Gothaer Group
Annual Report 2021

Four-year comparison

€ thousand	2021	2020	2019	2018
Gross premiums written	4,694,281	4,557,025	4,524,645	4,382,848
Earned premiums net of reinsurance	4,236,142	4,196,470	4,164,489	3,976,593
Retention ratio (in %)	90.5	92.2	92.1	91.1
Claims expenses net of reinsurance	3,217,263	3,082,030	3,183,244	3,251,512
Change in other net underwriting reserves	1,216,891	880,901	1,184,315	222,607
Underwriting expenses net of reinsurance	774,555	740,695	737,655	736,872
Net income for the year	82,128	72,431	114,990	118,749
Return on equity (in %)	6.0	5.6	9.5	10.8
Investments	31,265,744	30,666,518	29,473,399	28,745,775
Investment result	1,028,072	1,025,244	993,960	885,196
Net return (in %)	3.3	3.4	3.4	3.1
Underwriting reserves net of reinsurance	29,488,627	28,847,969	27,863,537	27,301,799
Equity	1,421,959	1,326,456	1,263,692	1,159,166
Subordinate liabilities	319,300	299,677	299,677	299,677
Employees (average number)	4,985	4,795	4,744	5,412

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.

The Business Units

The Group parent is **Gothaer Versicherungsbank VVaG**, a mutual insurance association. The Group's financial activities are managed by Gothaer Finanzholding AG. Operational activities are handled mainly by the companies listed below:

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.

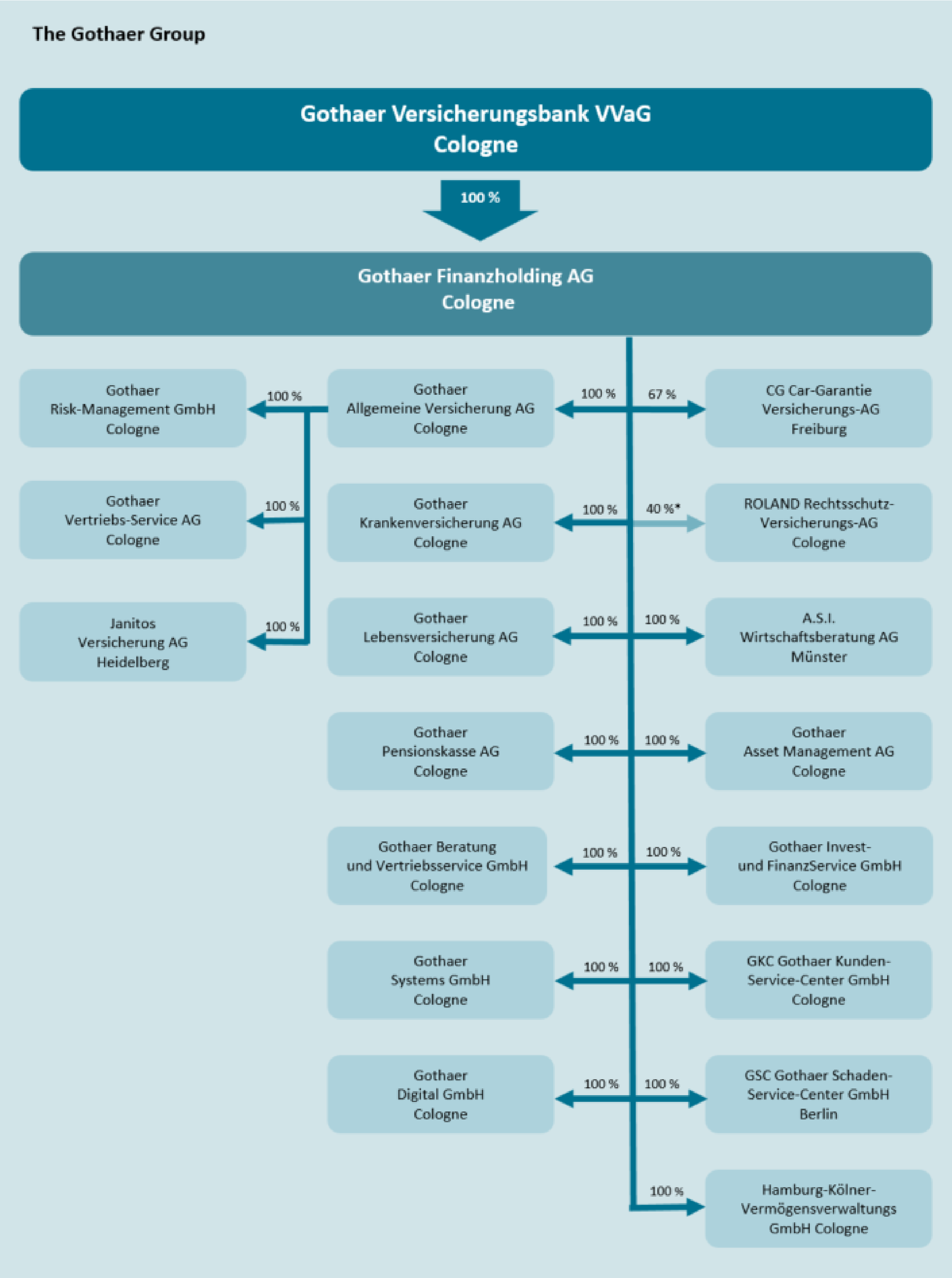
Gothaer Lebensversicherung AG has been a partner for insurance protection, financial planning strategies and investment advice for nearly 200 years. It focuses systematically on biometrics and capital-efficient products, which are strategic business fields, as well as on company pension schemes. In recent years, the percentage of new business generated within these fields has steadily increased. This strategic gearing has proven beneficial in the current low-interest situation and addresses the requirements of Solvency II. Even in coronavirus crisis year 2021, Gothaer Lebensversicherung AG achieved growth. GarantieRente Index, a product newly launched in the year under review, generated nearly twice the sales volume of the predecessor product GarantieRente Performance. This strengthened regular-premium business, which is important for life insurers. In the field of biometric products – a field important for the stability of the risk result – Gothaer Lebensversicherung AG has established itself as a manpower insurer with a range of product options for different target groups. In addition to a competitive product range, the company offers a continuous stream of process optimizations and successively developed prevention programmes. Prevention programmes help customers maintain their long-term fitness for work. The GoVital Bonus, for instance, helps boost motivation for more health-conscious behaviour. Company pension scheme business continues to gain in importance. On the product side, Gothaer Lebensversicherung AG offers attractive pension solutions that are easy to implement for employers of any size. To ensure continued growth in the field of company pension schemes, the focus in the years ahead will be on digitalization and the automation of processes and services. Gothaer Lebensversicherung AG was the first insurer in Germany to submit to independent sustainability rating in 2021 and was awarded an A+ (good) rating by Assekurata. Being credibly sustainable will continue to have a decisive influence on the strategic decisions of Gothaer Lebensversicherung AG in the future.

Gothaer Krankenversicherung AG is *the* first partner for modern health insurance cover. The company caters for the trend towards greater health awareness as well as public demand for healthcare services and continuously develops services that permit access to high-quality, effective care. The top priority in this context is to provide the best possible support to clients in terms of health protection and convalescence. Under the motto gothaer.nachhaltig.gesund (gothaer sustainable health), Gothaer Krankenversicherung AG focuses primarily on "health maintenance". One focal area is mental health. By cooperating with leading providers in this field, the company is progressively strengthening its role as a sustainable health service provider.

Comprehensive health insurance thus remains a major pillar of business for Gothaer Krankenversicherung AG because, with an eye on the future, it is the only insurance that guarantees a stable level of health protection benefits. At the same time, the public financing challenges faced in the German health system are heightening the significance of policies that supplement statutory health insurance. Gothaer has been on a growth path here for years. Not only private clients see the value of private insurance; employers also increasingly see company health insurance schemes as a health service that motivates employees and inspires staff loyalty. Here too, Gothaer Krankenversicherung AG is extending its lead in the market and upgrading its corporate product range with additional health services.

Janitos Versicherung AG is a highly digitalized composite insurer based in Heidelberg selling its products through independent intermediaries such as brokers, broker pools, financial product distributors and comparison platforms. All of the company's processes and services are geared to this target group. The focus is on a high degree of automation, swift and customized product development as well as technical interfaces to sales partners in line with the company's digitalization and sales strategy. A modern IT infrastructure, a custom-fit support model and ceaseless attention to first-class product positioning are the key building blocks of the Janitos strategy. The product portfolio ranges from motor, pet owner and private liability insurance through householders and homeowners insurance to supplemental health, accident insurance and the Multi-Rente disability insurance. The company is regularly successful in product ratings and broker surveys and is very well and sustainably positioned as an established broker brand in Germany and Austria.

With 50 years of experience and premium revenues running to around € 200 million a year as well as a market presence in 19 countries, **CG Car-Garantie Versicherungs-AG** ranks among the most experienced specialist insurers for guarantee and customer loyalty programmes in Europe. More than 40 manufacturers/importers and over 23,000 dealers have confidence in the guarantee specialist's high service quality and custom guarantee programmes for new and used vehicles. As a reliable partner, the company focuses on stability and permanency. According to an independent study by market researcher Finaccord, CG Car-Garantie Versicherungs-AG is one of the foremost manufacturer-independent suppliers of guarantee insurance. The specialist insurer's services appeal to a growing number of dealers and vehicle buyers – so the company is perfectly poised to strengthen its market position even more.



* Total Group interest
For purposes of clarity, shareholding structure simplified.

January 2022

Gothaer Versicherungsbank VVaG
Annual Report

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

Registered Office of the Company
Arnoldiplatz 1
50969 Cologne/Germany

Cologne Local Court, HRB 660

Table of Contents

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

Particularly in times of crisis insurers have special economic significance

Prof. Dr. Werner Görg

Chair of the Supervisory Board of the Gothaer Group

The insurance industry in general and the Gothaer Group in particular have effectively dealt with the extreme circumstances of 2021, namely the continuation of the COVID-19 pandemic and a sustained low interest phase. Once again the insurance sector has impressively proven to be a stabilizing influence of paramount economic significance.

The development of the Gothaer Group's business remained positive in 2021 and the sales results for property and casualty insurance, health insurance and life insurance again surpassed the previous year's figures. In line with Group strategy, the new business acquisition focus remained on German small and medium-sized businesses. Over 200 years ago Gothaer was established as an insurer 'by merchants for merchants' and it has always remained true to this principle. Strong growth in the SME client base in a very demanding market reflects appreciation of our competence, our performance and our customer-centric flexibility.

On the claims side, Storm Bernd impacted Gothaer Allgemeine Versicherung AG's gross underwriting result to the tune of more than € 500 million. Our long-standing provisions, a solid capital base and our forward-looking natural disaster loss modelling with reinsurers enabled us to manage the impacts of this catastrophic event very effectively. The property/casualty insurance business demonstrated impressive resilience in a difficult year and made a significant contribution to the consolidated net profit. Another positive development, which also reflected our strategy, was the 5.6 % growth in corporate insurance business.

Gothaer Krankenversicherung AG's development in 2021 was impacted by uncertainty about whether the dual system of statutory and private health insurance would be retained or abolished after the general election. In addition to that, all private health insurance companies, including Gothaer Krankenversicherung AG, made a significant and disproportionately large contribution to the pandemic response. The Supervisory Board is committed to the growth of our health insurance business as set forth in our strategy. In 2021 the preferred segment of company health insurance achieved growth of 116 %. In this segment, too, our core target group is German small and medium-sized enterprises.

Gothaer Lebensversicherung AG achieved satisfactory growth in new business across all strategic business segments in 2021. There was also significant growth in life insurance business with corporate clients. In the 2021 financial year the Supervisory Board considered the possibility of the low interest phase coming to an end and the associated trend reversal in the capital market. Comprehensive scenario-based simulations of declining, stagnating and rising interest rates were analyzed and discussed.

Ratings provide market transparency and a decision basis for clients. Also, the underlying in-depth analyses can drive innovations. The Assekurata rating agency developed a new rating system to assess the sustainability of companies in the insurance sector in 2021. Gothaer Lebensversicherung AG was the first company to be audited and it was given an A+ (good) rating.

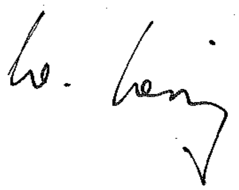
In 2021 the legislators introduced even more stringent requirements for the activities of supervisory board members. The German Act to Strengthen Financial Market Integrity, which was introduced in the wake of balance sheet scandals, imposes additional auditing and corporate governance requirements on banks and insurance companies with the objective of restoring confidence in the financial markets. Gothaer has been compliant with the same corporate governance requirements that apply to stock exchange-listed companies for many years already. In fact, the organization of Supervisory Board activities and the establishment of Supervisory Board committees were largely compliant with the new statutory requirements even before they were introduced.

