	3.0
Speculative Grade (BB+ to D)	1.4	1.2
Not rated	3.3	1.6

• Liquidity risk

A viable liquidity planning and management system is a prime requirement for effective investment management. Group-wide liquidity planning, which encompasses both investment and underwriting, ensures precise day-by-day projection of cash balances. When payment peaks are indicated, the necessary liquidity can be made available either via the cash pooling system implemented in 2021 or by selling marketable securities. Apart from the liquid securities in the direct portfolio, special funds are also available to meet liquidity peaks by payment of dividends or disposal of certificates. Moreover, capital available for investment can be promptly identified. With the help of our liquidity risk management concept, regular analyses of liquidity sources and cover ratios can be performed and, in particular, liquidity stress tests carried out.

There were no liquidity bottlenecks at any time during the year under review. In the course of ALM analysis, underwriting commitment flows and the maturities of fixed-interest securities held are compared in a medium- and long-range projection. Owing to the uniform distribution of maturities, no liquidity bottlenecks are foreseen in any of the years considered.

Operational and other risks

IT risks

The pandemic situation, in particular, has made it necessary to rapidly digitize business processes and upgrade existing IT infrastructures in order to maintain business operations. Among other things, the short-term provision of central IT services by and for employees at decentralized locations presents a new challenge. The resulting IT risks are therefore a key aspect of Group-wide risk management.

The growing professionalization of cybercrime – a phenomenon that has been observed for a number of years – has thus recently become increasingly focused on these new circumstances in an attempt to identify and exploit any organizational or technological vulnerabilities that may have arisen.

Under the certified information security management system (ISMS), the Gothaer Group continuously assesses its threat situation and the effectiveness of existing protections. The focus here is on maintaining business processes by risk-oriented protection of the confidentiality, integrity, availability and authenticity of the information assets involved. New protective measures are aligned with recognized standards, the state of the art and regulatory requirements in order to continuously improve the level of security. In addition, business processes critical to the Company, including the resources required for them, are safeguarded by further Business Continuity Management (BCM) measures.

In this way, Gothaer broadly ensures compliance with the "Insurance Supervisory Requirements for IT" of the German Federal Financial Supervisory Authority and other statutory requirements. We also fundamentally guarantee compliance with the provisions of the German Federal Data Protection Act (Bundesdatenschutzgesetz) and the code of conduct ("Verhaltensregeln für den Umgang mit personenbezogenen Daten durch die deutsche Versicherungswirtschaft") agreed by representatives of data protection agencies, consumer watchdog Verbraucherzentrale Bundesverband e. V. and the insurance industry to raise data protection standards.

The effectiveness of the ISMS is ensured by regular and ad hoc internal and external reviews. Similar reporting on risk management, security levels and significant events makes it possible for risk-minimizing measures to be managed in accordance with regulatory requirements. In addition, external monitoring and certification to ISO/IEC 27001 is carried out annually by TÜV Rheinland.

HR risks

The management of HR risks (scarcity, departure, motivation, adaptation and loyalty risks) and the identification and utilization of opportunities are major constituents of Gothaer HR management. Key points of reference are the newly developed Group strategy, change processes within the Group, the economic situation of the Group companies and external factors such as market developments, digitalization and changes in population demographics. The HR topics of primary importance at present are as follows:

- Acquisition and retention of employees
- Ensuring the health and safety of employees
- Securing the skills critical for Gothaer's future
- Strengthening capacity for change across the Gothaer Group.

Gothaer HR management has a comprehensive set of analytical instruments at its disposal for measuring, assessing and managing risks. The data and analyses thus generated are important HR tools. At the same time, the managements of the specialist departments are important players in HR risk management. The HR department therefore supports them in this role by providing data (e.g. in the form of cockpits) and by conducting joint analyses and activities (e.g. quantitative and qualitative analyses for demographic risk management).

A very close eye is kept on the adjustment risks connected with the implementation of the Group strategy and changes in the Group companies. This monitoring is performed, for example, through use of the Group Dialogue and follow-up surveys, which permit a differentiated analysis of the views of employees and management on matters such as strategy, customer orientation, leadership, cooperation and sustained commitment. Consultations of this kind are thus important for the further development of the Group. The findings of the 2019 follow-up survey confirm the effectiveness of the measures derived from them. As in 2020, highly targeted analyses and measurements were performed in 2021 in light of the challenges presented by the coronavirus pandemic. Detailed studies were carried out on the development of incapacity to work and utilization of more flexible worktime frameworks. Furthermore, a comprehensive staff survey was undertaken to monitor the health, productivity, and well-being of employees working from home.

Scarcity risks in the acquisition of external know-how carriers are primarily addressed by appropriate HR marketing tools. At the same time, an attempt is made to counter the risks by means of internal development programmes. Analysis of candidate management data and verification of Gothaer's attractiveness as an employer are also important instruments for managing scarcity risks. In 2021, we also commissioned external market research into Gothaer's attractiveness as an employer in the external applicant market.

Demographic change management is particularly relevant. This is because demographic change not only pushes up the number of employees leaving Gothaer because of their age but also reduces the number of qualified applicants available in the external labour market. It thus fundamentally increases scarcity and departure risks – even more so in the Cologne local market (location of Group headquarters), with its dense cluster of insurance companies competing for human resources. Gothaer long ago identified these risks both internally (e.g. by calculating scenarios) and externally (e.g. by taking part in employer rankings) and thus possesses an extensive risk management database. Gothaer's enhanced employer marketing activities as well as projects such as "Frauen in Führung" (Women in Leadership) help successfully counter the risks described above.

Regulatory compliance of financial statements

Accounting controls have been set up and other organizational arrangements made to guarantee the regulatory compliance of annual and consolidated financial statements. Among the organizational arrangements, special mention should be made of our accounting principles, clear assignment of responsibilities for accounting systems and data interfaces, detailed time scheduling and monitoring as well as regular backing-up of data bases. General observance of the four-eye principle, clear regulation and verification of authority as well as clear assignment of responsibility for bookkeeping systems are key elements of the internal monitoring system. The units involved in the reporting process continue to be integrated in the Gothaer Group risk management system. Verification of these elements is performed by the Internal Auditing unit. We also respond to challenges arising from changes in accounting rules by running constant staff development and training programmes.

Legal risks

Due to mounting legislative requirements and judiciary developments at European and national level, the insurance industry faces major challenges even from a purely administrative perspective. Recent examples include the Act on Corporate Due Diligence in Supply Chains passed by the German Bundestag in June 2021, the Act on Strengthening Financial Market Integrity that came into force in July 2021 and, at European level, the Schrems II ruling of the ECJ.

The German Supply Chain Due Diligence Act, for example, is directly applicable to parts of the Gothaer Group. According to current analysis, the Act does not imply that insurance companies are subject to additional due diligence requirements to ensure that their (primary) policyholders respect human rights, because policyholders are not part of the insurance company's supply chain. However, the law needs to be observed, on penalty of being fined, for the general procurement of goods and services, including, for example, outsourcing activities to IT service providers or cloud operators. It can also be assumed that commercial policyholders need to regard insurance relationships that are of major importance for the services they offer as part of their supply chain. Gothaer must also therefore be prepared for the fact that, in the course of a Know Your Customer process, commercial policyholders will only conclude an insurance contract in future on condition that respect for human rights is demonstrated in a way that complies with the specifications of the law.

The Schrems II ruling and its fundamental implications are well known from the public debate. More than one and a half years on, there is still considerable legal uncertainty over international data transfers. Particularly in the case of direct – or even indirect – cooperation with US-based hyperscalers, that uncertainty regularly fuels the need to minimize risks through additional technical and organizational measures (so-called TOMs). Since there is often no alternative to using US-based software solutions, significant legal challenges inevitably arise.

Targeted legal monitoring coordinated by Gothaer's Chief Compliance Officer is implemented to keep abreast of these extensive changes, identify the need for action and – taking company-specific circumstances into account – ensure that appropriate and sufficiently prompt measures are taken.

Money laundering

Internal guidelines and safeguards are in place to prevent life insurance, refund-of-premium accident insurance or loans with insurance companies being used to launder money or finance terrorism. For mortgage loans granted by the Gothaer companies in the past, run-off is handled centrally. No new mortgage loans are granted. The internal guidelines and safeguards are also used – alongside a wide range of work instructions – to minimize risks.

Business Continuity Management

Gothaer has a functioning business continuity management (BCM) system that has proved its worth in the current coronavirus pandemic. A permanent crisis team was activated at the start of the pandemic and crisis infrastructure was created at an early stage to ensure Gothaer's operational capacity and protect the health of employees. Precautionary measures (e.g. disinfectants, masks, tests, conversion of ventilation systems, etc.) to prevent a possible spread of the virus were implemented. In particular, a vaccination service was made available for all employees. On the IT side, systems were converted for home office use.

Summary of the risk situation

Gothaer Allgemeine Versicherung AG is both very well capitalized and highly diversified in terms of products and business segments (private clients/corporate clients). In conjunction with good market positioning, disciplined business practices and a sufficiently conservative risk policy, this ensures adequate risk-bearing capacity.

The main risk identified for Gothaer Allgemeine Versicherung AG comes from natural catastrophes. We hedge that risk through selective reinsurance agreements.

Risk controlling is performed by quantitative and qualitative analysis. The control mechanisms, instruments and analytical processes described above ensure effective risk management. The result is a risk profile that is accurate and stable over time. This assessment is supported inter alia by the following:

Gothaer Allgemeine Versicherung AG fulfils the regulatory solvency requirements set out in the German Insurance Supervision Act (VAG). The Company's available capital exceeds the solvency requirements. A detailed description of those requirements and the way they are met by Gothaer Allgemeine Versicherung AG is found in the Solvency and Financial Condition Report (SFCR), which is also published on the Gothaer website (www.gothaer.de).