In 2021 the Supervisory Board worked closely with the Management Board to ensure that the Group's development continued as planned. The Supervisory Board also dealt in detail with the large-scale 'Ambition25' project. A high-performance sales organization, digitalization and the maintenance of strong asset and financial bases are the foundations that will support the development of the Group going forward.

As Chair of the Supervisory Board I would like to thank my board colleagues for their team spirit and constructive efforts over the past year. As a co-determined company we have employee and union representatives on the Supervisory Board, and I would particularly like to express my personal thanks to them. We would also like to thank the independent insurance agents in the Gothaer Group's sales organization. They are much appreciated and deserve our respect and gratitude for their exceptional performance again in 2021.

On a more sombre note, I would like to express my deepest sympathies for our fellow Europeans in Ukraine. We must not forget that the Ukrainians' fighting spirit and determination to resist aggression are also helping to protect our lives and our democracy.

Sincerely,



We need sustainable solutions to protect our society's prosperity

Oliver Schoeller

Chief Executive Officer of the Gothaer Group

At the beginning of the year we were all hoping for a return to the 'new normal' in 2021. However, that wasn't to be and the pandemic continued to dominate our lives as we were hit by the third and fourth waves of infections. Despite this challenging framework the Gothaer Group's premium revenues increased by three percent to € 4.69 billion in 2021, which represents a significantly higher than market average growth rate. I am particularly pleased that all our business segments contributed to that growth: income was up 5.2 % from property and casualty insurance premiums, 2.2 % from health insurance premiums and a slight 0.1 % from life insurance premiums. We have therefore achieved the growth target set out in the Group's Ambition25 strategy, which was launched in 2020. Another notable occurrence in 2021 was Standard & Poor's Global Ratings upgrade of the core Gothaer Group companies to A with a stable outlook. The international rating agency positively highlighted the Group's broad diversification, solid capital base, strong market position in the SME segment and clear strategy for dealing with future challenges.

In July 2021 Storm Bernd devastated entire regions of our country, destroying many livelihoods and tragically also causing fatalities. In this kind of a situation our essential function as an insurance group is to provide support as a strong and dependable partner to our policyholders. This is exactly what we have been doing for more than 200 years. We and our insurance agents demonstrated our strong commitment to helping people suffering immediate hardships and to addressing the consequences of the catastrophic flooding. Gothaer alone spent half a billion euros on claims payments to customers and to create provisions in connection with the flood disaster.

The catastrophic flooding made it very clear to us that corporate social responsibility is essential to the achievement of the Paris climate targets. As a leading partner to SMEs we have noticed that the issue of sustainability is gaining momentum at small and medium-sized enterprises in Germany. Our 500-50-5 initiative allows us to support small and medium-sized businesses achieve climate neutrality faster and make a sustainable contribution to climate change mitigation. We have set ourselves the ambitious objective of helping 500 enterprises to reduce their CO_2 emissions by 50 % over the next five years.

Our commitment to the decarbonization of the German economy and society is motivated by our firm conviction that the fundamental purpose of a mutual insurance company is to make a sustainable contribution to society. We fully embrace this goal, which means that all of our business activities – from investments to insurance solutions – as well as our business processes, are consistently geared to the objective of becoming a carbon neutral society. Our headquarters in Cologne have been carbon neutral since 2020 and we intend to have climate-neutral Group-wide operations by 2024.

Another important milestone in 2021 was the digital transformation of the Gothaer Group. COVID-19 was a catalyst that accelerated our customers' digital expectations of us. Gothaer and its insurance agents responded quickly and effectively by digitalizing both customer touchpoints and internal processes. Now we have to continue driving the transformation. Three basic areas have been identified in which Gothaer intends to introduce optimizations. Firstly, the digital customer experience will be enhanced according to the principle that simplicity is the key to improving customer satisfaction. Secondly, we will be making use of data to make faster and better decisions for our customers. Thirdly, we will be introducing new business models that take advantage of technology-related opportunities. We aspire to be more than 'just' an insurer, and technology will play an important part in achieving that aim.

Summing up, 2021 was challenging, but it was also another very successful year for Gothaer. We owe that success to the tremendous dedication of our workforce and our insurance agents. Thank you all on behalf of the entire Management Board.

The beginning of 2022 and the Russian regime's attack on Ukraine represents the start of a new era of geopolitical, economic and social challenges. We stand firm in our support of our European friends, the people of Ukraine, and our thoughts and sympathies are with them. We grieve for the needless loss of human life. This war poses a threat to the freedom, democracy and security that Europe has built over recent decades and it represents an attack on the fundamental values of free society. The strength of the Gothaer community will help us to get through these challenging times.

Sincerely,

Representatives of Members

Wilm-Hendric Cronenberg Chair		Managing Partner of Julius Cronenberg o. H.
Knut Kreuch Vice Chair		Mayor of the City of Gotha
Jürgen Scheel Vice Chair		Chair of the Management (retd.) of Kieler Rückversicherungsverein a. G.
Quentin Carl Adrian		Tax accountant and partner of dhpg Dr. Harzem & Partner mbB
Heiner Alck		Physical therapist
Peter Arndt		Diplom-Ingenieur
Christina Begale		Consultant
Helmut Berg		Pensioner
Werner Dacol		Real Estate Valuer
Dr. Karin Ebel		Managing director of Peter May Family Business Consulting GmbH & Co. KG
Dr. Matthias Eickhoff	as of 25 June 2021	Management of Amevida SE
Sabine Engler		Diplom-Kaufmann
Andreas Formen		Diplom-Betriebswirt
Dr. Jörg Friedmann		Lawyer, Law firm Dr. Friedmann & Partner mbB
Dr. Vera Nicola Geisel		Head of Human Resources & Legal of VDI GmbH
Dr. Benno Gelshorn	up to 12 January 2022 †	Specialist in General Medicine
Beate Gothe		Head of Finance and HR of Heinz Gothe GmbH & Co. KG
Birgit Heinzel		Master craftswoman in ophthalmic optics and auditory acoustics, Managing Director of HEINZEL Sehen + Hören
Willi Hullmann		Former Chair of Kölner Wohnungsgenossenschaft eG
Norbert D. Hüsson		Betriebswirt, Master painter, Managing Partner of Hüsson FGB GmbH
Bernd Kieser	up to 25 June 2021	Diplom-Kaufmann, Managing Director of BK Consulting GmbH
Wolfgang Klemm		Chamber musician (retd.)
Barbara Lambers	as of 25 June 2021	Head of Customer Experience at DHL Express Germany GmbH
Dr. Hans-Werner Lange		Chief Executive Officer of TUPAG-Holding-AG
Prof. Dr. Claus Luttermann		University professor of the Economics Faculty of the Catholic University of Eichstätt-Ingolstadt

Dr. Anja Marzuillo		Lawyer
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 Köln v. Padberg GmbH & Co. KG
Ilse Peiffer		Secretary (retd.)
Annegret Reinhardt-Lehmann		Managing Director of Wirtschaftsverband Wirtschaftsinitiative FrankfurtRheinMain e. V.
Dr. Roland Reisten-bach		Dentist
Peter Riegelein		Diplom-Kaufmann, Managing Partner of Hans Riegelein + Sohn GmbH & Co. KG
Prof. Dr. Torsten Rohlfs		TH Köln/University of Applied Sciences, Institute of Insurance Studies (ivw Cologne)
Martin Schäfer	as of 25 June 2021	Managing Partner of Wirth Fulda GmbH
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
Dr. Marie-Luise Wolff	up to 25 June 2021	Chief Executive Officer of ENTEGA AG

Honorary Chair

Dr. Karlheinz Gierden	up to 24 January 2022 †	Oberkreisdirektor (district chief executive officer) and bank director (retd.)

Supervisory Board

Prof. Dr. Werner Görg Chair	Lawyer, Tax Accountant
Carl Graf von Hardenberg Vice Chair	Chair of the Supervisory Board of Hardenberg-Wilthen AG
Urs Berger	Chair of the Administrative Board of Schweizerische Mobiliar Holding AG and Schweizerische Mobiliar Genossenschaft
Gabriele Eick	Owner of business consultancy Executive Communications
Prof. Dr. Johanna Hey	Director of Institut für Steuerrecht (Tax Law) of Cologne University
Jürgen Wolfgang Kirchhoff	Diplom-Ingenieur, Managing Partner and COO of KIRCHHOFF Holding GmbH & Co. KG

Honorary Chair

Hansgeorg Klanten	Director (retd.)
Dr. Roland Schulz	Former Managing Partner of Henkel AG & Co. KGaA

Management

Oliver Schoeller Chair		Chair 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
Thomas Bischof	as of 1 January 2021	Chair of the Board of Management of Gothaer Allgemeine Versicherung AG and member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding 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
Dr. Sylvia Eichelberg	as of 1 January 2021	Chair of the Board of Management of Gothaer Krankenversicherung AG and member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding 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		Chief Human Resources Officer - Chair 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

The list of names of members of the Supervisory Board and Management consists of information to be provided in the notes to the financial statements pursuant to section 314(1) No. 6 of the German Commercial Code (HGB).

Advisory Board Gothaer Versicherungsbank VVaG

Andreas Barth		Diplom-Ingenieur, Managing Director of OMEGA Blechbearbeitung GmbH
Klaus Michael Baur		Publisher and Editor in Chief of Badische Neueste Nachrichten Badendruck GmbH
Martin Böhm	as of 1 July 2021	Owner of the company BÖHM Elektrobau
Klaus Brenner	as of 1 October 2021	Chair of the Management of VPV Lebensversicherungs-AG
Dr. Christoph Buse	as of 1 September 2021	Managing Partner of Bautra GmbH
Daniel Friedrich		Managing Director of Friedrich & Sohn Transport / Spedition GmbH
Lorenz Hanelt		Executive Officer of Delvag Versicherungs-AG
Carl Graf von Hardenberg jun.	as of 1 January 2022	Managing Partner of Hardenberg-Wilthen AG
Hans Jürgen Hesse		Managing Partner of Hesse GmbH & Co. KG
Dr. Michael Jaxy	as of 1 January 2022	CFO of UEE Holding SE & Co. KG
Thomas Kemp		Diplom-Kaufmann, Managing Director of Reinert Gruppe Ingredients GmbH
Hans-Dieter Kettwig	up to 31 December 2021	Managing Director of Enercon GmbH
Rainer Lehmann		Executive Officer of Sartorius AG
Timo Freiherr von Lepel		Managing Director of Net Cologne GmbH
Dr. Michael Maxelon	up to 31 December 2021	Chair of the Management of Städtische Werke AG Kassel
Andreas Mosler		Diplom-Betriebswirt, Diplom-Wirtschaftsinformatiker, Chair of the Supervisory Board of AEP AG
Goetz Neumann		Chair of the Management Board of Pensionskasse der Wacker Chemie VvaG
Rüdiger Otto		Managing Director and Owner of A. Otto & Sohn GmbH & Co. KG
Wolfgang Öxler		Archabbot of the Benedictine Abbey St. Ottilien
Dr. Melanie Peterhoff		Managing Partner of F. J. Peterhoff Beteiligungs-GmbH
Dr. Peter Ramsauer		Diplom-Kaufmann
Thomas Regge	up to 31 December 2021	Managing Director of Mittelrhein-Verlag GmbH
Hermann Reichenecker		Managing Partner of Storopack Hans Reichenecker GmbH
Dr. Martin Rothfuchs	as of 1 September 2021	Managing Director of Arenbergische Gesellschaften

Erich Staake	up to 31 December 2021	Diplom-Kaufmann, Chair of the Management (retd.) of Duisburger Hafen AG
Alien Wolter	as of 1 July 2021	Managing Partner of ARNO GmbH

Group Management Report

The remarks on actuarial practice contained in the sections of the Group Management Report on the development of business, outlook and opportunities and risks of future development refer predominantly to the major risk carriers of the Group. Those carriers are Gothaer Allgemeine Versicherung AG for property and casualty insurance, Gothaer Lebensversicherung AG for life insurance and Gothaer Krankenversicherung AG for health insurance.

Developments in the insurance industry

Trends in 2021

Insurance industry as a whole

The macroeconomic environment in 2021 was characterized by major uncertainties, particularly with regard to the coronavirus pandemic and its implications for the economy. Nevertheless, according to figures from the Federal Statistical Office, Germany's gross domestic product is expected to grow by 2.7 %. Growth is clouded by supply-side bottlenecks. The economic situation of private households is largely stable, thanks partly to extensive aid packages. Positive developments in the labour market and the increase in payroll expenses (downturn in short-time work) led to an increase of 2.5 % in the disposable income of private households. Zero growth is expected for private consumption. The savings rate fell back again at the end of the year but is still higher than the long-term average. Against this backdrop, the German Insurance Association (GDV) – on whose findings these comments are based – anticipates positive premium growth for the insurance industry. In property and casualty insurance, premium growth is expected to reach 2.4 %, following premium-dampening effects in both property and motor classes. Premium revenues from private health insurance business are sharply up by 5.7 %. The increase is based on significant rate adjustments in comprehensive health insurance as well as growth in supplemental insurance business. Life insurance premiums are down by -1.1 %. While single-premium business is recessive, regular premium revenues have increased. Premium income from occupational pension schemes, in particular, will show a significant increase. For the insurance sector as a whole, premium growth of 1.2 % is thus forecast. Without single-premium business in life insurance, the anticipated increase in premiums is around 2.5 %.

Property and casualty insurance

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 %.

Life insurance

At the beginning of the financial year 2021, forecasts for the economy as a whole as well as for the life insurance sector were marked by cautious optimism. This was largely based on the successful launch of the coronavirus vaccination campaign, which offered a glimmer of hope for global recovery processes after the crisis-ridden year 2020. The hope felt by many that vaccination might swiftly put an end to the pandemic has not come true, for the moment at least. With the emergence of the Omicron variant of the coronavirus, new infections have risen rapidly again. As a result, it would appear that economic recovery will be further delayed.

The pandemic's indirect impacts on economic growth have also become more significant in recent months. They include, in particular, supply problems and inflation. The sharp rise in price level pushed inflation rates unexpectedly high. The inflation outlook is now a highly controversial topic, even among experts. Inflation will certainly remain a major issue in 2022.

For life insurers, the moderate recovery of interest rates was one of the most important developments in 2021. While the 10-year euro swap rate was negative for nearly the whole of 2020 (-0.27 % at year-end) as a result of the pandemic, an upward trend made an appearance at the beginning of 2021. By the end of 2021, the interest rate was back in positive territory at a level of 0.30 %. Despite this modest recovery, the low-interest phase continues and burdens life insurers' earnings with high allocations to additional interest reserves. The continuing low yields on new investments and reinvestment also make it difficult for life insurers to achieve a sufficiently high net return, which is needed in particular to meet high guarantee commitments in their portfolios.

Another significant development for life insurers was the decision of the German Federal Ministry of Finance, announced in the second quarter of the year, to lower the maximum actuarial interest rate for life insurance from the 0.9 % to 0.25 % with effect from 1 January 2022. This led to the anticipated "clearance sale effects" at the end of 2021.

2021 was also marked by the outcome of the Bundestag elections. The coalition agreement of the new "traffic light" government, consisting of SPD, FDP and Bündnis 90 / Die Grünen, emphasizes the importance of occupational and private pensions as a major pillar of provision for quality of life in old age alongside statutory pension insurance. It also announces a fundamental reform of private pension provision and the introduction of long-anticipated compulsory insurance for new self-employed workers.

In light of the above, life insurance business in 2021 developed as follows:

Gross premiums written in life insurance in the narrower sense (excluding pension trusts and pension funds) decreased slightly against the prior year, edging down by 1.4 % to € 99.68 billion. Of this total, € 63.71 billion was attributable to regular premiums (+1.1 %) and € 35.96 billion to single premiums (-5.5 %). The latter accounted for around 36 % of total premiums in 2021. Nevertheless, single-premium business registered a noticeable downturn last year, with new business falling by 7.3 % to € 34.41 billion. The main driver of this decrease was the development of premium income at the industry leader, which decided to forgo inflows in this segment in view of the low-interest phase.

Health insurance

Pandemic control, digitalization and health system financing were the principle challenges in 2021.

In the fight against the coronavirus pandemic, the primary goal was to avoid the health system becoming overwhelmed and thus to protect as many people as possible. Private health insurance stands by its promise of benefits even in crisis situations and supports policyholders with first-class medical care and outstanding service.

To promote digitalization in the healthcare system, private health insurers contributed € 122 million to the telematics infrastructure of the system (Gematik) in 2020/2021. In 2021, the private health insurance industry prepared the launch of the electronic patient file and e-prescription service. What is more, it is driving forward innovation in the healthcare system. In 2021, a venture capital fund was created for this purpose by the private health insurance sector. It has an investment volume of over € 100 million for digital health investments.

Between the beginning of the pandemic in spring 2020 and August 2021, the private health insurance industry incurred additional corona-related expenses totalling more than € 2.2 billion. It always pays in full, more than it actually ought to pay in relation to the number of persons it insures.

Other challenges in the healthcare system include demographic developments, the nursing shortage and comprehensive medical care for rural areas. Ultimately, however, the question is how the health system can be financed in a way that is fair to all generations and thus sustainable without long-term reductions in the level of benefits and without excessively burdening future generations. Here, with the formation of ageing provisions as a demographic reserve, the private health insurance sector offers a sustainable and inter-generationally fair solution.

People increasingly understand that a pay-as-you-go healthcare system presents ever-new challenges for statutory health insurance in the current demographic scenario and that private health insurance offers good alternatives. Anyone wishing to avoid benefit cuts in the future switches to comprehensive private health insurance or takes out supplemental insurance.

This is also clearly reflected in the private health insurance figures for 2021. The total number of policies in force increased by nearly a million to 37.1 million, with the number of supplemental policies growing by 3.4 % to a total of 28.4 million. The demand from people with statutory health insurance seeking to upgrade benefits by taking out private supplemental insurance continues undiminished.

For the fourth year in succession, more people switched from statutory to comprehensive private health insurance than vice versa. Private health insurers registered a positive balance of 22,500 policyholders (balance in 2020: +21,400). The number of comprehensively insured persons in the private health insurance sector (especially after deduction of deaths) stood at 8.7 million in 2021, a minimal downturn of 0.1 %.

In addition, a growing number of employers realize that company health insurance schemes are an important instrument for retaining employees and at the same time promoting their health and performance. A typical win-win situation for companies and employees.

Outlook for 2022

Insurance industry as a whole

Against the backdrop of the dynamic resurgence of infections combined with renewed restrictions, GDP is expected to increase by around 4.6 % in 2022. It is anticipated that supply-side bottlenecks will be overcome in the course of the year. Positive developments in the labour market, the planned increase in the minimum wage and the recovering economy should lead to an increase in disposable incomes. Considerable catch-up potential is seen for private consumption. Real private spending is expected to grow by 7.0 %. The savings rate is forecast to normalize at a level of 11.0 %. In property and casualty insurance, premium revenues are likely to grow by 3.2 % in 2022. In property insurance, inflation-related adjustments to insured sums may give rise to premium growth. In life insurance, growth stimuli may be generated by heightened demand for protection. Regular-premium business is expected to contribute to premium growth with an increase between 0.4 % and 0.5 %. In single-premium business, the development of premium income could be between +1.0 % and -2.9 %. Overall, premium increases of 0.7 % are possible for life insurance, but also premium decreases of -0.8 %. The development of premium revenues from private health insurance – where a premium increase of 4.5 % is anticipated – will be shaped by tariff increases for comprehensive insurance. High growth rates are expected for supplemental insurance business as the trend continues towards taking out private supplemental insurance to top up statutory health insurance benefits. For the insurance industry as a whole, premium growth is expected to be between 1.6 % and 2.3 % in 2022.

Property and casualty insurance

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.

Life insurance

In view of the persistently difficult development of the pandemic after the emergence of the Omicron variant, uncertainty over economic developments going forward remains high. There is a risk that the recovery process will be delayed. However, the Omicron variant appears to be considerably more contagious but also less dangerous, so the pandemic could soon become endemic, permitting a return to normal life.

Inflation will remain a dominant issue in 2022. Hence the increasing public focus on the actions of central banks. In contrast to the US Federal Reserve, the ECB remains restrained in its response. In particular, it recently defied expectations of a tightening of monetary policy.

For the life insurance industry, the lowering of the maximum actuarial interest rate will have a profound impact on its product range. The new tariff generation as of 1 January 2022 will certainly bring a further reduction of guarantees. With the new actuarial interest rate at just 0.25 %, a guarantee element that has been established for decades, namely the full premium guarantee, will no longer be sustainable. This means that even in product areas where the legislature still prescribes a full premium guarantee (this applies to Riester products and "defined contribution with minimum benefit" occupational pension plans), the requirement will probably be removed by the back door. Whatever happens, the range of unit-linked life insurance products will continue to grow in importance throughout the market.

New opportunities are also likely to arise for life insurers from sales networks' and customers' growing familiarity with and acceptance of sales digital consultancy tools. Against this backdrop, further development of digital sales approaches and consultancy tools will also be very important in 2022. That development is also supported by the major trend topic sustainability. In addition to sustainable corporate practices (e.g. less use of paper, significant reduction of travel), sustainable investment in unit-linked products plays an increasingly important role.

In light of the above, the outlook for 2022 compared to the prior year is as follows: First of all, the high degree of uncertainty has impacts on the quality of forecasts, so two different forecast scenarios are considered. Overall, premium revenues across the life insurance industry in the narrower sense (excluding pension trusts and pension funds) are expected to grow by 0.7 % in the base scenario and decrease by 0.8 % in the downside scenario compared to the previous year. Growth here will come in particular from an increase in premium revenues from contracts with regular premium payments (0.5 % to 0.6 %). Single-premium business may see increases of 1.0 % but also downturns of up to 3.0 %.

Health insurance

Pandemic control remains the primary goal under Health Minister Prof. Dr. Lauterbach. Given the urgent challenges for health policy in the area of long-term care and health insurance, the private health insurance sector would like to play an active part in the future to find sustainable and inter-generationally fair solutions. It also continues to drive forward the digitalization issues facing the healthcare system.

In comprehensive insurance, there are still good market opportunities for private health insurance because statutory health insurers are under even greater financial pressure due to the additional expenses presented by the pandemic and the reduction in contribution volume. The dual health and long-term care system will be retained.

High growth rates are still anticipated for supplemental insurance business. The company health insurance scheme market continues to grow.

Development of business in 2021

Despite the difficult environment due to the impacts of the coronavirus pandemic and the "Bernd" flood disaster, the Gothaer Group achieved robust results in 2021. Premium growth at Group level was 3.0 %, investments generated a net return of 3.3 % and net profit for the year reached € 82.1 million.

	€ million					
	Gross premiums written		Underwriting result net of reinsurance		Investment result	
	2021	2020	2021	2020	2021	2020
Property and casualty	2,339.1	2,222.9	70.4	89.1	69.0	98.3
Life	1,446.1	1,444.9	80.1	76.2	639.8	659.8
Health	909.1	889.2	55.5	69.6	217.1	246.5
Other Activities	0.0	0.0	0.0	0.0	102.2	20.7
Total	**4,694.3**	**4,557.0**	**206.1**	**234.9**	**1,028.1**	**1,025.2**

At Group level, gross written premiums totalled € 4.69 billion (PY: € 4.56 billion). Gross premium income from property and casualty insurance registered a gratifying above-market increase of 5.2 % to € 2.34 billion. In life insurance, gross written premiums showed modest growth, edging up by 0.1 % to € 1.45 billion, while gross premiums written in health insurance increased by 2.2 % to € 909.1 million. Premium volume downturns in comprehensive insurance were set against upturns in supplemental insurance.

Primary insurance, which is our core business, accounted for € 4.58 billion (PY: € 4.46 billion) of gross written premiums. Premiums written in reinsurance assumed from extra-group insurers totalled € 111.8 million (PY: € 97.2 million). This business relates entirely to property and casualty insurance and is of only minor significance as a contributor to the total premium volume of the Gothaer Group.

The underwriting result net of reinsurance at Group level decreased to € 206.1 million (PY: € 234.9 million). Developments in the individual segments varied. In property and casualty insurance, the underwriting result net of reinsurance was recessive in the financial year at € 70.4 million (PY: € 89.1 million). This reflects the impacts of natural loss events in the financial year, especially the disastrous flooding caused by cyclone "Bernd". However, increased major claims expenses also contributed to this result. While the net underwriting result from life insurance rose from € 76.2 million to € 80.1 million, it fell from € 69.6 million to € 55.5 million in health insurance.

At € 1.03 billion, the investment result overall was on a par with the prior year. While investment income in the Other Activities segment increased, the results in life and health insurance as well as in property and casualty insurance fell back.

Together with a recessive tax expense, these developments resulted in an increased net profit for the year of € 82.1 million euros, up from € 72.4 million in the prior year.

Underwriting result

Property and casualty insurance

In property and casualty insurance, the single most defining event this year was the flood disaster in July. The low-pressure system "Bernd" underlined the fact that annual results in property and casualty business are always dependent on the unforeseeable impacts of natural catastrophes and major losses. Despite the disastrous flooding, we can look back on a satisfactory financial year in economic terms. With gross written premiums of € 2.34 billion, we again achieved above-market premium growth of 5.2 % in business overall. Upturns in premium volume were registered both in direct written insurance business, where the figure rose by 4.8 % to € 2.23 billion, and in reinsurance business assumed, where volume grew by € 14.6 million to € 111.8 million. Earned premiums net of reinsurance in property and casualty insurance increased by a total of 2.0 % to € 1.91 billion.

At the Group's largest property insurer, Gothaer Allgemeine Versicherung AG, growth is particularly driven 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.