In 2021, Standard & Poor's upgraded the rating of Gothaer Allgemeine Versicherung AG from A- to A with stable outlook. The upgrade at this time recognizes the financial stability of the Gothaer Group and Gothaer Allgemeine Versicherung AG.

At the time the financial statements were prepared, nothing was seen in the risk situation of Gothaer Allgemeine Versicherung AG that might jeopardize the fulfilment of commitments assumed under insurance contracts.

Balance Sheet as at 31 December 2021

Assets

				€ thousand
			2021	2020
A. Intangible assets				
I. Acquired concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets		57,326		63,670
II. Payments in advance		39,013		18,449
			96,339	82,119
B. Investments				
I. Investments in affiliated companies and associates				
1. Shares in affiliated companies	160,511			158,717
2. Loans to affiliated companies	135,011			125,011
3. Investments in associated companies	172,386			183,046
4. Loans to associated companies	19			19
		467,927		466,793
II. Other investments				
1. Shares, investments in unit trust and funds and other non-fixed-interest securities	2,108,706			1,915,866
2. Bearer bonds and other fixed-interest securities	619,945			731,122
3. Mortgages, liens on real property and annuities	496			663
4. Other loans	418,138			448,807
5. Bank deposits	39,450			65,250
6. Miscellaneous investments	2			2
		3,186,737		3,161,710
III. Deposits made in connection with reinsurance business assumed		27,329		25,697
of which from affiliated companies: €26,809 thousand (PY: €25,143 thousand)				
			3,681,993	3,654,200

				€ thousand
			2021	2020
C. Accounts receivable				
I. Accounts receivable in connection with direct insurance business from:				
1. Policyholders	29,516			33,704
2. Insurance agents	67,330			59,263
		96,846		92,966
II. Accounts receivable in connection with reinsurance business		68,161		33,202
of which from affiliated companies: €3,129 thousand (PY: €1,481 thousand)				
of which from associated companies: €2,776 thousand (PY: €3,631 thousand)				
III. Other accounts receivable		67,111		52,364
of which from affiliated companies: €19,019 thousand (PY: €10,280 thousand)				
of which from associated companies: €32 thousand (PY: €79 thousand)				
			232,118	178,532
D. Other assets				
I. Tangible assets and inventories		4,305		4,140
II. Current credit balances with banks, checks and cash on hand		28,348		38,451
III. Miscellaneous assets		1,015		1,000
			33,668	43,591
E. Prepaid expenses				
I. Prepaid interest and rent		22,999		23,264
II. Other prepaid expenses		426		408
			23,425	23,672
F. Excess of plan assets over pension liability			1,711	1,378
Total assets			4,069,255	3,983,492

Shareholders' equity and liabilities

					2021	2020
						€ thousand
A.	Shareholders' equity					
	I. Called-in capital					
	Subscribed capital	153,388				153,388
	Less outstanding contributions not called in	10,226				10,226
			143,162			143,162
	II. Capital reserve		216,256			216,256
	III. Revenue reserve					
	Statutory reserve		5			5
				359,423		359,423
B.	Subordinate liabilities			250,000		250,000
C.	Underwriting reserves					
	I. Unearned premiums					
	1. Gross amount	271,346				260,418
	2. less: amounts ceded	22,946				21,099
			248,400			239,319
	II. Aggregate policy reserve					
	Gross amount		32,268			35,218
	III. Reserve for outstanding claims					
	1. Gross amount	3,153,339				2,664,877
	2. less: amounts ceded	751,735				385,107
			2,401,604			2,279,770
	IV. Reserve for performance-related and non-performance-related premium refunds					
	1. Gross amount	4,315				4,297
	2. less: amounts ceded	147				134
			4,169			4,163
	V. Equalization reserves and similar reserves		376,438			437,817
	VI. Other underwriting reserves					
	1. Gross amount	9,157				7,604
	2. less: amounts ceded	-7,478				-3,832
			16,635			11,436
				3,079,514		3,007,724

				€ thousand
			2021	2020
D. Other accruals				
I. Accruals for pensions and similar obligations		575		582
II. Accruals for taxes		4,300		2,810
III. Miscellaneous accruals		34,260		36,396
			39,134	39,788
E. Deposits held in connection with reinsurance business ceded			50,293	35,029
F. Other liabilities				
I. Accounts payable in connection with direct insurance business to				
1. Policyholders	106,572			102,261
2. Insurance agents	31,936			17,369
		138,508		119,631
II. Accounts payable in connection with reinsurance business		41,298		35,096
of which to affiliated companies: €0 thousand (PY: €2,909 thousand)				
III. Miscellaneous liabilities		111,084		136,801
of which: for taxes: €19,980 thousand (PY: €18,943 thousand) toward affiliated companies: €75,485 thousand (PY: €98,260 thousand) toward associated companies: €1,703 thousand (PY: €1,759 thousand)				
			290,890	291,528
Total shareholders' equity and liabilities			**4,069,255**	**3,983,492**

I hereby confirm that the aggregate policy reserve for accident insurance with premium return shown under Shareholders' Equity and Liability line item C.II. and the annuity reserve for claims under Shareholders' Equity and Liability line item C.III. on the balance sheet were calculated in compliance with sections 341f and 341g of the German Commercial Code (HGB) and the statutory instrument issued pursuant to section 88 (3) of the German Insurance Supervision Act (VAG); in the case of older accident insurance policies with premium return within the meaning of section 336 VAG, the aggregate policy reserve was calculated on the basis of the authorized current business plan.

Cologne, 4 March 2022

Dr. Land
Appointed actuary

I hereby certify pursuant to section 128 (5) VAG that the assets recorded in the list of assets have been invested in compliance with legal and regulatory requirements and are kept in proper custody.

Cologne, 4 March 2022

zur Mühlen
Trustee

Income Statement
For the Year Ended 31 December 2021

				€ thousand
			2021	2020
I. Underwriting account				
1. Earned premiums net of reinsurance				
a) Gross premiums written	2,021,879			1,941,005
b) Reinsurance premiums ceded	339,661			283,662
		1,682,218		1,657,343
c) Change in gross unearned premiums	-10,928			-11,482
d) Change in gross unearned premiums ceded	-1,847			-986
		-9,080		-10,496
			1,673,138	1,646,847
2. Technical interest net of reinsurance			2,228	2,279
3. Other underwriting income net of reinsurance			2,313	1,344
4. Claims expenses net of reinsurance				
a) Claims paid				
aa) Gross amount	1,352,518			1,196,940
bb) Amount ceded	302,123			159,768
		1,050,395		1,037,172
b) Change in reserve for outstanding claims				
aa) Gross amount	480,077			16,243
bb) Amount ceded	365,250			7,360
		114,828		8,884
			1,165,222	1,046,055
5. Change in other net underwriting reserves				
a) Net aggregate policy reserve		2,950		2,786
b) Other net underwriting reserves		-5,200		568
			-2,249	3,354
6. Expenses for performance-related and non-performance-related premium refunds net of reinsurance			3,899	2,674
7. Underwriting expenses net of reinsurance				
a) Gross underwriting expenses		582,949		557,597
b) less: commissions and profit sharing received on reinsurance business ceded		82,215		72,141
			500,735	485,457
8. Other underwriting expenses net of reinsurance			15,269	14,714
9. Subtotal			-9,697	104,924
10. Change in equalization reserves and similar reserves			61,379	-38,284
11. Underwriting result net of reinsurance			51,682	66,640

			2021	2020
				€ thousand
II. Non-underwriting account				
1. Investment income				
a) Income from investments of which from affiliated companies: €24,663 thousand (PY: €3,161 thousand)	34,355			8,840
b) Income from other investments of which from affiliated companies: €6,692 thousand (PY: €6,683 thousand)	52,881			74,222
c) Income from write-ups	7,792			335
d) Proceeds from the disposal of investments	9,849			41,058
		104,877		124,455
2. Investment expenses				
a) Cost of portfolio management, interest expenses and other expenses in connection with investments	6,121			21,510
b) Amortization of investments	19,397			17,038
c) Losses from the disposal of investments	3,797			8,613
		29,316		47,161
			75,562	77,293
3. Technical interest			-2,566	-2,616
			72,996	74,678
4. Other income		62,185		73,449
5. Other expenses		104,297		115,386
			-42,113	-41,937
6. Income before taxes			82,566	99,382
7. Taxes on income and tax charged by the controlling company	2,281			-2,815
	37,517			39,337
		39,798		36,522
8. Other taxes		85		143
			39,883	36,665
9. Profit transferred on the basis of a profit-transfer or pooling agreement			42,682	62,717
10. Net income for the year			0	0

Notes to the Financial Statements Accounting and Valuation Policies

Introduction

The financial statements have been prepared in accordance with the rules of the German Commercial Code (HGB), the Stock Corporation Act (AktG), the Insurance Supervision Act (VAG) and the Insurance Accounting Regulation (RechVersV).

Balance sheet, income statement and notes to the financial statements are prepared in thousand euros. The figures in the financial statements are rounded to one decimal place. The addition of individual items may therefore result in rounding differences.

Currency translation

Foreign currency positions have been translated into euros at the foreign exchange reference rate as at balance sheet date.

Intangible assets

Acquired intangible assets are recognized at cost less straight-line depreciation based on an anticipated economic life of 3 to 10 years for the relevant asset. Where permanent impairment is anticipated, write-downs are performed in accordance with section 253 (3) HGB.

Investments

Shares in affiliated and associated companies are recognized at cost in line with section 341b (1) HGB unless permanent impairment is anticipated, in which case they are recognized at the lower fair value in accordance with section 253 (3) HGB. Where the reason for impairment no longer exists, a write-up is performed to at most the amortized cost defined in section 253 (5) HGB.