However, the massive damage and many fatalities that cyclone "Bernd" caused on our doorstep highlight the importance of climate protection and sustainability. Consequently, 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 Gothaer 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.

Gross claims expenditure in property and casualty insurance, at € 2.01 billion, was higher than the € 1.38 billion registered in the prior year. Claims expenses continued to be affected by the coronavirus pandemic 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. 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. With gross premium income increasing, the gross loss ratio moved up to 86.8 % in the financial year (PY: 62.1 %). After deductions for reinsurance, claims expenses net of reinsurance totalled € 1.30 billion, up on the prior-year figure of € 1.17 billion. This reflects our robust reinsurance cover in the area of natural hazards. The net loss ratio rose to 68.1 % (PY: 62.5 %). Net loss reserves, at € 2.53 billion, were higher than the prior-year figure of € 2.40 billion. The loss reserve ratio – the ratio of net loss reserves to net earned premiums – was also above the prior-year level at 132.4 % (PY: 128.3 %).

Underwriting expenses net of reinsurance increased by 3.6 % to € 576.3 million. Within this total, administrative expenses accounted for € 292.1 million (PY: € 284.6 million) and acquisition costs € 389.5 million (PY: € 359.9 million). The increase in acquisition costs is due to good production results. Reinsurance commissions, at € 105.3 million, are € 16.8 million higher than in the prior year. The gross cost ratio edged up by 0.3 percentage points to 29.4 %, the net cost ratio by 0.5 percentage points to 30.1 %.

This resulted in a higher net combined ratio of 98.2 % (PY: 92.1 %) for the property and casualty insurance segment as a whole.

The underwriting result before adjustment of equalization reserves was significantly down on the prior year, with a profit of € 7.9 million (PY: € 131.1 million). Gratifying premium growth and good reinsurance cover in the area of natural hazards failed to fully offset the impact of the "Bernd" loss event. An amount of € 62.5 million was withdrawn from equalization reserves in the financial year (PY: € 41.9 million allocation). After allowance for this withdrawal, the underwriting result net of reinsurance was € 70.4 million in the year under review, which is lower than the € 89.1 million reported in the prior year. This figure includes an underwriting result in reinsurance business assumed totalling € -8.9 million (PY: € 23.1 million).

Life insurance

Despite the ongoing pandemic, we can look back on a good business year in life insurance overall. Gross written premiums showed a modest increase of 0.1 % to € 1.45 billion.

New business developed positively in the past year. Strong year-end business in November and December contributed to this. New business – measured in terms of the new premium sum – increased by 9.8 % to € 1.85 billion. The new premium sum is the sum total of premiums due over the life of newly concluded policies. It is pleasing to note that biometric products and capital-efficient pension plans – which are important segments for the future – accounted for 85.8 % (PY: 80.8 %) of total new business in 2021.

Under profit-sharing arrangements, a sum of € 31.2 million was again withdrawn from reserves for premium refunds as "premiums from reserves for premium refunds" and used for additional insurance benefits.

Claims expenses net of reinsurance decreased by 2.3 % to € 1.22 billion in life insurance. The claim payments contained within this total increased against the prior year. In addition, income was registered from the adjustment of loss reserves.

Policy reserves net of reinsurance increased by € 291.5 million to € 17.04 billion in the financial year, further boosting the policyholder balance. These reserves include additional interest reserves (Zinszusatzreserve – ZZR), to which a sum of € 149.8 million (PY: € 183.6 million) was transferred in the financial year. This recessive allocation to additional interest reserves resulted from the moderate recovery of interest rates on the income side.

Underwriting reserves for life insurance where investment risk is borne by policyholders increased significantly by € 498.8 million to € 2.96 billion.

The reserves for premium refunds include the surpluses generated in the financial years before they are paid to the individual policyholders at the contractually agreed times during the term or upon expiry of policies. A sum of € 122.5 million (PY: € 118.6 million) was withdrawn from reserves for premium refunds for the surplus bonuses due to policyholders. After an allocation of € 151.8 million (PY: € 101.7 million), reserves for premium re-funds totalled € 632.9 million (PY: € 609.5 million).

The allocated investment return from the non-technical account for life insurance was shown in the underwriting account as € 646.5 million (PY: € 670.0 million). This is the portion of the investment result attributable to life insurance from a Group perspective. The full investment result for the Group is shown in the non-technical account.

Underwriting expenses net of reinsurance showed a moderate increase to € 125.9 million in the financial year (PY: € 110.6 million). Acquisition costs rose by 15.5 % to € 101.1 million against the prior year. The acquisition cost ratio – the ratio of acquisition costs to the new premium sum – stands at 5.5 % (PY: 5.2 %). Administrative costs, taking into account strategic orientation investment, increased to € 26.9 million in the financial year (PY: € 25.9 million). The administrative cost ratio – the ratio of administrative expenses to gross written premiums – remains on a par with the prior year at 1.9 %.

Overall, the underwriting result net of reinsurance was € 80.1 million for life insurance (PY: € 76.2 million).

Health insurance

Against a backdrop of general economic difficulty in the second coronavirus year, gross written premium income from health insurance increased by 2.2 % to € 909.1 million in the year under review. Health insurance thus remains on a gratifying growth path. While new business overall fell by 22.1 % to € 1.7 million, we achieved the largest volume of new company health insurance scheme business in the history of Gothaer Krankenversicherung AG in 2021 by making systematic use of market access opportunities. The number of comprehensively insured persons was again recessive. It fell by 2.7 % to 127 thousand. In supplemental insurance, however, last year again saw growth. The number of insured persons rose by 3.3 % against the prior year to 565 thousand. With products that have attracted many awards and are very well positioned in the market, we will continue to grow market potential and develop additional potential through direct sales. The total number of insured persons increased by 2.1 % to 692 thousand.

2021 was a challenging year due to the pandemic. The Group's health insurer Gothaer Krankenversicherung AG, with a financial base that makes it extremely crisis-proof, once again showed it was a reliable partner for customers and sales partners in the pandemic. Living at a distance, working from home, distance learning and access restrictions based on vaccination, recovery or test status are now an integral part of daily working and private life. Despite this challenging environment, the company and its sales partners navigated the pandemic with caution and thus managed to provide reliable, highly professional support for customers at all times.

With additional services and the development of more health app tools – symptom checker, mental compass for flood victims and corona pilot for company health insurance schemes – we continue to advance steadily down the road to becoming a modern health service provider. In addition to further upgrading the digital reimbursement system with special services, we are constantly working on becoming a hybrid care provider by guiding and supporting customers through their treatment both digitally and face-to-face (hybrid health management).

To limit the premium adjustments made and to reduce premiums for policyholders in later years, a sum of € 63.7 million was withdrawn from reserves for premium refunds (PY: € 67.0 million) and recognized under the relevant premium item.

The allocated investment return from the non-technical account for health insurance business in the financial year was shown in the underwriting account as € 256.0 million (PY: € 250.0 million). This is the portion of the investment result attributable to health insurance from a Group perspective. The full investment result for the Group is shown in the non-technical account.

Claims expenses net of reinsurance increased to € 693.6 million (PY: € 661.4 million). After totaling € 656.9 million in the prior year, claim payments net of reinsurance including claims adjustment expenses amounted to € 687.7 million. Reserves for outstanding claims increased by € 5.9 million to € 187.0 million.

The gross loss ratio – a yardstick for assessing expenses for the insured – stood at 76.4 %, which was slightly below the prior-year level.

Policy reserves totalled € 7.68 billion at the end of the year (PY: € 7.41 billion).

A total of € 124.3 million (PY: € 118.7 million) was withdrawn from reserves for profit-related and non-profit-related premium refunds for policyholders in the financial year. Substantial funds were thus placed once again at policyholders' disposal. After a transfer of € 132.4 million in the financial year (PY: € 104.6 million), reserves for performance-related and non-performance-related premium refunds totalled € 317.7 million (PY: € 309.7 million). Reserves for performance-related premium refunds, including pool-relevant reserves for premium refunds from compulsory nursing care insurance, are considered in relation to gross earned premiums, producing the premium refund reserve ratio defined in the private health insurance key figure catalogue. The Gothaer Group's health insurer, Gothaer Krankenversicherung AG, achieved a ratio of 28.2 % in the financial year, following a prior-year figure of 27.6 %.

Underwriting expenses net of reinsurance were recessive in the financial year, totalling € 72.4 million against € 74.0 million in 2020. At the same time, acquisition costs edged down to € 49.0 million (PY: € 50.8 million). The acquisition cost ratio – the ratio of acquisition expenses to earned premiums – stood at 5.4 % (PY: 5.7 %). Policy management expenses moderately increased in the financial year, from € 23.2 million to € 23.4 million. The administrative cost ratio – the ratio of administrative expenses to premiums – remained unchanged at 2.6 % against the prior year.

The underwriting result net of reinsurance in the health insurance segment decreased to € 55.5 million (PY: € 69.6 million).

Investments

The investment strategy of the Gothaer Group is implicitly derived from the investment strategies of the relevant risk carriers in the Group. The latter, in turn, form part of the individual risk carriers' business strategies. At Group level, the primary goal of investment policy is to generate stable and sustainable income for the consolidated financial statements. At the same time, the relevant regulatory requirements relating to investment earnings, liquidity, security and quality need to be observed at risk carrier level and – depending on risk carrier – the solvency requirements of Solvency II need to be met. This is ensured by the systematic use of performance management that is adjusted for risk, tailored to risk-bearing capacity and aimed at optimizing the return/risk ratio of the investment portfolios. Current investment strategy and the resulting strategic asset allocation are therefore to be seen as the outcome of a continuous and comprehensive asset liability management process that particularly takes account of the relevant underwriting requirements. In 2021, the Gothaer Group 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 take account of environmental, social and governance criteria – so-called sustainability criteria. To emphasize the importance of responsible investment even more, Gothaer joined the UN Principles for Responsible Investment (UN PRI) network in May 2020.

Global economic developments in the period under review were shaped by gradual progress in overcoming 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 curbed 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. Annual inflation reached 3.2 % in Germany 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.

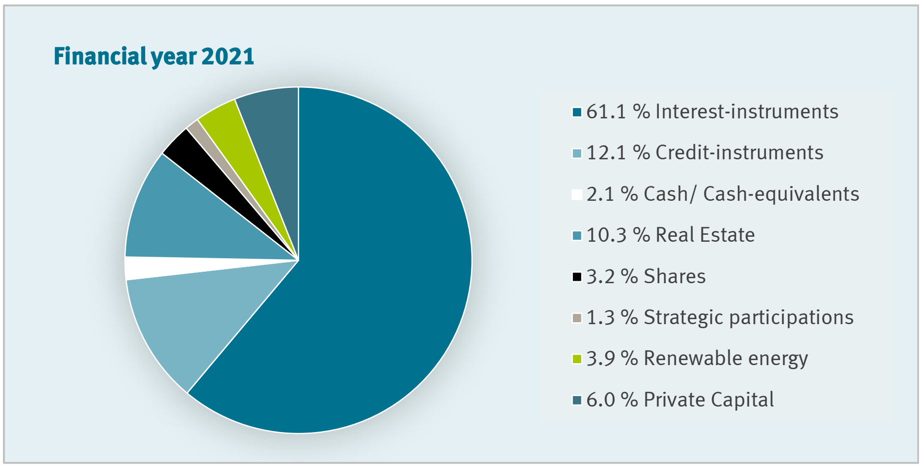
For equity investors, 2021 was a very good year. In the European markets, however, the price rise curve flattened out from the second quarter onwards, with the result that performance over the year as a whole lagged behind that of the US indices. While the annual performance of the S&P500 Total Return 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 %.

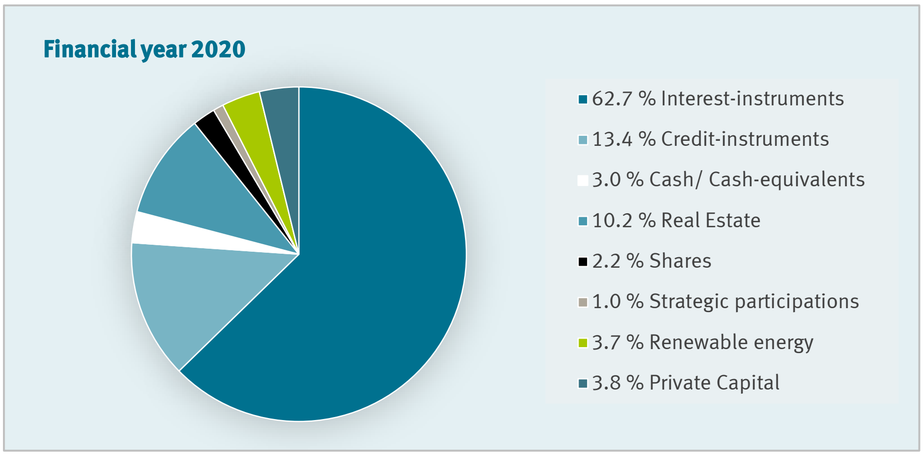
The book value of the Gothaer Group investment portfolio increased by € 0.60 billion to € 31.27 billion in the year under review.