Where no stock exchange value is available, shares in affiliated and associated companies are valued as a matter of principle in accordance with IDW RS HFA 10 in conjunction with IDW S1. An exception is made in the case of various private capital participations and indirect real estate participations held as long-term investments. Here, fair values are established on the basis of net asset value or a cash flow based net asset value.

Loans to affiliated and associated companies are recognized at cost, unless permanent impairment is anticipated, in which case they are recognized at the lower fair value. If the reason for impairment no longer exists, write-ups are performed up to at most the amortized cost. Differences between the cost and repayment amount of these securities are amortized by the effective interest method.

For investment fund certificates, bearer bonds and other fixed interest securities that represent a long-term commitment, we choose to exercise the option offered by section 341b (2) half-sentence 2 HGB to treat the investments as fixed assets and apply the moderated lower-of-cost-or-market principle as a rule. In the case of all other investments, section 341b (2) half-sentence 2 HGB is not applied.

Investment fund certificates, which are classed as fixed assets, are recognized at cost. Depreciation is applied in accordance with section 253 (3) HGB in the case of permanent impairment or in accordance with section 253 (6) HGB, where use is made of the alternative treatment option. Where values recover, write-ups are performed in accordance with section 253 (5) HGB.

Investment fund certificates and other non-fixed-interest securities that are not intended to be held as long-term investments are recognized at cost on the strict lower-of-cost-or-market principle, where appropriate taking into account write-downs to stock exchange value or redemption price pursuant to section 253 (4) HGB. Where values recover, write-ups are performed in accordance with section 253 (5) HGB.

Bearer bonds and other fixed-interest securities classed as fixed assets are valued at cost. Differences between the cost and repayment amount of these securities are amortized by the effective interest method. In line with section 253 (3) HGB, depreciation is applied only where impairment is permanent. If the reason for impairment no longer exists, a write-up is performed pursuant to section 253 (5) HGB. Fair value is established on the basis of stock exchange values or redemption prices.

Bearer bonds and other fixed-interest securities that are not intended to be held to maturity are treated as current assets, recognized at cost on the strict lower-of-cost-or-market principle and written down to stock exchange value in the event of temporary impairment. Where values recover, write-ups are performed in accordance with section 253 (5) HGB.

Registered securities, mortgages, liens on real property and annuities, receivables covered by promissory notes and loans as well as loans and advance payments on insurance policies are recognized at cost. Differences between the cost and repayment amount of these securities are amortized by the effective interest method.

Registered securities, mortgages, liens on real property and annuities, receivables covered by promissory notes and loans as well as loans and advance payments on insurance policies are regularly checked for impairment. Where permanent impairment is anticipated, write-downs are performed to fair value. Where impairment no longer exists, appreciation is applied up to at most the amortized cost.

The fair value of all standard registered securities, mortgages, liens on real property and annuities, receivables covered by promissory notes and loans, as well as loans and advance payments on insurance policies is established by mark-to-model valuation. All the relevant securities are valued on the basis of an appropriate swap curve at balance sheet date plus a security-specific spread. Securities that cannot be assigned as standard to one of the pre-defined groups (e.g. “Namensgenussscheine”) are subjected to special individual mark-to-model valuation.

Structured products, which always need to be broken down into their components, are treated as current assets, recognized at cost on the strict lower-of-cost-or-market basis and written down to stock exchange value in the event of temporary impairment. Where values recover, write-ups are performed in accordance with section 253 (5) HGB.

For all structured interest rate products, a precise analysis of cash flow structures is performed and the products divided into the underlying basic elements using LexiFi

Apropos valuation software. Mark-to-model valuation is performed on the basis of market data at balance sheet date (swap curve, volatilities etc.), as well as current forward rates. The actual valuation, including optional components, is performed by discounting all anticipated future cash flows while taking into account security-specific spreads and illiquidity premiums.

Directly held asset-backed securities are recognized at the values reached by the arrangers.

Derivative financial instruments are recognized on a daily basis at market values obtained from market information systems. Alternatively, in the case of OTC derivatives, they are precisely discounted on the basis of cash flow-based models, using financial mathematical methods and appropriate swap curves at balance sheet date.

Valuation units between investments exposed to a foreign exchange risk (underlying transactions) and foreign exchange sale contracts (hedging instruments) are formed in the same currency. The valuation units exist for the projected holding period of the underlying transaction. Hedges are rolled as a matter of principle, i.e. as forward contracts near maturity, they are prolonged by a new hedge. The forward component, which is the difference between the spot exchange rate and the forward exchange rate, is not included in the offsettable portion of compensatory valuation but deferred over the term of the foreign exchange sale contract and recognized in profit or loss as interest earned or interest paid. Cash flows from the prolongation of contracts are offset in equity against the book values of the relevant underlying transactions, provided that the amount relates to the effective part of the hedge (net hedge presentation method). Please also refer to the disclosures pursuant to section 285 no. 23 HGB (disclosures on valuation units) in the notes to the financial statements in this report.

Other loans and other investments are recognized at cost. In the case of permanent impairment, write-downs are performed to fair value. Where values recover, write-ups are performed to at most cost.

The fair value of other loans and other investments is established by means of a discounted cash flow method with factor premium model; alternatively, an individual mark-to-model valuation can be performed.

Bank deposits are carried at nominal value.

Deposits with ceding companies are recognized at nominal value.

Accounts receivable in connection with direct insurance business

Receivables due from policyholders and insurance agents in connection with direct insurance business are recognized at nominal value less reasonable individual and/or flatrate value adjustments.

Tangible assets and inventories

Operating and office equipment was capitalized at cost less straight-line depreciation based on an anticipated economic life of 2 to 15 years for the assets. Low-cost assets with a cost value up to € 250 are written down directly.

Surplus from offsetting

The surplus resulting from the offsetting of plan assets and related pension accruals and similar obligations is stated at fair value.

Other assets

Other asset items not mentioned individually are recognized at nominal value as a matter of principle.

Underwriting reserves

Underwriting reserves are recognized in compliance with the provisions of sections 341e to 341h HGB.

The volume of unearned premiums from direct insurance activities is predominantly established by the 360/360-method on the basis of statistic premiums from policies in force. Other methods are applied to a limited extent. In the engineering and marine insurance lines, the flatrate method is used to quantify unearned premiums. The costs that need to be deducted from unearned premiums are calculated in accordance with the letter from the Federal Ministry of Finance dated 30 April 1974. Reinsurers' shares are established on the basis of contractual agreements.

In the case of reinsurance assumed, unearned premiums are established on the basis of information from cedants.

Aggregate policy reserves for accident insurance with premium return and the annuity reserves are determined in compliance with the relevant legal provisions, in particular the German Insurance Accounting Regulation (RechVersV). Aggregate policy reserves are determined on the basis of individual policies using the prospective method and taking into account future expenses. Reported losses incurred and losses incurred but not reported (IBNR) are identified and calculated individually.

Following the amendment of the Policy Reserve Ordinance (DeckRV) on 1 March 2011 to take account of the low-interest environment, an additional policy reserve (Zinszusatzreserve) is formed for policies where actuarial interest is above the reference interest rate. For new policies, the additional policy reserve is based on the reference interest rate at balance sheet date (subject to the amendments to the DeckRV as of 23 October 2018) and taking conservative account of lapse probabilities. For existing policies, reserving is based on the “business plan for strengthening existing policy interest rates”.

The reserve for losses (with the exception of annuities) included in the reserves for outstanding claims in connection with direct insurance business was determined on the basis of the anticipated requirement and calculated individually. The reserve for losses incurred but not yet reported was determined on a flatrate basis in compliance with section 341g (2) HGB. It is based on previous years' figures and takes account of the specific requirements of individual lines and types of insurance.

The reserve for loss adjustment expenses is determined on the basis of the letter from the Federal Ministry of Finance dated 2 February 1973.

Reserves for outstanding claims in connection with reinsurance business assumed are consistently established in amounts equal to those provided by ceding companies plus any necessary increases.

Accepted actuarial methods are used to determine the amount for terminal bonuses to be included in the reserve for premium refunds. The calculation rules are recorded in the authorized basic business plan for the payment of surplus bonuses (old policies within the meaning of section 336 of the Insurance Supervision Act (VAG)) or meet the requirements of section 28 (7) RechVersV (new policies within the meaning of section 336 VAG).

The reserves established to compensate for annual fluctuations in the need for funds (equalization reserves) are calculated on the basis of section 29 RechVersV and the Annex to section 29 RechVersV.

Reserves for major risks in connection with pharmaceutical product liability insurance are determined in compliance with section 341h HGB and section 30 (1) RechVersV.

Reserves for nuclear facilities are made in compliance with section 341h HGB and section 30 (2) RechVersV.

Reserves for terrorism risks are made in compliance with section 341h HGB and section 30 (2a) RechVersV.

The reserve established for unused premiums from suspended motor insurance policies is equal to the premium credited for the time elapsed between the date of interruption of insurance coverage and the reporting date. Premium credits are determined separately for each individual policy.

The reserve for obligations in connection with membership in “Verkehrsopferhilfe e.V.”, an association that assists victims of accidents caused by uninsured drivers, is based on the amount assessed by the association.

The reserve for cancellations is determined separately for each individual type of insurance on the basis of past experience.

The reserve for contractual premium adjustments is based on a general allowance pursuant to article 9 of the Fire Business Interruption Insurance Conditions (FBUB).

The reserve for premium refunds in connection with reinsurance assumed is established on the basis of information from the ceding company.

Reinsurers’ shares of underwriting liabilities are determined on the basis of the respective reinsurance treaties.

Accruals for pensions and similar obligations

Pension accruals were calculated by the projected unit credit method on the basis of the 2018 G mortality tables developed by Heubeck-Richttafeln-GmbH. Accruals were discounted at the average rate of interest over the last ten years in line with the Regulation on the Discounting of Provisions (RückAbzinsV), assuming a residual term of 15 years. The difference between valuations at average interest over the last ten years and that over the last seven years is shown in the notes to the financial statements.

Pension obligations at balance sheet date were calculated on the basis of the following actuarial parameters:

• Actuarial interest	1.87 %
• Wage and salary trend	2.20 %
• Pension progression rate	1.60 %
• Fluctuation up to age 35	6.00 %
up to age 45	3.00 %
up to age 60	1.00 %

The option set out in section 28 (1) EGHGB was exercised.

Miscellaneous accruals

The reserve for obligations in connection with pre-retirement employment agreements is determined by applying actuarial principles. Calculation is based on the 2018 G mortality tables developed by Heubeck-Richttafeln-GmbH, taking account of a wage and salary trend of 2.20 % and actuarial interest of 0.33 %. Reinsurance contracts are concluded for pre-retirement employment obligations as a safeguard against insolvency. Claims arising from the reinsurance contracts are offset against the reserve for pre-retirement employment obligations in accordance with section 246 (2) sentence 2 HGB.

Investment certificates are held as fixed assets to cover obligations arising from working time accounts. The carrying value of the certificates is determined exclusively by their fair value. Pursuant to section 253 (1) sentence 3 HGB, accruals are recognized at the fair value of the investment certificates or the guaranteed minimum return, whichever is higher. In the case of certificates with a residual term of more than a year, the guaranteed minimum return is discounted at the average market interest rate over the past seven years. The fair value of the investment certificates is offset against Other accruals from working time assets in accordance with section 246 (2) sentence 2 HGB. Insolvency protection for employees' claims arising from working time assets is guaranteed in accordance with section 7e SGB IV (trustee model).

Accruals for taxes and all other reserves are recognized at the settlement amount dictated by prudent business judgement. Reserves with a residual term of more than a year are discounted over the rest of their life at the average rate of market interest over the last seven years.

Other liabilities

Deposits held in connection with reinsurance business ceded and miscellaneous liabilities are recognized at settlement amounts pursuant to section 253 (1) HGB.

Notes to the Balance Sheet

Assets

Changes in assets in the financial year 2021

				Carrying amounts previous year
A.		Intangible assets		
		1.	Acquired concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets	63,670
		2.	Payments in advance	18,449
		3.	**Subtotal A.**	**82,119**
B	I.	Investments in affiliated companies and associates		
		1.	Shares in affiliated companies	158,717
		2.	Loans to affiliated companies	125,011
		3.	Investments in associated companies	183,046
		4.	Loans to associated companies	19
		5.	**Subtotal B I.**	**466,793**
B	II.	Other investments		
		1.	Shares, investments in unit trusts and funds and other non-fixed-interest securities	1,915,866
		2.	Bearer bonds and other fixed-interest securities	731,122
		3.	Mortgages, liens on real property and annuities	663
		4.	Other loans	
			a) Registered bonds	305,840
			b) Promissory notes and loans	124,003
			c) Loans and advance payments on insurance policies	6
			d) Other miscellaneous loans	18,959
		5.	Bank deposits	65,250
		6.	Miscellaneous investments	2
		7.	**Subtotal B II.**	**3,161,710**
Total				3,710,622

					€ thousand
Additions	Reclassifications	Disposals	Reversals	Amortization	Carrying amounts Financial year
0	4,784	0	0	11,128	57,326
25,348	-4,784	0	0	0	39,013
25,348	0	0	0	11,128	96,339
2,637	0	1,172	329	0	160,511
30,000	10,000	30,000	0	0	135,011
1,919	0	15,019	4,502	2,061	172,386
0	0	0	0	0	19
34,556	10,000	46,192	4,831	2,061	467,927
207,870	0	655	2,961	17,336	2,108,706
151,425	0	262,603	0	0	619,945
0	0	167	0	0	496
27,527	0	31,018	0	0	302,348
8,396	0	16,611	0	0	115,788
0	0	4	0	0	2
166	-10,000	9,125	0	0	0
0	0	25,800	0	0	39,450
0	0	0	0	0	2
395,385	-10,000	345,983	2,961	17,336	3,186,737
455,289	0	392,175	7,792	30,525	3,751,003

Carrying amounts and fair value of investments

			Carrying amounts	Fair values	Valuation reserves
					€ thousand
B.I.		Investments in affiliated companies and associates			
	1.	Shares in affiliated companies	160,511	190,500	29,989
	2.	Loans to affiliated companies	135,011	154,531	19,520
	3.	Investments in associated companies	172,386	234,656	62,269
	4.	Loans to associated companies	19	19	0
B.II.		Other investments			
	1.	Shares, investments in unit trusts and funds and other non-fixed-interest securities	2,108,706	2,184,539	75,833
	2.	Bearer bonds and other fixed-interest securities	619,945	666,050	46,106
	3.	Mortgages, liens on real property and annuities	496	515	19
	4.	Other loans			
		a) Registered bonds	302,348	323,002	20,654
		b) Promissory notes and loans	115,788	132,304	16,516
		c) Loans and advance payments on insurance policies	2	3	0
	5.	Bank deposits	39,450	39,450	0
	6.	Miscellaneous investments	2	2	0
B.III.		Deposits in connection with reinsurance business assumed	27,329	27,329	0
Total			3,681,993	3,952,900	270,907

B. II. 1. and 2. include investment fund certificates, bearer bonds and other fixed-interest securities with a carrying amount of € 2,604,773 thousand that are classified as long-term assets pursuant to section 341b (2) HGB. The fair value of these assets comes to a total € 2,685,713 thousand. Hidden liabilities amounted to € 747 thousand.

For the methods used to establish fair values, please refer to our comments under Accounting and Valuation Policies.

Total investments included for purposes of payment of surplus bonuses

In the case of accident insurance with premium refunds, investments carried at a cost of € 56,733 thousand with a fair value of € 61,430 thousand are included for purposes of payment of surplus bonuses. As of 31 December 2021, the difference between cost and fair value came to € 4,697 thousand.

Information on financial instruments with a book value higher than the fair value

			€ thousand
		Carrying amount	Fair value
B.II.2.	Bearer bonds and other fixed-interest securities	32,553	31,805
B.II.4.a)	Registered bonds	26,747	26,028

In the case of bearer bonds and other fixed-interest securities as well as registered securities, depreciation was waived because impairment was temporary, due to interest rate movements or credit risk/price fluctuations.

Information on valuation units

					€ thousand
		Trading/Nominal volume		Carrying amount	Fair value
B. I. 3.	Investments in associated companies			47,465	109,033
	Forward currency sales	131,040	TUSD		-4,911
	Forward currency purchases	4,990	TUSD		77
	Portfolio valuation unit	**126,050**	**TUSD**	**47,456**	**104,199**
B. I. 3.	Investments in associated companies			24,135	29,935
	Forward currency sales	11,160	TGBP		-300
	Portfolio valuation unit	**11,160**	**TGBP**	**24,135**	**29,635**
B. II. 2.	Bearer bonds			26,142	29,450
	Forward currency sales	31,000	TUSD		-1,190
	Portfolio valuation unit			**26,142**	**28,260**

Forward exchange contracts are used to hedge exchange rate risks. Identical basis, currency and maturity ensure that the resulting compensating changes in value and cash flows can be expected to neutralize one another completely by the time the transaction matures.

Effectiveness is measured by the Critical Terms Match Method. Furthermore, the hedging relationship, the risk management targets set and the strategy adopted for the conclusion of various hedging transactions are documented at individual contract level.

Hedging effectiveness is verified at the beginning of the hedging relationship and on a continuous basis thereafter, i.e. regular checks are performed to establish whether the fluctuations in the value of the derivative financial instruments used for the hedging transaction largely counterbalance the fluctuations in the fair value or cash flows of the underlying transaction hedged.

Hedges are reported in the balance sheet exclusively by the net hedge presentation method.

Information on investment fund certificates with a share ownership of more than 10 %

					€ thousand
Type of fund/ investment objective	Carrying amount	Fair value	Difference	Payout	Redemption option
Equity fund	162,634	171,146	8,512	3,687	daily
Pension fund	719,872	719,872	0	0	daily or within one month
Property fund	95,750	120,367	24,618	5,411	daily or within max. six months
Other	1,038,163	1,055,419	17,257	8,000	daily

The property funds shown here as well as other funds are basically valued on the strict lower-of-cost-or-market principle.

Equity funds and pension funds are valued on the moderate lower-of-cost-or-market principle according to section 341b (2) HGB.

Shareholders' equity and liabilities

Shareholders' equity

		€ thousand	
		2021	2020
I.	Called-in capital		
	Subscribed capital	153,388	153,388
	Less outstanding contributions not called in	10,226	10,226
	The subscribed capital in the amount of €153,387,564.36 consists of 300,000 registered shares of €511.29 each (see bylaws of 19.12.2011). Gothaer Finanzholding AG has informed our Company that it controls a majority of the voting rights pursuant to section 20 (4) AktG.		
	Total	143,162	143,162
II.	Capital reserve	216,256	216,256
	of which pursuant to section 272 (2) no. 4 HGB	51,821	51,821
III.	Revenue reserve		
	Statutory reserve	5	5
Gesamt		359,423	359,423

Gross underwriting reserves

	€ thousand	
	2021	2020
Accident	316,527	339,023
Liability	1,181,160	1,174,274
Motor liability	566,593	595,713
Other motor	57,797	43,180
Fire and property	1,038,602	725,973
Of which:		
Fire	163,760	146,798
Comprehensive householders	43,882	37,229
Comprehensive homeowners	337,488	217,482
Other property	493,472	324,463
Marine and aviation	96,713	90,883
Other insurance	259,371	144,161
Direct insurance business	3,516,762	3,113,206
Reinsurance business assumed	330,101	297,025
Total	3,846,863	3,410,231

Of which gross reserves for outstanding claims

	€ thousand	
	2021	2020
Accident	258,210	259,757
Liability	1,039,234	1,037,939
Motor liability	526,148	528,368
Other motor	30,509	21,499
Fire and property	780,031	440,255
Of which:		
Fire	137,288	95,832
Comprehensive householders	19,770	12,460
Comprehensive homeowners	204,687	88,930
Other property	418,286	243,033
Marine and aviation	80,648	71,296
Other insurance	233,325	120,438
Direct insurance business	2,948,105	2,479,552
Reinsurance business assumed	205,234	185,325
Total	3,153,339	2,664,877

The evaluation of the figures of gross reserves for outstanding claims has taken into account salvage, subrogation and loss sharing agreements in the amount of € 7,749 thousand (PY: € 9,410 thousand).