The carrying value of investments for the account and risk of life insurance policyholders was € 2.96 billion in the year under review (PY: € 2.46 billion).

Composition of the investment portfolio

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





Selective optimization of returns and risk in the investment portfolio continued to be a major focus of investment activity last year, so only partial changes were seen in the asset allocations of the relevant risk carriers and thus also of the Group. Disposals in the interest rate and credit instrument asset classes were reinvested in attractive investment opportunities in 2021, primarily in the areas of infrastructure, equity and private capital. The equity investments mainly consisted of Solvency II optimized equity mandates with option hedges. In the real estate and private capital classes, there was increased investment in debt investments. Duration edged lower over the year as a whole, from 10.7 to 10.6. Investment in property (real estate asset class) within the investment structure is mostly not reported under the balance sheet item "Land, land rights and buildings, including buildings on third-party land".

The overall investment result, at € 1.03 billion, was on a par with the prior year. In life and health insurance as well as in property and casualty insurance, results were recessive. They were compensated, however, by the Other Activities segment, where the investment result was higher than in the prior year.

Alongside current income, extraordinary income also made a contribution to the overall result. Current income totalled € 824.0 million in 2021 (PY: € 890.8 million). Extraordinary income amounted to € 253.3 million (PY: € 203.8 million). Minor write-downs on real estate and private capital assets were set against significantly higher gains in the interest rate and credit instrument classes as well as in special bond funds. Income from the disposal of investments was moderately lower than in the prior year. Overall, the net return on investment for the financial year, calculated as the ratio of investment income to the average value of the investment portfolio excluding unit-linked life insurance, remained on a par with the prior year at 3.3 %.

Net profit for the year

With the result from Other Activities negative at the same level as in the prior year, net profit for the year before taxes totalled € 178.8 million, as against € 189.2 million in 2020. After deduction of the tax expense of € 96.6 million, net profit for the year exceeded the prior-year figure at € 82.1 million (PY: € 72.4 million).

The net profit for the year attributable to non-controlling interests amounted to € 4.0 million (PY: € 1.6 million). This resulted in an improved consolidated net profit of € 78.1 million (PY: € 70.9 million).

Shareholders' equity

Including the net profit for the year and taking into account currency effects and other changes, shareholders' equity totalled € 1.42 billion (PY: € 1.33 billion). With average equity thus increased and net profit for the year also higher, the return on equity was up on the prior year at 6.0 % (PY: 5.6 %). Together with subordinate liabilities of € 319.3 million (PY: € 299.7 million), the guarantee assets of the Group grew to € 1.74 billion (PY: € 1.63 billion) at balance sheet date. Group equity included non-controlling interests of € 34.6 million (PY: € 32.3 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, especially in property and casualty insurance.

Underwriting result

Property and casualty insurance

The economic impacts of the coronavirus pandemic on our property and casualty insurance operations proved less severe than anticipated in 2021. 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". A certain volume of major and natural losses is always taken into account in our projections. However, it was not even remotely 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.

Life insurance

Forecasts for the economy as a whole as well as for the life insurance sector were marked by cautious optimism in the financial year 2021, partly due to the launch of coronavirus vaccination programmes.

As anticipated, the growth of new business based on regular premium payments increased in 2021. Since the upturn in business in single-premium products was sharper than forecast, premium income overall was above target. The share of new production in the strategic fields of biometrics and capital-efficient pension products at Gothaer Lebensversicherung AG increased, as projected, to around 90 %.

Despite strategic investment, cost ratios rose only moderately, which was better than anticipated. The allocation to additional interest reserves decreased as projected. Nevertheless, an above-target gross surplus was achieved.

Health insurance

In health insurance, the financial year 2021was also marked by the coronavirus pandemic, the implications of which for insurance business could not be predicted. However, the impact on results from our health insurance operations was not substantial. The target for premium income was achieved despite a challenging environment. An increase in payments to policyholders meant that total claims expenses were moderately higher than projected. The underwriting results ratio is slightly higher than forecast and thus still at a higher-than-market level.

Investments

Despite the general economic environment, the investment result was above the projected figure. Net return was moderately higher than forecast.

Net profit for the year

Overall, net profit for the year was slightly below projection.

Insurance lines and coverages

- Life insurance[1]
- Health insurance
- Accident insurance
- Liability insurance
- Motor insurance
- Fire insurance
- Aviation insurance[2]
- Legal expenses insurance[2]
- Comprehensive householders insurance
- Comprehensive homeowners insurance
- Marine insurance
- Credit and surety insurance[1]
- Motorist assistance insurance[1]
- Aviation and spacecraft liability insurance[2]
- Other property insurance
- Other non-life insurance

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

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 trans-formational 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 rely here 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

Five Gothaer Group companies regulated by the German Codetermination Act or the One-Third Participation Act are subject to the Act to Supplement and Amend the Regulations for Equal Participation of Women in Management Positions in the Private and Public Sector. These companies are periodically required to set gender quotas for their supervisory boards and management boards as well as for 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 %
	Gothaer Finanz-holding AG	Gothaer Allgemeine Versiche-rung AG	Gothaer Kranken-versiche-rung AG	Gothaer Lebens-versiche-rung AG	Gothaer Systems GmbH
Supervisory board	33.3	33.3	33.3	33.3	33.3
- Shareholders' side	16.7	16.7	16.7	16.7	16.7
- Employees' side	16.7	16.7	16.7	16.7	16.7
Management board	14.0	20.0	20.0	20.0	0.0
Executives					
- Management level 1	30.0*	20.0*	30.0*	30.0*	23.0
- Management level 2	40.0*	20.0*	30.0*	40.0*	23.0

*) Target for 31 December 2023

The gender diversity target for the Management Board of Gothaer Finanzholding AG was achieved with the Management Board appointment of Dr. Eichelberg. Her appointment as Chair of the Management Board of Gothaer Krankenversicherung AG is a significant step towards achieving the quota targeted for that company.

The zero target for the management of Gothaer Systems GmbH remains in place. A departure from the zero target would mean that either the management has to be increased by one or more persons – with no economic reason for doing so – or the present managing director has to be replaced. The shareholder would also like to retain the option of having only one managing director on the management board in the future without having to restrict the group of possible candidates to a certain gender.

New measures were implemented as part of the 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.

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 Sys-tem. 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 in-formation 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.

Tariff change guideline

Freedom of choice and customized insurance cover are distinguishing features of private comprehensive health insurance. To help every customer choose the tariff that meets his or her needs more accurately, the association of private health insurers PKV has developed a tariff change guideline setting out clear and binding rules. The guideline supplements the statutory regulations that are already contained in section 204 of the German Insurance Contracts Act (VVG).

Gothaer Krankenversicherung AG has systematically implemented the guideline since its introduction. Our policyholders can avail themselves of personal, needs-based, objective customer service together with analysis of the best tariff options.

The implemented compliance management system ensures observance of the guidelines for a transparent, customer-oriented tariff change and is certified by an independent auditor every three years. At 31 December 2019, the auditor confirmed that Gothaer Krankenversicherung AG ensures a high degree of tariff transparency and objective advice on changing tariffs.

Non-Financial Statement

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 Group are described in the Notes to the Financial Statements under "Events of special significance".

The following statements on future business remain 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. As a result, the expected economic upswing could possibly be further delayed.

Apart from the possible impacts of the coronavirus, 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, tax or demographic environment and changes in the competitive situation of the Group.

General forecasts

The development of business for the Gothaer Group largely depends on how the insurance market develops in a starkly changing market envi-ronment characterized by low interest rates, a constant stream of new regulatory requirements, demographic change and a race to digitalize. To ensure continued success in this environment, the Gothaer Group has initiated the new Group strategy Ambition25. It is a systematic extension of the projects launched in pursuit of current objectives.

The aims of the new Group strategy are to harness Gothaer's strengths as a medium-sized insurer with a strong brand, swiftly and flexibly respond to new market opportunities and significantly expand profitable areas of business. To achieve the growth targets set, we will build on Gothaer's existing competitive strengths in the coming years.

Owing to its independence as a mutual insurance association, Gothaer always acts as a fair, dependable and trustworthy partner for customers. The long-term focus is on systematic, stable and continuous value en-hancement to strengthen the foundations of the Group.

We expect premium income for the Gothaer Group in 2022 to be slightly below the high prior-year level. The downturn is due to life business, especially in the single-premium product segment. For property and casualty business, moderate growth is projected despite the sale of the insurance company Gothaer Asigurări Reasigurări S. A. in 2021. A moderate upturn in premium income is also forecast for the health segment.

After a year of extraordinary claims due to the catastrophic weather driven by cyclone "Bernd" in 2021, the gross underwriting result will increase sharply this year to a normal level. However, the net underwriting result after adjustment of equalization reserves will decrease significantly in 2022. The allocation to equalization reserves and increased cessions to reinsurers will impact on the 2022 underwriting result net of reinsurance after adjustment of equalization reserves.

Despite a marked downturn, our forecasts show that the investment result will reach a good level in 2022. Given these assumptions and a normalized tax expense in 2022, we anticipate that the net profit for the year will be moderately lower than in 2021.

The details are explained below.

Marketing

To enable the Gothaer Group to respond to changes in customer be-haviour as a result of digitalization, a multi-channel management system has been established at the marketing interface with agents and cus-tomers. This is facilitated by closely integrating direct marketing with the independent Gothaer Group field force.

The Digital Marketing division established in 2021 will drive forward the sustainable expansion of digital operations. It will play a central role in the acquisition of new customers and ensure that the digital channel is networked with all available sales channels in the multi-channel system for the best possible (hybrid) customer experience.

In line with its perception of itself as a solution-oriented service insurer, Gothaer will further develop its brand positioning to meet the new requirements of its customers.

Underwriting result

Property and casualty insurance

In property and casualty insurance, the focus of our Group strategy in the coming year will again be on stable and substantial revenue growth. 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 moderate 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.

Our specialist insurer CG Car-Garantie Versicherungs-Aktiengesellschaft sees opportunities created, inter alia, by new cooperations in 2022. One such cooperation of particular note was secured in the past financial year with a major manufacturer organization in the Eastern European market. Foundations were also laid for extending the present banking cooperation in Germany to other European countries.

Our subsidiary Janitos Versicherung AG has set itself the goal of achieving further business growth in 2022 while simultaneously continuing to focus on improving service quality, strengthening profitability and raising the degree of digitalization.

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.

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 system "Bernd", we anticipate a significantly lower gross loss ratio in 2022 than in 2021.

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

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 fall back below the 95 % mark.

Life insurance

The market environment for life insurers will remain challenging in the coming year. The continuing low level of interest rates, the persistence of the coronavirus pandemic, the lowering of the maximum guaranteed interest rate that came into force on 1 January 2022 and foreseeable pension system reform by the new German government continue to have an impact on the industry's growth and earnings prospects. The pension trust business model in particular continues to be massively affected by the ongoing low-interest phase. Despite this challenging market environment, we are confident that our strategic gearing will strengthen our market position and we will continue to develop our customer relationship in the coming year. Customers will gain a sense of our enduring commitment to their interests and needs.

A number of life insurers will continue to respond to the ongoing low-interest phase in 2022 by progressively reducing surplus bonuses. As in 2021, Gothaer Lebensversicherung AG has declared that surplus participation will remain stable in 2022.

Biometric insurance is a very competitive area of business due to the increase in risks. Gothaer can position itself here thanks to its many years of experience and expertise. The product portfolio is continually adapted to market standards. In January 2022, for example, we launched an improved basic skills policy.

Against the backdrop of the decision to reduce the maximum actuarial interest rate to 0.25 % with effect from 1 January 2022, the level of premium guarantees in the market will be lowered further. The move away from traditional guarantee elements will thus continue, with an associated increase in the significance of lower-guarantee or guarantee-free pension products. Gothaer Lebensversicherung AG is very well positioned thanks to its early abandonment of products with classic guarantees in favour of products with a guarantee at maturity, so-called capital-efficient products. To safeguard this very good positioning for the future, we redesigned our lead product for private and company pension provision and launched it with excellent competitive positioning in July 2021.

We strive to compensate for the significant portfolio erosion that has for years affected the regular premium sub-portfolio. In 2022, for instance, we plan to further increase the share of new business in this area. We aim to achieve the targeted growth structurally in all three strategic business areas (biometrics, company pension schemes, private pension provision & assets). We anticipate lower premium volume in single-premium business.

Total written premiums are expected to be below the high prior-year level.

Owing to investment in strategic gearing, the ratio of administrative costs to premiums will rise next year. However, the ratio of acquisition costs to gross premium volume is expected to be lower than in the prior year.

The "risk result" will continue to play a key role in maintaining the level of earnings achieved. We expect the risk result to make a high profit contribution to gross surplus in 2022.