Reserve for performance-related and non-performance-related premium refunds

	€ thousand	
Performance-related	2021	2020
Opening balance	1,045	1,364
Withdrawals	455	370
Additions	368	51
Final balance	959	1,045

The reserve for premium refunds in connection with accident insurance with premium return includes

- € 112 thousand (PY: € 266 thousand) for current surplus bonuses that have already been fixed but not yet distributed
- € 43 thousand (PY: € 189 thousand) for terminal bonuses that have already been fixed but not yet distributed
- € 5 thousand (PY: € 5 thousand) for amounts that have already been fixed but not yet distributed for participation in valuation reserves

The terminal bonus fund amounts to € 138 thousand (PY: € 173 thousand).

The terminal bonus fund is calculated for each individual policy. The value of the terminal bonus fund per policy is the discounted final value of terminal bonuses, the final value being the sum of eligible return premiums multiplied by the terminal bonus rate declared. The discount rate is 2.5 %.

The following rates apply for surplus bonuses due in the calendar year 2022 on the basis of contractual provisions. Where rates have changed against 2021, the prior-year rates are shown in brackets:

- **Old policies**

Interest on bonus	5.00 %	on the eligible aggregate policy reserve of basic insurance
	0.00 %	on the eligible aggregate policy reserve of bonus insurance
Basic bonus	6.00 %	on the annual return premium
Terminal bonus	8.00 %	on total eligible return premiums

- **New policies**

Policies with rates BR-E, BR-K, BR-S, BR/E, BR/K, BR/S

Interest on bonus	0.00 %	on the eligible aggregate policy reserve
Basic bonus	0.00 %	on the annual return premium
Terminal bonus	0.00 %	on total eligible return premiums

Policies with rates BR#E, BR#K, BR#S

Interest on bonus	0.00 %	on the eligible aggregate policy reserve of basic insurance
	0.00 %	on the eligible aggregate policy reserve of bonus insurance
Basic bonus	0.00 %	on the annual return premium
Terminal bonus	0,00 %	on total eligible return premiums

Policies with rates BRE1, BRK1, BRS1, BRT1

Interest on bonus	0.00 %	on the eligible aggregate policy reserve of basic insurance
	0.00 %	on the eligible aggregate policy reserve of bonus insurance
Basic bonus	0.00 %	on the annual return premium
Terminal bonus	0.00 %	on total eligible return premiums

Policies with rates BRE2, BRK2, BRS2, BRT2

Interest on bonus	0.00 %	on the eligible aggregate policy reserve of basic insurance
	0.00 %	on the eligible aggregate policy reserve of bonus insurance
Basic bonus	0.00 %	on the annual return premium
Terminal bonus	0.00 %	on total eligible return premiums

Increase in policy reserve for interest rate risk (Zinszusatzreserve)

As of the financial year 2011, the German Policy Reserve Ordinance (DeckRV) requires that a calculation be performed comparing guaranteed interest rates with an average current yield of public investments. Where the amount of the comparative policy reserve is greater, an additional policy reserve needs to be formed for the relevant insurance policies. The funds required for this are charged on net profit for the year and are thus no longer available for surplus bonuses. The amount of surplus bonus rates determined takes account of this subject to all supervisory regulations and contractual arrangements.

In the financial year, all refund-of-premium accident insurance policies were affected.

This additional policy reserve (Zinszusatzreserve) is not assigned to individual policies but to the relevant portfolio on a flatrate basis.

Participation in valuation reserves

Since 1 January 2008, holders of accident insurance with premium return policies have participated in the valuation reserves of the guarantee assets for accident insurance with premium return. Guarantee assets for accident insurance with premium return represent part of the investment portfolio of Gothaer Allgemeine Versicherung AG that serves to secure the claims of holders of accident insurance with premium refund policies. In the case of investments, application of valuation rules results in valuation reserves (non-realized profit) or valuation deficits (non-realized losses). In line with section 153 of the German Insurance Contract Act (VVG), policyholders participate in any positive balance of valuation reserves and valuation deficits (less the security [Sicherungsbedarf] required by Section 139 of the Insurance Supervision Act (VAG) for the deregulated portfolio) on the basis of causation. The principles applied to determine participation, which are based on the proposal of the German Insurance Association (GDV), are presented below.

Where the term "valuation reserves" is used below, it always means the net balance of valuation reserves and deficits (less the security [Sicherungsbedarf] required by Section 139 of the Insurance Supervision Act (VAG) for the deregulated portfolio) subject to the exclusion of any negative balance.

Eligible policies

All accident insurance with premium return policies are eligible.

Time of irrevocable allocation of valuation reserves

A share of the valuation reserves is allocated to the insurance policy upon termination.

Determination of valuation reserves available for distribution

The valuation reserves available for distribution are determined by multiplying the entire valuation reserves of the guarantee assets for accident insurance with premium return policies by the ratio of the sum of interest-bearing equity and liabilities items exclusive of the non-allocated reserve for premium refunds to the sum of the guarantee assets for accident insurance with premium return policies. The interest-bearing equity and liabilities items include:

- the aggregate policy reserve (exclusive of prefinancing) less amounts due to policyholders (not yet payable)
- unearned premiums
- reserve for premium refunds (gross)
- accrual for outstanding surrenders
- liabilities to policyholder

Allocation of valuation reserves upon maturity of policies

The valuation reserves as of the first trading date of the month preceding the month in which a policy matures are used for the purpose of calculating the amount of the distribution to policyholders. (For example, the valuation reserves as of 2 January are taken for purposes of calculating the amount of distribution in the case of a policy that matures on 11 February, assuming that the 2 January is a trading day.)

Allocation of valuation reserves available for distribution upon maturity of policies

Valuation reserves are allocated to the individual eligible policies as a function of experience on the basis of distribution factors that determine the respective share of the valuation reserves. The distribution factors for the individual policies are determined once a year in November with effect from the reporting date. The factors are valid for the following calendar year.

Distribution factor of a policy

The distribution factor of a policy is based on the ratio of the policy assets to the assets of all active policies at the end of the financial year. The assets of a policy at the end of the financial year are based on the sum of the assets at the end of the previous financial year and the positive aggregate policy reserve (exclusive of prefinancing) of the policy at the end of the financial year. The aggregate policy reserve (exclusive of prefinancing) includes the rate reserve and the bonus reserve.

Distribution of valuation reserves upon maturity of policies

An amount equal to 50 % of valuation reserves available for distribution multiplied by the distribution factor of the policy is distributed upon maturity.

Equalization reserves and similar reserves

		€ thousand
	2021	2020
Accident	3,272	21,454
Liability	83,863	79,878
Motor liability	35,141	62,521
Other motor	24,679	19,225
Fire and property	133,397	165,073
Of which:		
Fire	15,813	41,014
Comprehensive householders	0	0
Comprehensive homeowners	83,133	81,782
Other property	34,451	42,277
Marine and aviation	8,155	12,060
Other insurance	4,773	4,218
Direct insurance business	293,281	364,429
Reinsurance business assumed	83,157	73,388
Total	376,438	437,817

Other accruals

The difference between valuing pension accruals and similar obligations at average interest over the past ten years and over the past seven years is € 51 thousand (PY: € 65 thousand).

		€ thousand
	2021	2020
III. **Miscellaneous accruals for:**		
Pre-retirement employment	1,093	1,562
Social plans/severance payments	1,299	1,809
Bonuses	16,252	12,970
Leave/Time credits	3,314	2,757
Other HR reserves	478	451
Sales and competition activities	1,493	1,931
Financial statement expenses	627	586
Outstanding invoices	2,513	1,442
Legal disputes	330	200
Anticipated losses	2,184	1,635
Other	4,676	11,054
Total	34,260	36,396

Offsetting of assets and liabilities

In the case of reinsurance contracts concluded for pre-retirement employment obligations, receivables totalling € 5,960 thousand (PY: € 8,309 thousand) were offset against corresponding Other accruals of € 5,342 thousand (PY: € 8,493 thousand). The fair value of the plan assets offset is equal to value at cost.

The settlement value of obligations from working time accounts recognized in Other accruals – € 56 thousand (PY: € 0 thousand) – was offset against the € 56 thousand fair value of investment certificates held in trust as security. The cost of the investment certificates totals € 56 thousand (PY: € 0 thousand).