Owing to the continuing low-interest phase, allocations to additional interest reserves will continue to be necessary. Expenses will be lower in 2022 because of the high allocations to additional interest reserves made in the past.

Overall, we expect the total gross surpluses of our subsidiaries Gothaer Lebensversicherung AG and Gothaer Pensionskasse AG to be below the prior-year level.

Health insurance

In the financial year 2022, Gothaer projects an appreciable upturn in new business and a further increase in premium volume in health insurance. The targeted growth will be achieved in all three business segments (comprehensive insurance, supplemental insurance and company health insurance).

One major challenge faced in health insurance is to stabilize comprehensive insurance. Sights here are set on steadily growing new business volume to compensate for portfolio erosion. A new comprehensive insurance tariff will be launched on the market to achieve this. In supplemental insurance, the higher growth is anticipated in the new market access channels. With the launch of digital distribution, Gothaer aims to grow significantly more strongly in that channel. Growth in supplemental business will also be driven by the new VIP partner concept for larger producers in the broker segment. Furthermore, a new sales approach will be pursued, based on strategic cooperation with high-reach partners in other sectors.

In 2022, we will address the pain points of our corporate customers with value-added services in occupational health insurance. We support the mental health of employees with a Mental Health Journey undertaken with powerful partners. Our offering provides a low-threshold opportunity to strengthen mental health in order to avoid stress chronicity and combat possible consequences such as burnout. These examples show how we are systematically strengthening our position as a health service provider in the corporate health insurance segment with our growth strategy Ambition25 and anchoring sustainability in our Group strategy. This is flanked by a further broadening of the range of exclusive sales activities.

We anticipate an appreciable increase in benefit expenditure compared to the previous year, partly due to catch-up effects as a result of the coronavirus pandemic. With a simultaneous rise in the level of premiums, the loss ratio is expected to climb perceptibly to a level significantly below 80 % in 2022.

Owing to investment in strategic gearing, underwriting expenses will continue to increase in 2022. A modest upturn in the acquisition cost ratio is expected as a result of the anticipated development of new business. A marginal increase in the administrative cost ratio is also expected.

The above developments will result in an underwriting profit ratio of just under 14 % in 2021.

We expect transfers to reserves for premium refunds to be moderately below the prior-year level in 2021.

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 no significant changes in asset allocation are planned. Overall, we anticipate a moderate downturn in net return.

Net profit for the year

Based on the anticipated development of underwriting and investment income as well as a normalized tax expense in 2022, we expect the net profit for the year to be moderately lower than in the prior year.

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 Group

Assumption of risk lies at the core of our insurance companies' business activities. At the same time, those business activities are a cradle for opportunities, which are analyzed by segment below.

The implications for the Group are as follows:

Property and casualty insurance

The Gothaer Group 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

Since we assume that natural events resulting from climate change will continue to influence underwriting risk in the future, we will continue to attach primary importance to increased reinsurance for natural events.

We also 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 underwriting risks 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 annually. We are thus able to guarantee the long-term fulfilment of our obligations. We create equalization provisions in line with insurance law to offset fluctuations.

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. Good credit and company ratings are an essential requirement for any reinsurer selected. In addition, in order to identify hazards and risks to earning capacity, we 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 transparency of prices and conditions 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. 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 but is naturally more exposed to individual risks. It is thus appreciably more volatile than the private client portfolio. As a result, we attach great importance to premiums commensurate with risks and to responsible underwriting. Accordingly, we pay particular attention 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 of the principal factors 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.

Risks arising from business ceded for reinsurance

We cede reinsurance only to high-class reinsurers. 96 % of business (ceded reinsurance premiums) is ceded to reinsurers with a rating of A- or better. Accounts receivable in connection with assumed and ceded reinsurance business totalled € 76.1 million at balance sheet date. Receivables in connection with reinsurance ceded amounted to € 70.7 million. The structure of receivables from reinsurance partners by rating class was as follows:

Breakdown by rating class	€ million
AA	49.0
A	21.0
BBB	0.5
Not rated	0.2

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

Life insurance

The general risk situation for life insurers continues to be characterized by the low level of interest rates, which has now persisted for several years. This protracted low-interest scenario has major impacts on the income generated by interest-bearing assets and presents risks to growth as a result of the potential change in consumer demand. Furthermore, falling interest rates under Solvency II mean higher capital adequacy requirements and reduced capital resources for the life insurance industry and thus also for Gothaer Lebensversicherung AG.

Although the historically high private household savings during the coronavirus pandemic increased demand for single-premium products, uncertainty over the future course of the pandemic increasingly led to the postponement of decisions about long-term provision and protection. This could have a catch-up effect at the end of the crisis.

Despite the challenging situation in the capital market, a new opportunity to generate sustainable earnings is presented by capital-efficient pension products with reduced guarantees – an addition to the range that successfully upgrades the Gothaer product portfolio. In the year under review, that upgrade was enhanced by the launch of an index-linked guaranteed pension. The new products are specifically designed to meet Solvency II requirements. Further opportunities are created against this background by orienting towards unit-linked products, which offer higher potential returns for the consumer and have a positive influence on our risk profile.

In the coming year, the focus will be on developing and strengthening our biometric product range so we can offer an attractive and broadly diversified product portfolio.

Legal risks may arise in the future as a result of changes in case law and tighter regulation.

Underwriting risks

Underwriting risks in life insurance include premium/insurance benefit risk, which is the risk that exists where guaranteed benefits that are dependent on future developments need to be provided in return for a predefined, unchanging premium.

As a general rule, underwriting risks are met by calculating rates using actuarial methods and by applying underwriting guidelines commensurate with risk. Compliance is systematically monitored through the use of controlling instruments and early-warning systems that identify trends and negative developments in good time. The adequacy of underwriting reserves is also subject to regular actuarial verification. In addition, appropriate reinsurance treaties are in place to limit the risks arising from major and accumulation losses. The risks described below are particularly significant for life insurance.

Biometric risks – Adequacy of biometric actuarial assumptions

In the estimation of the Responsible Actuary, the policy reserves in place provide sufficient safety margins for the Company.

With regard to the (supplemental) occupational disability policy portfolio, reviews focus particularly on verifying that policy reserves are at least equal to the reference reserve mandated by the Federal Financial Supervisory Authority (BaFin). In 2021, as in previous years, a reversal was recognized and policy reserves were reduced by the relevant amount. At present, we see no significant rise in pandemic-related disability claims, so policy reserves are also considered adequate in that respect.

In the case of policy reserves for unisex policies, regular checks are con-ducted to establish whether actual gender breakdown is in line with the breakdown anticipated. In the estimation of the Responsible Actuary, the individual rates calculated provide sufficient safety margins for the Company. If that perception were to change in the future, additional reserves would need to be formed.

Cancellation risk – Adequacy of cancellation probability assumptions

As a matter of principle, cancellation probability is not taken into ac-count in the calculation of premiums. In the years prior to 2020, cancellation rates tended to be unremarkable and slightly recessive. After a moderate upturn in 2020, cancellation behaviour reverted in 2021 to the trend noted in previous years and was lower than the rate registered in 2019. Cancellation figures continue to be closely monitored. There is also a risk of increased liquidity being required for the cancellation of major contracts. We counter this risk with selective key account management for major clients.

Interest guarantee risk

Even though the last few months of the past financial year brought the first positive signs in the movement of 10-year euro interest rate swap rates, the low-interest phase persists. For the German life insurance industry and thus also for Gothaer, risks arise with regard to the high interest rate guarantees which generally extend over several decades for life insurance product. This exposure exists particularly if interest rates remain at the present low level.

The maximum actuarial interest rate was lowered again with effect from 1 January 2022, from 0.9 % to 0.25 %. Gothaer Lebensversicherung AG has already taken account of this emerging trend in recent years and sold products with lower actuarial interest rates. The range of tariffs where this is the case was extended again in 2021 to include an index-linked guaranteed annuity product. Nevertheless, the unchangeable nature of figures guaranteed in policies in force results in inertia in the reduction of this risk.

The current average yield of investments at the end of 2021 was 2.22 % and thus below the average actuarial interest rate of 2.83 %. It should be noted here, however, that because of the additional interest reserves (ZZR) formed in the past, the actual expected return on capital is lower. We gear our investments to the maturity dates of our liabilities and take account of risk-bearing capacity. At the same time, the primary focus is on long-term generation of stable earnings.

A sum of € 109.4 million was transferred to ZZR, bringing the year-end total to € 1,513.3 million. In some cases, cancellation and capital settlement probabilities with appropriate safety loading flow into the calculation of ZZR at Gothaer Lebensversicherung AG. There are uncertainties over the allocations anticipated in the next few years because they are primarily dependent on the development of average euro interest swap rates over the past ten years. If interest rates remain low, further expenses need to be anticipated in the coming years. Those expenses are already taken into account in projections.

Gothaer Pensionskasse AG was also obliged to strengthen reserves with ZZR at 31 December 2021. The allocation to ZZR in 2021 totalled € 40.4 million. For the existing portfolio, the procedure approved by BaFin on 5 January 2022 was taken into account. This increased the aggregate ZZR for Gothaer Pensionskasse AG at the end of the year to € 188.9 million. Despite the introduction of the corridor method, substantial expenses for additional interest reserves will be incurred if the low level of interest rates persists. Various measures are under preparation or have already been implemented to address this. The measures are decided or upgraded on a yearly basis, depending on the level of interest rates and the economic environment. In recent years they have included, for example, increasing the company's capital base, adjusting investment allocation to strengthen investment results, optimizing costs, reducing surplus bonuses or discontinuing certain product lines. In addition, the structure of the additional security required is regularly defined in consultation with the supervisory authority. If the relevant permission for subsequent years were not granted by BaFin, this would exceed the internal financing capability of Gothaer Pensionskasse AG, in which case additional financing measures would need to be taken. A pledge for funding of € 30 million has already been made by Gothaer Finanzholding AG. Further financing steps by the parent company are under consideration.

Growth risk

Both uncertainty over the future course of the coronavirus pandemic and the lowering of the maximum actuarial interest rate could have further negative impacts on future new business.

Growth opportunities are presented by the further development of Gothaer Lebensversicherung AG's innovative new insurance products, which are highly regarded in the market and receive excellent marks in comparative tests. We have also succeeded in gaining new major distribution partners, which are expected to give further positive boosts to new business.

Health insurance

The market and prospects of development for private health insurance are defined to a large extent by the political and legal regulatory environment. In light of the outcome of the new government's coalition negotiations, the growth prospects for supplemental insurance remain good. The challenge for companies is to adjust appropriately in terms of sales channels, cooperations and administrative processes. In company health insurance scheme business, Gothaer Krankenversicherung AG registered upturns in both premium income and the number of persons insured despite the tougher conditions imposed by the coronavirus pandemic. This success was due, amongst other things, to customized contracts and intensive customer care. A significant upturn was also noted by Gothaer Krankenversicherung AG in supplemental insurance business.

In private health insurance, lawsuits are pending against the effectiveness of premium adjustments. In 2021, the number of such suits also increased at Gothaer Krankenversicherung AG. Following general clarification by the Federal Court of Justice in rulings dated 16 December 2020 on the requirement for a statement of reasons, we continue to see no litigation risks for Gothaer Krankenversicherung AG. We nevertheless assume that the proceedings pending will be continued. Gothaer Krankenversicherung AG is closely monitoring the situation from a legal and actuarial perspective.

The Covid-19 pandemic will further exacerbate the capital market situation, which was challenging even before the coronavirus crisis. Because a large portion of the low profits from investment drive down the allocation to reserves for premium refunds and thus ultimately affect insureds, significantly higher insurance premiums need to be paid in some instances. The sharply increased premium adjustments seen market-wide – especially for comprehensive insurance – are resulting increasingly in acceptance problems among customers and distributors.

An opportunity is presented by demographic change. The ageing population is creating additional markets, e.g. for nursing care insurance and dental prostheses.

Underwriting risks

The most significant underwriting risks include covering the actuarial interest rate and cancellation risk. These risks have a major bearing on the ability to allocate adequate reserves for premium refunds and thus have the funds available to lessen the impact of the development of premiums for those we insure. A particularly important role here is played by the recurrent financing of annually granted premium limits.

We continue to counter these risks with rates based on actuarial principles, selective underwriting and professional benefit and health management as well as by the use of controlling tools and early-warning systems. Particularly vigorous growth is observed here in supplemental insurance. The adequacy of loss reserves remains subject to regular actuarial verification.

High premium adjustments or political change cause an increased loss of good and mostly young risks as well as downturn in new business, with the result that the average age of insureds in portfolios rises. This can itself lead to high premium adjustments. Premium refund reserve policy is the key control measure here. With adequate financial resources, high premium adjustments can be prevented and an increase in cancellations thus avoided. For this reason, special attention is paid to the development of reserves for premium refunds. To ease the pressure on the reserves for premium refunds, the customary long-term premium capping arrangements in place are supplemented by the deployment of funds for payment of the tariff bonus, a premium limit that is reset each year. Because a protracted low level of new business negatively affects port-folio composition, developments are constantly monitored and measures are taken to strengthen new business. The coronavirus pandemic had little impact on comprehensive insurance business in 2021: as in previous years, new business was at a low level while no significant change was seen in customer cancellations.