Notes to the Income Statement

Gross premiums written

€ thousand	2021	2020
Accident	137,727	137,865
Liability	368,385	356,515
Motor liability	242,783	244,331
Other motor	164,856	163,000
Fire and property	717,102	677,482
Of which:		
Fire	106,344	100,431
Comprehensive householders	83,902	85,819
Comprehensive homeowners	224,879	208,315
Other property	301,977	282,916
Marine and aviation	69,996	62,971
Other insurance	140,503	135,544
Direct insurance business	1,841,352	1,777,708
Reinsurance business assumed	180,527	163,297
Total	**2,021,879**	**1,941,005**

Gross premiums earned

€ thousand	2021	2020
Accident	137,476	138,112
Liability	367,780	355,668
Motor liability	242,775	244,320
Other motor	164,739	162,985
Fire and property	712,769	672,838
Of which:		
Fire	105,619	99,868
Comprehensive householders	84,562	86,310
Comprehensive homeowners	221,968	204,799
Other property	300,620	281,861
Marine and aviation	69,730	62,087
Other insurance	138,697	132,095
Direct insurance business	1,833,965	1,768,103
Reinsurance business assumed	176,986	161,419
Total	**2,010,951**	**1,929,523**

Net premiums earned

	€ thousand	
	2021	2020
Accident	136,333	137,000
Liability	317,004	309,071
Motor liability	209,669	211,005
Other motor	138,281	137,811
Fire and property	545,737	530,206
Of which:		
Fire	59,368	56,996
Comprehensive householders	83,438	85,977
Comprehensive homeowners	185,609	173,229
Other property	217,322	214,003
Marine and aviation	66,101	60,209
Other insurance	93,949	109,073
Direct insurance business	1,507,074	1,494,374
Reinsurance business assumed	166,063	152,472
Total	1,673,138	1,646,847

Technical interest net of reinsurance

In the area of direct insurance business, the technical interest was calculated on the basis of the annuity reserve and the premium policy reserve. The return on the reserve for annuities was calculated on the basis of 0.9 %, 1.25 %, 1.75 %, 2.25 % or, as the case may be, 2.75 % of the arithmetic average of the balance of the reserve at the beginning and end of the period.

In the case of accident insurance with premium return, the technical interest represents income from investments less the corresponding direct expenses incurred in connection with the related guarantee assets.

The ceded interest on annuity reserves corresponds to the interest paid on reinsurers' annuity reserve cash deposits. In the area of reinsurance assumed, deposit interest was recognized on the basis of information received from the cedants.

Gross claims expenses

	€ thousand	
	2021	2020
Accident	64,546	63,390
Liability	190,373	201,422
Motor liability	166,542	178,134
Other motor	143,652	116,176
Fire and property	859,388	420,915
Of which:		
Fire	109,255	48,206
Comprehensive householders	51,650	27,986
Comprehensive homeowners	300,210	142,248
Other property	398,273	202,475
Marine and aviation	54,053	47,944
Other insurance	238,642	81,530
Direct insurance business	1,717,197	1,109,512
Reinsurance business assumed	115,398	103,671
Total	1,832,595	1,213,184

Gross claims expenses include claims expenses in the financial year and the result of loss adjustment from reserves for outstanding claims taken over from the previous year (gross in each case). Profit on adjustments represents 8.2 % (PY: 6.7 %) of the reserve at the beginning of the period.

Expenses for performance-related and non-performance-related premium refunds net of reinsurance

	€ thousand	
	2021	2020
Performance-related	368	51
Non-performance-related	3,490	2,637
Direct insurance business	3,858	2,688
Reinsurance business assumed	41	-15
Total	3,899	2,674

Gross underwriting expenses

	2021	2020
	€ thousand	
Accident	44,000	45,233
Liability	125,950	122,333
Motor liability	43,251	41,415
Other motor	29,902	28,295
Fire and property	228,948	216,808
Of which:		
Fire	28,870	27,352
Comprehensive householders	29,181	29,552
Comprehensive homeowners	71,598	63,817
Other property	99,300	96,087
Marine and aviation	21,277	20,049
Other insurance	38,640	35,571
Direct insurance business	531,968	509,704
Reinsurance business assumed	50,981	47,894
Total	582,949	557,597

Gross underwriting expenses include acquisition expenses of € 293,343 thousand (PY: € 276,625 thousand) and administrative expenses of € 289,606 thousand (PY: € 280,972 thousand).

Net for reinsurance business (- = credit to reinsurers)

	2021	2020
	€ thousand	
Accident	520	-617
Liability	-17,228	-2,825
Motor liability	-9,061	-4,754
Other motor	3,630	-6,323
Fire and property	307,167	-12,818
Marine and aviation	-1,070	81
Other insurance	126,166	-13,602
Direct insurance business	410,125	-40,859
Reinsurance business assumed	1,648	-2,548
Total	411,774	-43,407

Underwriting result net of reinsurance

	2021	2020
	€ thousand	
Accident	52,137	37,067
Liability	29,423	24,743
Motor liability	50,851	34,524
Other motor	-11,020	-7,299
Fire and property	-53,956	-41,711
Of which:		
Fire	-1,110	-18,468
Comprehensive householders	18,881	26,067
Comprehensive homeowners	-42,372	-28,731
Other property	-29,355	-20,580
Marine and aviation	-4,740	-4,667
Other insurance	-13,568	963
Direct insurance business	49,128	43,620
Reinsurance business assumed	2,554	23,020
Total	51,682	66,640

Number of direct insurance policies with a residual term of at least one year

	2021	2020
	PIF	
Accident	655,229	669,576
Liability	1,621,797	1,642,030
Motor liability	859,574	864,386
Other motor	674,753	673,420
Fire and property	1,846,960	1,836,523
Of which:		
Fire	108,654	110,744
Comprehensive householders	692,010	714,297
Comprehensive homeowners	390,813	379,337
Other property	655,483	632,145
Marine and aviation	28,295	27,103
Other insurance	635,442	619,650
Total	6,322,050	6,332,688

Investment expenses

Amortization of investments includes non-scheduled depreciation of € 19,376 thousand (PY: € 15,477 thousand) in accordance with section 277 (3) HGB.

Other income

Other income includes € 91 thousand (PY: € 7,548 thousand) resulting from currency translations.

Other expenses

Other expenses include € 3,074 thousand (PY: € 2,695 thousand) resulting from compounding of reserves and € 373 thousand (PY: € 6,432 thousand) from currency translations. Non-scheduled depreciation of € 0 thousand (PY: € 10,773 thousand) was applied to advance payments for intangible assets.

Offsetting of income and expenses

In line with the offsetting of retirement pension commitments and the corresponding plan assets, related expenses of € 2,282 thousand (PY: € 1,858 thousand) were offset against related income of € 2,353 thousand (PY: € 1,672 thousand) as stipulated in section 246 (2) sent. 2 HGB.

Other disclosures

List of holdings

€ thousand

Name	Registered address		Equity Interest in %	Share-holders' equity	Year result
Aberdeen Asia Pacific II, L.P.	George Town	KY	5.4	100,959	5,142
Accession Mezzanine Capital III L.P.	St. Helier	JE	3.7	64,540	14,303
Achmea B.V.	Zeist	NL	0.6	10,552,000	642,000
Aquila GAM Fund GmbH & Co. geschlossene Investmentkom-manditgesellschaft	Hamburg	DE	25.6	143,702	26,859
Behrman Capital PEP L.P.	Wilmington	US	1.0	607,278	37,994
Behrman Capital IV, L.P.	Wilmington	US	4.9	212,937	2,875
Curzon Capital Partners IV L.P.	London	GB	4.9	204,209	-50,536
Derya Elektrik Üretimi Ve Ticaret A.S.	Istanbul	TR	6.7	-18,282	-10,968
EMF NEIF I (A) L.P.	London	GB	8.5	36,865	11,154
EPISO IV, L.P.	London	GB	1.5	1,428,096	61,389
Falcon Strategic Partners V (Cayman), L.P.	George Town	KY	12.4	739,572	12,709
FirstMark Capital II, L.P.	Wilmington	US	13.3	451,250	26
FirstMark Capital III L.P.	Wilmington	US	3.4	441,398	24,527
GDV Dienstleistungs-GmbH	Hamburg	DE	1.1	28,671	-270
GG-Grundfonds Vermittlungs GmbH	Cologne	DE	100.0	-16,729	-9
GoldPoint Partners Co-Investment V, L.P.	Wilmington	US	4.5	464,306	6,169
GoldPoint Partners Co-Investment VI, L.P.	Wilmington	US	3.3	748,364	174,999
Gothaer Erste Kapitalbeteili-gungsgesellschaft mbH	Cologne	DE	20.4	11,151	51
Ideal Enerji Üretimi Sanayi Ve Ticaret A.S.	Istanbul	TR	6.7	19,667	3,655
Janitos Versicherung AG	Heidelberg	DE	100.0	17,753	304
KILOS Beteiligungs GmbH & Co. Vermietungs-KG	Pöcking	DE	93.1	54,412	-697
Lovell Minnick Equity Partners V-A LP	Delaware	US	3.7	208,946	30,851
New York Life Capital Partners IV, L.P.	New York	US	3.7	9,348	-7,838
NYLCAP Mezzanine Partners III, LP	Wilmington	US	2.0	224,468	-16,214
PE Holding USD GmbH	Cologne	DE	40.0	326,673	64,224
PineBridge Secondary Partners III L.P.	Wilmington	US	4.9	161,337	14,028

Name	Registered address		Equity interest in %	Shareholders' equity	Year result
					€ thousand
PineBridge Secondary Partners IV Feeder, SLP	Luxemburg	LU	4.2	299,041	20,302
Praesidian Capital Bridge Fund, L.P.	Wilmington	US	8.0	40,600	7,898
Praesidian Capital Opportunity Fund III-A, L.P.	Wilmington	US	13.1	26,542	-8,319
Selbca Holding GmbH	Berlin	DE	5.5	5,873	-428
SilkRoad Asia Value Parallel Fund, SICAV-SIF	Luxemburg	LU	6.3	313,655	-18,322
Småkraft AS	Bergen	NO	3.9	218,022	-21,494
WAI S.C.A., SICAV- FIS / Private Equity Secondary 2008	Luxemburg	LU	4.5	22,816	785

The figures relate to the last financial year for which annual financial statements were available. Financial statements in foreign currencies were translated into euro at the average spot exchange rate at balance sheet date.

The option set out in section 286 (3) no. 1 of the German Commercial Code (HGB) was exercised.

Commissions and other remuneration of insurance agents, personnel expenses

	2021	2020
		€ thousand
1. Commissions of insurance agents within the meaning of section 92 HGB in connection with direct insurance business	369,092	358,110
2. Other remuneration of insurance agents within the meaning of section 92 HGB	419	936
3. Wages and salaries	122,768	115,482
4. Social security contributions and employee benefits	21,144	19,303
5. Post retirement benefits	8,512	5,257
6. Total expenses	**521,934**	**499,086**

Liabilities

Total liabilities with a residual term of more than 5 years come to € 250 million (PY: € 250 million).

Board membership and remuneration

The names of the members of the Supervisory Board and Management are provided at the beginning of this report.

No remuneration was paid to the Management. Retirement benefits, survivors' benefits and other remuneration for former members of Management amounted to € 719 thousand. Provisions for pension benefits for this group of individuals total € 10,260 thousand.

Remuneration paid to the Supervisory Board came to € 482 thousand; remuneration for the Advisory Board totalled € 16 thousand.

No loans were granted to members of Management or the Supervisory Board.

Total fee for the statutory auditor

The total fee charged by the statutory auditors for the financial year is reported in the consolidated financial statement of Gothaer Versicherungsbank VVaG, Cologne, in which the financial statement of the Company is included.

Human resources on average

Gothaer Allgemeine Versicherung AG had an average of 1,798 (PY: 1,718) employees in the financial year. Of these, 1,276 (PY: 1,220) were employed in-house and 380 (PY: 366) in the field. In addition, the Company had an average of 142 (PY: 132) trainees in the course of the year.

Contingent liabilities and other financial commitments

In compliance with section 28 (1) EGHGB, accruals of € 1,507 thousand have not been recognized for pension-related obligations for which a legal entitlement was acquired prior to 1 January 1987.

There is a joint liability and debt of € 69,883 thousand for post-retirement benefits of employees and executive officers and former employees and executive officers disclosed by Gothaer Finanzholding AG. Owing to the intrinsic strength of Gothaer Finanzholding AG, there is no perceived risk from the present vantage of the Company having to fulfil this obligation instead of Gothaer Finanzholding AG.

At year-end, contributions totalling € 78,275 thousand (including € 48,646 thousand due to affiliated companies) were outstanding for shares held by the Company in affiliated companies and associates as well as for other investments.

At balance sheet date, contingent liabilities not shown in the balance sheet existed for letters of comfort for long-term and unlimited rental and leasing agreements concluded by affiliated companies. The annual obligation for these totals € 899 thousand.

Our membership of “Verkehrsopferhilfe e.V.” entails an obligation to contribute to the funds that this association requires to carry out its activities. Our contribution is based on our share of the premium income generated by member companies from direct motor liability insurance in the year prior to the previous calendar year.

Deferred taxes

Owing to consolidation for tax purposes, information on deferred taxes is provided at parent company level by Gothaer Versicherungsbank VVaG.

Group membership

The financial statements of our Company are included in the consolidated financial statements of Gothaer Versicherungsbank VVaG, Cologne. Gothaer Versicherungsbank VVaG prepares the consolidated financial statements for the largest and smallest group of companies. The consolidated financial statements are published in the Federal Gazette (Bundesanzeiger). As in previous years, the consolidated financial statements and management report prepared by Gothaer Versicherungsbank VVaG have an exempting effect on Gothaer Allgemeine Versicherung AG pursuant to section 291 (2) No. 4 HGB. There is thus no requirement for the Company to prepare consolidated financial statements and management report of its own.

Events of special significance

On 24 February 2022, Russia initiated a war against the sovereign state of Ukraine. The peace that was believed to be secure in Europe was thus broken. There is great concern and uncertainty worldwide but also solidarity and willingness to help the many victims of the war.

The economic impacts of the war in Ukraine are difficult to assess. A further increase in inflation and a weakening of economic growth seem very likely. However, the extent of the economic consequences is highly uncertain. It will largely depend on the course of the war and the severity and duration of the sanctions imposed in response to it.

Gothaer's direct exposure to Russia and Ukraine is very low. Across the Group, we have investments totalling € 30 million in the countries and we have written property and casualty insurance business with a premium volume of € 0.5 million. From the present viewpoint, the greater risk to our net assets, financial potential and earnings is the war's potentially negative impact on the capital markets and, through them, on our investment portfolio.

In addition, we take the German Federal Office for Information Security (BSI) warnings of increased Russian cyberattacks in the future very seriously. In actual fact, however, the authorities, security providers and GDV have not yet confirmed any increase in attacks in Germany. According to the authorities, the future attacks anticipated will focus on so-called "high-value targets", which do not include Gothaer. We thus see no new or increased information risk for Gothaer business processes. Due to the highly dynamic and unpredictable situation, this assessment may need to be revised at short notice.

Cologne, 25 March 2022

Board of Management

Thomas Bischof	Oliver Brüß	Dr. Mathias Bühring-Uhle
Harald Epple	Michael Kurtenbach	Oliver Schoeller

Independent Auditors' Report

Gothaer Allgemeine Versicherung AG, Cologne

Report on the Audit of the Annual Financial Statements and the Management Report

Audit opinions

We have audited the annual financial statements of Gothaer Allgemeine Versicherung AG, Cologne, which comprise the balance sheet as at 31 December 2021, the income statement for the financial year from 1 January to 31 December 2021 and the notes to the financial statements, including the presentation of accounting and valuation policies. We have also audited the management report of Gothaer Allgemeine Versicherung AG, Cologne, for the financial year from 1 January to 31 December 2021.

In accordance with German legal requirements, we have not audited the content of the corporate governance statement pursuant to section 289f (4) of the German Commercial Code (HGB) (Gender diversity disclosures), which is included in the "Gender diversity" section of the management report.

In our opinion, based on the knowledge obtained in the course of the audit,

– the accompanying financial statements comply in all material respects with the rules of German commercial law applicable to insurance companies and, in accordance with German general accounting principles, present a true and fair picture of the net assets and financial position of the Company as at 31 December 2021 as well as the results of its operations from 1 January to 31 December 2021 and

– the accompanying management report as a whole provides an accurate view of the situation of the Company. In all material respects, this management report is consistent with the financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the corporate governance statement referred to above.

Pursuant to section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not resulted in any reservations with regard to the legal compliance of the financial statements or the management report.

Basis for the audit opinions

We conducted our audit of the financial statements and the management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred to as "EU Audit Regulation“), observing the German Generally Accepted Standards on Auditing as promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Our responsibilities under those regulations and standards are described in more detail in the section of our auditor's report headed "Auditor's Responsibilities for the Audit of the Financial Statements and the Management Report". We are independent of the Company in accordance with the requirements of European law and German commercial and professional law and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained provides an adequate and reasonable basis for our opinions on the financial statements and management report.

Key Audit Matters in the Audit of the Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year from 1 January to 31 December 2021. These matters were considered in the context of our audit of the financial statements as a whole and in the process of forming our audit opinion on them; we do not provide a separate audit opinion on these matters.

Valuation of the partial loss reserves for reported losses and losses incurred but not reported included in the gross reserve for losses incurred but not reported in direct written business

With regard to the accounting and valuation policies, please refer to the underwriting reserves section of the chapter on accounting and valuation policies in the notes to the financial statements of the Company. Risk disclosures are contained in the underwriting risks section of the chapter on opportunities and risks for the Company in the management report.

THE FINANCIAL STATEMENT RISK

The gross reserve for losses incurred but not reported in direct written business totalled € 2,948.1 million at balance sheet date. This was 72.4 % of the balance sheet total and thus materially affects the net assets of the company.

The gross reserve for losses incurred but not reported is subdivided into various partial loss reserves. A substantial part of it is formed by the reserves for reported and unreported losses.

The valuation of the partial reserves for reported and unreported losses is uncertain in terms of the prospective volume of loss and is therefore very much a discretionary exercise, especially with regard to unreported losses. According to commercial law, estimation must not be risk-neutral in the sense that equal weight is given to opportunities and risks; it is required to conform to the principle of accounting prudence (section 341e (1) sentence 1 HGB).

Reserves for reported losses are formed on the basis of the prospective expense of each individual claim. For losses incurred but not yet reported (unreported claims), flatrate belated claim reserves are formed, predominantly calculated on the basis of empirical values and recognized actuarial methods.

The risk for the financial statements presented by claims that have been reported by balance sheet date is that the reserves are not sufficient to cover the anticipated outstanding claim payments. In the case of unreported claims, there is the additional risk that the volume of losses may fail to be taken correctly into account.

OUR AUDIT APPROACH

We performed the following key audit procedures during the audit of the partial loss reserves for reported and unreported losses:

- We gained a thorough overview of the process for calculating reserves, identified process risks and the key controls covering them and tested the identified controls for adequacy and efficacy. In particular, we established to our satisfaction that the controls designed to ensure correct valuation are appropriately structured and effectively performed.

- On the basis of careful screening, we verified the accuracy of the file management system and the volume of individual, reported loss reserves by referencing records for different lines and types of insurance.

- For a risk-oriented selection of insurance lines, we verified the Company's calculations for ascertaining levels of losses incurred but not reported. At the same time, we verified, in particular, the derivation of the estimated number and volume of such losses on the basis of historical experience and current developments.

- We analyzed the actual development of the reserve for outstanding claims recognized in the prior year on the basis of settlement results.

- We analyzed the development of loss reserves by comparing time series of the number of claims, claims frequency, average claim size and speed of settlement as well as loss ratios for the financial year.

- We performed our own actuarial reserve calculations for selected segments, which were chosen on the basis of risk considerations. In each case, a point estimate was determined using statistical probabilities and compared with the Company's calculations.

OUR CONCLUSIONS

The methods used to value the gross partial loss reserves for reported and unreported losses in direct written business are appropriate and in line with the applicable accounting principles and have been correctly applied. The underlying assumptions were made on an appropriate basis.