The actuarial interest rate, one of the most important bases for calculation in private health insurance, is dependent upon developments in the capital markets. This fact is taken into account through the use of professional tools for analyzing investments and harnessing the findings for a more focused investment strategy as well as by the regular performance of extrapolations. In view of developments in the capital markets, how-ever, the probability that the net target yield will not be achieved still exists. Investment strategy is therefore focused on a reasonable risk-return ratio coupled with a high probability of guaranteed actuarial interest being achieved. The coronavirus pandemic's impacts on the capital market as well as the possible implications for investment were subjected to particularly close scrutiny this year. To ease the pressure on investment and guarantee security, the actuarial interest rate was lowered for more tariffs for 2022. If the low level of interest rates persists, there is a possibility that further actuarial interest rate adjustments will need to be made in the future. It should be noted here that actuarial interest rate adjustments can only be made in tariffs that are affected by premium adjustments. At the same time, an insufficient actuarial interest rate does not trigger a review of actuarial assumptions. The actuarial interest rate is reviewed annually by a method used to calculate the actuarial corporate interest rate (AUZ).

Financial risks in health insurance can result from the occurrence of major and accumulation losses. Our comprehensive reinsurance policy takes account of those risks.

Costs incurred due to the coronavirus pandemic were offset by reduced benefits due to cancelled or postponed treatments. This impact continued to be felt in 2021. The volume of benefits increased overall, although the increase was at an unremarkable level. Beyond that, no significant increase was noted in fatalities or bad debts (see below). Nor was there any appreciable change in cancellation or tariff change rates. The coronavirus pandemic thus posed no risk again in 2021. Developments will continue to be monitored.

Loss of receivables risk

Loss of receivables risk in health insurance results largely from the statutory requirement that prevents an insurer from terminating a comprehensive health contract with a defaulting policyholder. Policyholders defaulting on premiums must be switched to the so-called emergency tariff (Notlagentarif). The monthly premium payable for the benefits covered by the emergency tariff is significantly lower than the regular tariff.

Accounts receivable from policyholders and insurance agents in connection with direct written insurance business at Gothaer Allgemeine Versicherung AG, Gothaer Lebensversicherung AG and Gothaer Krankenversicherung AG totalled € 125.2 million at balance sheet date. € 34.7 million of the receivables handled by our central collection systems is outstanding for more than 90 days. The average collection loss (unsuccessful court orders) in the last three years was € 5.2 million, which is an average of 0.1 % of the gross premiums written.

Investment risks

Risk strategy

The risk strategy for investments derives directly from the business strategy implemented by the risk carriers of the Gothaer Group. At its heart is the guarantee of the relevant risk carrier'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 risk carrier itself are also observed. To ensure a healthy mix and spread and avoid excessive concentrations of risks, the risk carriers of the Gothaer Group continue 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 inter-national financial markets. For each of these classes of risk, market price risk management is performed at the relevant risk carrier level and is supported by regular stochastic and deterministic model calculations. At regular intervals, the relevant risk carrier's investment portfolio is subjected to stress scenarios in order to measure risk potential.

Simulating interest rate change risk in line with German Accounting Standard DRS 20 A2.14 produces the following result: a 1 percentage point parallel increase in the interest curve with a modified duration of 10.6 (PY: 10.7) reduced the market value of interest-bearing securities by € 2,760.4 million (PY: € 2,980.1 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. Equity exposure at balance sheet date essentially consisted of equity mandates with option hedge. Risk capital stress testing (20 % downturn in prices) at balance sheet date resulted in a fall in market value of around € 998.2 million (PY: € 780.2 million).

As in 2020, the coronavirus pandemic continued to shape the real estate market in 2021. It can still be seen 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 continue to 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 € 356.1 million (PY: € 360.4 million).

Exchange rate risk continues to be almost fully hedged by forward ex-change 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:

Breakdown by rating class		in %
	2021	2020
AAA	17.9	19.7
AA+	14.8	14.9
AA	14.2	13.2
AA-	7.8	8.2
A+	6.6	7.7
A	6.5	8.5
A-	9.3	6.9
BBB+	3.5	5.2
BBB	9.5	5.6
BBB-	3.9	6.0
Speculative Grade (BB+ to D)	3.4	2.2
Not rated	2.6	1.9

- **Liquidity risk**

A viable liquidity planning and management system is a prime requirement for effective investment management. Encompassing both investment and underwriting, liquidity planning ensures precise day-by-day projection of cash balances. When liquidity requirements peak, the necessary liquidity can thus be made available by the disposal of 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 for the Group's risk carriers 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 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 be-cause 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

In the area of property and casualty insurance, the Gothaer Group is both 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 in this segment comes from natural catastrophes. We hedge that risk by targeted reinsurance cover.

In the area of life insurance, the focus of the Gothaer Group encompasses not only modern capital-efficient products but also biometric and unit-linked life products as well as company pension schemes. In an ageing society, the Gothaer Group can thus profit from increased demand for these products.

The principal risk identified in the Life segment is interest guarantee risk. Because of the long-term guarantees given, it is imperative that an appropriate yield should be achieved in the capital market. A protracted low-interest phase has a major impact on the income generated by interest-bearing assets. The risk result helps reduce dependence on investment income.

Private health insurance is very dependent on the political environment. Accordingly, Gothaer will mainly focus here on growing its supplemental health insurance business.

As in the Life segment, interest change risk is also a major risk in health insurance. A fall in investment income would lead to premium adjustments, which could in turn have negative impacts on new business.

Risk management is performed on the basis of quantitative and qualitative analysis. The control mechanisms, instruments and analytical processes described above ensure effective risk management. We thus create a stable risk profile with an appropriate time horizon. This assessment is supported, amongst other things, by the following factors:

The Gothaer Group fulfils the regulatory solvency requirements set out in the German Insurance Supervision Act (VAG). The capital available exceeds the solvency requirements. A detailed description of those requirements and the way they are met by the Gothaer Group 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 financial stability rating of Gothaer Allgemeine Versicherung AG, Gothaer Lebensversicherung AG and Gothaer Krankenversicherung AG from A- to A with stable outlook. The upgrade at this point in time recognizes the financial stability of the Gothaer Group.

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

Consolidated Statement of Financial Position as of 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		193,024		215,017
II. Goodwill		0		2,453
III. Payments in advance		61,745		35,962
			254,769	253,432
B. Investments				
I. Real estate, real estate rights and buildings, including buildings on third-party land		23,042		23,850
II. Investments in affiliated companies and participations				
1. Shares in affiliated companies	76,742			74,887
2. Loans to affiliated companies	223,127			2,437
3. Shares in joint ventures and associated companies	276,723			259,622
4. Participations	813,251			890,882
5. Loans to participations	8,585			8,573
		1,398,428		1,236,401
III. Other investments				
1. Shares, investments in unit trusts and funds and other non-fixed-interest securities	22,106,435			20,099,217
2. Bearer bonds and other fixed-interest securities	3,885,405			4,316,200
3. Mortgages, liens on real property and annuities	55,994			69,927
4. Other loans	3,352,427			4,435,277
5. Bank deposits	440,513			482,401
6. Miscellaneous investments	692			2
		29,841,466		29,403,024
IV. Deposits made in connection with reinsurance business assumed		2,809		3,244
			31,265,744	30,666,518
C. Investments held for unit-linked life insurance policies			2,959,856	2,461,100

				€ thousand
			2021	2020
D. Accounts receivable				
I. Accounts receivable in connection with direct insurance business from:				
1. Policyholders	120,619			130,370
2. Insurance agents	76,696			64,616
		197,314		194,986
II. Accounts receivable in connection with reinsurance business		76,129		35,537
of which from associated companies: € 2,776 thousand (PY: € 3,631 thousand)				
III. Other accounts receivable		348,434		212,947
of which from affiliated companies: € 28,588 thousand (PY: € 13,287 thousand)				
of which from associated companies: € 929 thousand (PY: € 2,398 thousand)				
of which from participations: € 560 thousand (PY: € 883 thousand)				
			621,878	443,470
E. Other assets				
I. Tangible assets and inventories		36,350		41,157
II. Current credit balances with banks, checks and cash on hand		144,877		180,218
III. Miscellaneous assets		62,660		57,346
			243,887	278,721
F. Prepaid expenses				
I. Prepaid interest and rent		104,029		120,196
II. Other prepaid expenses		23,576		18,287
			127,605	138,483
G. Deferred tax assets			360,008	337,504
Total assets			**35,833,746**	**34,579,228**

Equity and liabilities

					€ thousand
				2021	2020
A.	**Equity**				
	I. Revenue reserve				
	1. Loss reserve in accordance with section 193 VAG	66,442			66,442
	2. Other revenue reserves	1,242,818			1,157,682
			1,309,261		1,224,124
	II. Consolidated net income for the year		78,116		70,859
	III. Equity difference from currency translation		0		-814
	IV. Minority interests		34,582		32,286
				1,421,959	1,326,456
B.	**Subordinate liabilities**			319,300	299,677
C.	**Underwriting reserves**				
	I. Unearned premiums				
	1. Gross amount	565,060			554,566
	2. less: amounts ceded	70,937			66,044
			494,123		488,522
	II. Aggregate policy reserves				
	1. Gross amount	24,823,115			24,246,718
	2. less: amounts ceded	73,129			54,292
			24,749,985		24,192,426
	III. Reserve for outstanding claims				
	1. Gross amount	3,666,851			3,189,083
	2. less: amounts ceded	814,926			442,892
			2,851,926		2,746,191
	IV. Reserve for performance-related and non-performance-related premium refunds				
	1. Gross amount	954,952			923,473
	2. less: amounts ceded	147			134
			954,805		923,340
	V. Equalization reserves and similar reserves		396,260		459,510
	VI. Other underwriting reserves				
	1. Gross amount	33,985			35,047
	2. less: amounts ceded	-7,542			-2,932
			41,527		37,980
				29,488,627	28,847,969

					€ thousand
				2021	2020
D.	**Underwriting reserves for unit-linked life insurance policies**				
	I. Aggregate policy reserves				
	1. Gross amount	2,896,268			2,403,867
	2. less: amounts ceded	41			39
			2,896,226		2,403,828
	II. Miscellaneous underwriting reserves Gross amount		63,588		57,233
				2,959,815	2,461,061
E.	**Other accruals**				
	I. Accruals for pensions and similar obligations		443,855		417,856
	II. Accruals for taxes		226,656		187,898
	III. Miscellaneous accruals		141,427		165,851
				811,938	771,605
F.	**Deposits held in connection with reinsurance business ceded**			158,758	114,920
G.	**Other liabilities**				
	I. Accounts payable in connection with direct insurance business to				
	1. Policyholders	367,925			394,409
	2. Insurance agents	44,741			30,667
			412,665		425,075
	II. Accounts payable in connection with reinsurance business		46,572		46,730
	III. Liabilities to banks		40,120		41,377
	IV. Miscellaneous liabilities of which for taxes: € 36,346 thousand (PY: € 85,088 thousand) of which for social security: € 11 thousand (PY: € 202 thousand) of which from affiliated companies: € 1,611 thousand (PY: € 3,256 thousand) of which from associated companies: € 1,703 thousand (PY: € 1,759 thousand) of which from participations: € 9,183 thousand (PY: € 15,218 thousand)		173,892		244,216
				673,250	757,398
H.	**Deferred income**			100	143
Total equity and liabilities				**35,833,746**	**34,579,228**

Consolidated Income Statement for the period from 1 January to 31 December 2021

				€ thousand
			2021	**2020**
I. Underwriting account for property and casualty insurance business				
1. Earned premiums net of reinsurance				
a) Gross premiums written	2,339,088			2,222,926
b) Reinsurance premiums ceded	410,585			338,759
		1,928,503		1,884,167
c) Change in gross unearned premiums	-21,445			-6,975
d) Change in gross unearned premiums ceded	-5,350			2,975
		-16,095		-9,950
			1,912,408	1,874,218
2. Technical interest net of reinsurance			2,475	2,487
3. Other underwriting income net of reinsurance			5,761	4,257
4. Claims expenses net of reinsurance				
a) Claims paid				
aa) Gross amount	1,514,013			1,354,196
bb) Amount ceded	342,128			195,705
		1,171,884		1,158,491
b) Change in reserve for outstanding claims				
aa) Gross amount	497,882			21,018
bb) Amount ceded	367,227			8,963
		130,656		12,055
			1,302,540	1,170,546
5. Change in other net underwriting reserves				
a) Net policy reserve		-2,950		-2,786
b) Other net underwriting reserves		11,663		5,016
			8,713	2,229
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		681,564		644,511
b) less: commissions and profit sharing received on reinsurance business ceded		105,300		88,454
			576,265	556,057