Other Information

The legal representatives and/or the supervisory board are responsible for other information. Other information comprises the following parts of the management report not audited in terms of content:

- the corporate governance statement pursuant to section 289f (4) of the German Commercial Code (HGB) (gender diversity disclosures) included in the "Gender diversity" section of the management report.

Other information also comprises the other parts of the annual report. Other information does not include the financial statements, the audited content of the management report or our auditor's report thereon.

Our audit opinions on the financial statements and management report do not cover the other information, and consequently we do not express an audit opinion or any other form of audit conclusion on it.

In connection with our audit, our responsibility is to read the other information and consider

- whether it is materially inconsistent with the financial statements, the audited content of the management report or the knowledge we obtained in the audit, or

- whether it otherwise appears to be materially misstated.

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

The legal representatives are responsible for the preparation of financial statements that comply, in all material respects, with the requirements of German commercial law pertaining to insurance companies and that, in accordance with German general accounting principles, give a true and fair view of the net assets, financial position and results of the operations of the Company. In addition, the legal representatives are responsible for such internal control as they have determined necessary, in accordance with German general accounting standards, to permit the preparation of financial statements that are free from material misstatement, whether deliberate or unintentional.

In preparing the financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for making disclosures, as appropriate, in relation to going concern. In addition, they have a responsibility to draw up financial statements based on the going concern assumption unless there are actual or legal circumstances that preclude this.

Furthermore, the legal representatives are responsible for preparing a management report that, as a whole, provides an accurate view of the Company's position and is, in all material respects, consistent with the financial statements, complies with the requirements of German law and accurately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for making the arrangements and implementing the measures (systems) that they deemed necessary to permit the preparation of a management report in accordance with the relevant German legal requirements and to enable sufficient appropriate evidence to be provided for the assertions in the management report.

The Supervisory Board is responsible for overseeing the financial reporting process for the preparation of the Company financial statements and management report.

Auditor's Responsibilities for the Audit of the Financial Statements and the Management Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether deliberate or unintentional, and whether the management report as a whole provides an accurate view of the Company's position and, in all material respects, is consistent with the financial statements and the knowledge obtained in the audit, complies with the requirements of German law and accurately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the financial statements and management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU Audit Regulation and in compliance with the German Generally Accepted Standards on Auditing promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and this management report.

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

- Identify and assess the risks of material misstatement in the financial statements and management report, whether deliberate or unintentional, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. There is a higher risk of a material misstatement resulting from fraud going undetected than one resulting from error because fraud may involve collusion, forgery, deliberate omissions, misrepresentations or the overriding of internal control mechanisms.

- Obtain an understanding of the internal controls relevant to the audit of the financial statements and the arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of those Company systems.

- Evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.

- Conclude on the appropriateness of the legal representatives' use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the relevant disclosures in the financial statements and management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and assess whether the financial statements present the underlying transactions and events in such a way as to present a true and fair picture of the net assets, financial position and results of the operations of the Company in compliance with German general accounting principles.

- Evaluate the consistency of the management report with the financial statements, its conformity with German law and the view of the Company's position that it provides.

- Perform audit procedures on the prospective information presented by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information or the assumptions. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify in the course of our audit.

We provide those charged with governance with a statement confirming that we have complied with the relevant independence requirements and discuss with them any relationships or other matters that might reasonably be thought to have a bearing on our independence and the relevant safeguards that have been put in place.

From the matters discussed with those charged with governance, we identify the matters that were of most significance in the audit of the financial statements for the current reporting period and therefore constitute the key audit matters. We describe these matters in our auditor’s report unless public disclosure is precluded by law or regulation.

Other legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the Supervisory Board meeting on 25 March 2021. We were appointed by the Supervisory Board on 10 November 2021. We have acted as auditor for Gothaer Allgemeine Versicherung AG without interruption since the financial year 2002.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to performing the audit for the audited company and the companies controlled by it, we provided the following services that were not disclosed in the financial statements or management report: audit of the solvency overview, voluntary audit or audit review of the financial statements prepared by controlled companies, tax advisory services for the Company and certification for a foreign authority.

Responsible Auditor

The auditor responsible for the audit is Roland Hansen.

Cologne, 4 April 2022

KPMG AG

Wirtschaftsprüfungsgesellschaft

Hansen	Theißen
Wirtschaftsprüfer	Wirtschaftsprüfer

Report of the Supervisory Board

In 2021, the Act to Strengthen Financial Market Integrity (FISG) was passed in response to the Wirecard scandal. That act contains two legislative amendments with a special focus for supervisory board and audit committee activities in this financial year. Firstly, the range of tasks performed by the audit committee was extended, with effect from 1 July 2021, to include monitoring the quality of the audit of the financial statements. Secondly, the internal rotation period of the responsible audit partner was shortened to five years. Due to this latter regulatory amendment, a selection process in accordance with Article 16 of EU Regulation 537/2014 was initiated at short notice in 2021 for the appointment of a new auditor for the 2022 financial year.

The Supervisory Board continuously monitored the conduct of business by Management in the course of the financial year in fulfilment of its duties under the law and the bylaws of the Company. Management regularly submitted written reports on business developments and the situation of the Company to the Board and reported orally at three ordinary meetings. The Board was involved in all decisions of fundamental importance for the Company. The committees of the Board were also involved in informational and oversight activities. The Investment Committee and Executive Committee convened on three occasions during the past financial year. The Audit Committee met on six occasions, three of them in connection with the tendering and selection process for the appointment of a new auditor for the financial year 2022. It was not necessary to convene the committee established pursuant to section 27 (3) of the Co-Determination Act (MitbestG). The progress and outcomes of the committee meetings were reported and discussed at the meetings of the Supervisory Board.

In line with the stipulations of the Federal Financial Supervisory Authority, the members of the Supervisory Board conducted a self-appraisal, assessing their knowledge of investment, underwriting and accounting. This appraisal will form the basis for a development plan drawn up by the Board each year identifying the topics in which the Board as a whole or individual members of it wish to deepen their knowledge. Two training events were held for Board members on underwriting and investment. In addition, the Board closely studied the auditing and monitoring requirements that need to be met for FISG compliance.

The issues addressed by the Supervisory Board regularly included developments as regards the Company's premiums, claims and costs as well as investment policy and the effect thereof on the financial statements. In addition, Management regularly reported to the Supervisory Board on the basic issues involved in corporate planning, the Company's risk strategy and exposure, the results of benchmarking comparisons with similarly structured companies and IT strategy.

The Supervisory Board paid special attention to the "Ambition25" group strategy, in which the Company addresses market distinction issues such as "Leading Partner for SMEs", "Strong Commitment to the Customer" and "More than Insurance" and embeds the implementation strategies and programmes required to ensure that processes, structures and products are attuned to the needs of an organization that is – both internally and externally – increasingly digital. In particular, the Board looked in detail at the Company's digital target image. It also received reports on the impacts of the coronavirus pandemic and the creation of a pandemic-compatible environment for the maintenance of corporate culture.

Another special focus was on reporting relating to the natural disaster due to cyclone "Bernd" and its economic impact on the Company as well as the conclusions drawn for future risk management.

The Company demonstrated its earning power despite considerable underwriting challenges in the wake of cyclone Bernd and the difficult capital market environment. In addition to an increase in net production, the positive net profit for the year was particularly due to the forward-looking reinsurance policy. The rating agency Standard & Poor's upgraded our rating to "A" with "stable" outlook.

The Supervisory Board discharged its statutory duty to examine HR issues relating to Management. Dr. Bühring-Uhle's appointment to Management was extended.

Management's investment planning and policy were regularly a subject of Investment Committee meetings. Management reported to the Board in detail on developments in the capital markets and their impacts on investments, changes in undisclosed liabilities/undisclosed reserves and the development of investment income and discussed the possible macroeconomic consequences of the persisting low-interest phase and its implications for the insurance industry and the Company.

The topics addressed in the Investment Committee meetings, ORSA report and supervisory board training programme also included aligning investments with ESG criteria.

The Audit Committee established by the Supervisory Board in line with section 107 (3) of the Stock Corporation Act (AktG) monitored the accounting process and verified the effectiveness of the internal control system, risk management system, compliance organization and internal auditing system. There were no objections. The key performance indicators in the financial statements were discussed in detail with Management and auditors, taking benchmarks of comparable companies into account. The Audit Committee therefore proposed to the Supervisory Board that the financial statements for the financial year 2021 should be formally adopted in accordance with section 172 AktG.

The financial statements and accompanying management report presented for the financial year 2021 were audited by the auditor appointed in line with section 341k of the German Commercial Code (HGB), KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, which also evaluated the early risk detection system.

The auditors fully certified the reports presented in accordance with section 322 HGB. The auditors reported on the key results of the audits at the Supervisory Board meeting on the financial statements. The Supervisory Board meeting on the financial statements was also attended by the Responsible Actuary.

The Supervisory Board received the audit report presented and duly noted and approved the result of the audit.

After examining the financial statements and Management Report presented for the financial year 2021, the Supervisory Board has no objections to raise. It endorses the 2021 financial statements. The financial statements are thus formally adopted pursuant to section 172 AktG.

The Supervisory Board wishes to express its special appreciation and heart-felt thanks to staff and Management for their work last year in an environment made significantly more difficult by the ongoing impacts of the coronavirus pandemic and the measures taken to contain it.

Cologne, 5 April 2022

The Supervisory Board

Prof. Dr. Werner Görg	Peter-Josef Schützeichel	Carl Graf von Hardenberg
Dr. Judith Kerschbaumer	Dr. Dirk Niedermeyer	Dr. Christine Prauschke
Gesine Rades	Simone Robens	Thorsten Schlack
Edgar Schoenen	Ulrich Heinz Wollschläger	Markus Wulfert

Company Locations

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