			€ thousand	
			2021	2020
8. Other underwriting expenses net of reinsurance			21,337	18,377
9. Subtotal			7,890	131,078
10. Change in equalization reserves and similar reserves			62,498	-41,937
11. Underwriting result net of reinsurance in property and casualty insurance business			70,388	89,141
II. Underwriting account for life and health insurance business				
1. Earned premiums net of reinsurance				
a) Gross premiums written	2,355,193			2,334,099
b) Reinsurance premiums ceded	34,503			15,541
		2,320,690		2,318,558
c) Change in net unearned premiums		3,044		3,694
			2,323,734	2,322,252
2. Premiums from the gross provision for premium refunds			94,943	98,207
3. Allocated interest transferred from the non-underwriting account			902,545	919,941
4. Unrealized gains on investments			453,244	472,207
5. Other underwriting income net of reinsurance			18,578	15,326
6. Claims expenses net of reinsurance				
a) Claims paid				
aa) Gross amount	1,947,167			1,898,205
bb) Amount ceded	11,135			10,351
		1,936,032		1,887,854
b) Change in reserve for outstanding claims				
aa) Gross amount	-21,309			23,618
bb) Amount ceded	0			-13
		-21,309		23,631
			1,914,723	1,911,485
7. Change in other net underwriting reserves				
a) Policy reserves				
aa) Gross amount	1,228,987			884,431
bb) Amount ceded	18,495			1,188
		1,210,492		883,242
b) Other net underwriting reserves		-2,314		-4,570
			1,208,177	878,672

				€ thousand
			2021	2020
8. Expenses for performance-related and non-performance-related premium refunds net of reinsurance			284,168	206,333
9. Underwriting expenses net of reinsurance				
a) Acquisition expenses	150,142			138,409
b) Administrative expenses	50,315			49,161
		200,457		187,570
c) less: commissions and profit sharing received on reinsurance business ceded		2,167		2,932
			198,290	184,638
10. Unrealized losses on investments			26,310	482,648
11. Other underwriting expenses net of reinsurance			25,695	18,363
12. Underwriting result net of reinsurance in life and health insurance business			135,681	145,793
III. Non-underwriting account				
1. Underwriting result net of reinsurance				
a) in property and casualty insurance business		70,388		89,141
b) in life and health insurance business		135,681		145,793
			206,068	234,934
2. Investment income				
a) Income from joint ventures and associated companies	13,761			14,131
b) Income from participations of which from affiliated companies: € 6,314 thousand (PY.: € 7,417 thousand)	150,096			54,311
c) Income from other investments of which from affiliated companies: € 109 thousand (PY.: € 82 thousand)				
aa) Income from real estate, real estate rights, and buildings, including buildings on third-party land	1,467			1,467
bb) Income from other investments	658,592			820,785
	660,059			822,253
d) Income from write-ups	43,374			7,421
e) Proceeds from the disposal of investments	291,053			333,950
f) Income from profit transfer agreements	61			94
		1,158,404		1,232,160

				€ thousand
			2021	2020
3. Investment expenses				
a) Cost of portfolio management interest expense and other expenses in connection with investments	49,197			69,345
b) Amortization of investments	56,084			76,733
c) Losses from the disposal of investments	25,051			60,838
		130,332		206,916
			1,028,072	1,025,244
4. Allocated interest transferred to the underwriting account for property and casualty insurance business		2,813		2,823
4a. Allocated interest transferred to the underwriting account for life and health insurance business		902,545		919,941
			905,358	922,764
			122,714	102,479
5. Other income		119,770		159,528
6. Other expenses		267,171		305,144
			-147,401	-145,616
7. Operating income			181,381	191,798
8. Extraordinary expenses =Extraordinary result			-2,623	-2,623
9. Income before taxes			178,758	189,175
10. Taxes on income of which from deferred taxes € -22,504 thousand (PY: € 4,897 thousand)		95,915		115,115
11. Other taxes		716		1,629
			96,631	116,744
12. Net income for the year			82,128	72,431
13. Net income attributable to minority interests			4,014	1,574
14. Net loss attributable to minority interests			2	2
15. Consolidated net income for the year			**78,116**	**70,859**

Statement of Changes in Equity

	Loss reserve in accordance with section 193 VAG	Other revenue reserves	Sum Revenue reserve
Balance as of 1 January 2020	**66,442**	**1,054,442**	**1,120,885**
Transfers to/withdrawals from reserves	0	112,799	112,799
Dividend	0	0	0
Currency translation	0	0	0
Other changes	0	-5,987	-5,987
Changes in the basis of consolidation	0	-3,573	-3,573
Net income for the year	0	0	0
Balance as of 31 December 2020	**66,442**	**1,157,682**	**1,224,124**
Transfers to/withdrawals from reserves	0	70,859	70,859
Dividend	0	0	0
Currency translation	0	0	0
Other changes	0	14,277	14,277
Changes in the basis of consolidation	0	0	0
Net income for the year	0	0	0
Balance as of 31 December 2021	**66,442**	**1,242,818**	**1,309,261**

As a mutual insurance company, the Group parent Gothaer Versicherungsbank VVaG has no subscribed capital. Equity is generated exclusively by retention of earnings.

				€ thousand
Equity difference from currency translation	Consolidated net income for the year	Sum parent company equity	Minority interests	Equity
-707	112,799	1,232,977	30,715	1,263,692
0	-112,799	0	0	0
0	0	0	0	0
-107	0	-107	0	-107
0	0	-5,987	0	-5,987
0	0	-3,573	-1	-3,574
0	70,859	70,859	1,572	72,431
-814	70,859	1,294,169	32,286	1,326,456
0	-70,859	0	0	0
0	0	0	-1,716	-1,716
-97	0	-97	0	-97
0	0	14,277	0	14,277
911	0	911	0	911
0	78,116	78,116	4,012	82,128
0	78,116	1,387,377	34,582	1,421,959

Statement of Cash Flows

	€ thousand	
	2021	2020
Profit for the period *	82,128	72,431
Increase/decrease in underwriting reserves net of reinsurance	1,159,373	967,596
Increase/decrease in deposits with ceding undertakings and receivables from reinsurance business	-38,910	13,819
Increase/decrease in deposits received from reinsurers and liabilities from reinsurance business	47,796	-77,703
Increase/decrease in other receivables	-170,743	50,575
Increase/decrease in other liabilities	-28,688	49,452
Changes in other balance sheet items not attributable to investing or financing activities	-426,725	-1,029,894
Other non-cash expenses/income and adjustments to profit or loss for the period	-309,078	104,630
Gain/loss on disposal of investments, tangible fixed assets and intangible fixed assets	-262,539	-272,337
Expenses for extraordinary items	2,623	2,623
Income tax expense	95,915	115,115
Income taxes paid	-114,392	-12,236
Cash flows from operating activities	**36,758**	**-15,929**
Proceeds from disposal of entities included in the basis of consolidation	945	142,693
Proceeds from disposal of tangible assets	5,363	996
Proceeds from disposal of intangible assets	80	0
Payments to acquire entities included in the basis of consolidation	0	-3,283
Payments to acquire tangible assets	-10,358	-18,224
Payments to acquire intangible assets	-48,602	-48,069
Proceeds from disposal of investments relating to unit-linked life insurance policies	5,363	14,893
Payments to acquire investments relating to unit-linked life insurance policies	-19,742	-19,524
Cash flows from investing activities	**-66,951**	**69,482**
Dividends paid to minority interests	-1,716	0
Proceeds from/payments for other financing activities	-222	-19,356
Cash flows from financing activities	**-1,938**	**-19,356**
Net change in cash funds	**-32,131**	**34,197**
Effect on cash funds of exchange rate movements and remeasurements	-57	-111
Effect on cash funds of changes in the basis of consolidation	-3,153	-482
Cash funds at beginning of period	180,218	146,615
Cash funds at the end of period	**144,877**	**180,218**

*incl. non-controlling interests in profit for the period

The Statement of Cash Flows pursuant to DRS 21 shows the change in cash and cash equivalents for the financial year. The cash funds considered correspond to the balance sheet item E.II. Current credit balances with banks, checks and cash on hand. A distinction is made here between cash flows from current operating activities, investing activities and financing activities. The indirect method is used to report cash flows from current operating activities. In this case, net profit for the period is adjusted to eliminate the effects of transactions of a non-cash nature (in particular write-ups/write-downs and changes in reserves). Inflows and outflows of funds from insurance companies' investment business are also reported as cash flows from current operating activities. Furthermore, net profit for the period is adjusted for items of income or expense associated with investing or financing cash flows. Cash flows are adjusted to eliminate the effects of changes in the scope of consolidation.

In 2020 cash funds include € 132 thousand from the pro-rata consolidated company.

Notes to the Consolidated Financial Statements

Group Accounting Policies

Gothaer Versicherungsbank VVaG is the parent of the Gothaer Group and prepares consolidated financial statements and a Group management report pursuant to sections 341 i ff. and 290 ff. of the German Commercial Code (HGB), sections 58 ff. of the German Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV) and the German Accounting Standards (DRS) that are relevant for the Gothaer Group.

We have not exercised the option pursuant to 297 (1) sentence 2 HGB to supplement the consolidated financial statements with segmental reports.

All companies whose accounts are included in the consolidated financial statements have compiled financial statements as of 31 December 2021 consistently applying Group accounting policies. As a general rule, the financial year is the calendar year. Individual associated companies and property holding companies with cut-off date 30 September 2021 have been included. Pursuant to section 299 (3) HGB, transactions with a material impact on assets, finances and earnings between 30 September 2021 and 31 December 2021 are taken into account separately.

In the case of the foreign insurance company Gothaer Asigurări Reasigurări S. A., which was sold in November 2021, valuation continues to be based on local regulations pursuant to section 300 (2) sentence 3 HGB and section 308 (2) sentence 2 HGB. The financial statements of joint ventures consolidated at equity and associated companies have generally not been adjusted pursuant to section 312 (5) HGB.

All material subsidiaries of the Gothaer Group are consolidated if they are directly or indirectly controlled by the Group. The date of a company's initial consolidation is the date on which the Gothaer Group assumes control of it. Capital consolidation is performed using the acquisition method. This involves recognizing the assets, liabilities, accruals, deferrals and extraordinary items on the acquired company's balance sheet in accordance with section 301 (1) HGB, disclosing hidden reserves and liabilities (complete revaluation) and netting the resulting value against the parent company's share in the equity of the subsidiary. A positive difference is allocated to goodwill, which is subject in subsequent years to scheduled amortization and non-scheduled depreciation based on impairment testing. A negative difference is recognized as a liability and reversed in the income statement in subsequent years as a difference from capital consolidation to the extent to which it relates to anticipated future expenses or losses in connection with the acquired company. If the difference from capital consolidation is not due to anticipated future expenses or losses, it is reversed directly through the income statement.

Joint ventures and associated companies are generally valued at equity in the consolidated financial statements pursuant to section 312 HGB. A joint venture sold in December 2021 was included in the consolidated financial statements on a pro-rata basis pursuant to section 310 HGB. For this joint venture, all consolidation measures were performed according to the share in equity. Further details can be found under Accounting and Valuation Policies in the section on investments.

Income generated by subsidiaries after initial consolidation is included in the revenue reserves of the Group after deduction of any minority interests. Minority interests are shown in the statement of financial position under equity.

Intragroup receivables and payables, expenses and income, and profits are eliminated in accordance with section 304 in conjunction with section 341 j (2) HGB unless they are of minor significance for the net assets, financial position and earnings of the Group. Because of the requirement in the Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV) for the consolidated income statement to be divided into three sections, consolidation measures can impact on more than one part of the income statement. If they impact on both Section II Underwriting account for life and health insurance business and Section III Non-underwriting account, they are recognized in Section III. This is basically a matter of consolidating income from equity investments. Transactions between Group companies are conducted at arm's length as a matter of principle.

Scope of Consolidation

The determination of the scope of consolidation is subject to materiality, which is assessed for each company on the basis of equity, balance sheet total and revenues. In addition, a threshold is applied to the total of the three criteria for all companies judged immaterial.

Subsidiaries

Accordingly, 27 subsidiaries (PY: 28) were fully consolidated in the consolidated financial statements along with the parent company because of the parent company's controlling influence pursuant to section 290 (2) HGB. They comprised six insurance companies (PY: seven), one pension trust (PY: one) and 21 other companies (PY: 21).

The foreign insurance company Gothaer Asigurări Reasigurări S. A. was sold and deconsolidated in 2021.

Joint ventures and associated companies

In addition, four associated companies (PY: four) in which a significant influence can be exercised according to section 311 (1) HGB were recognized in the consolidated financial statements at equity pursuant to section 312 HGB. The scope of consolidation also includes one participation (PY: two) managed as joint venture. This was also recognized at equity pursuant to section 312 HGB. A total of five joint ventures and associated companies were not consolidated by the equity method due to lack of materiality.

In addition, the joint venture Scira AG was sold in 2021 and is thus no longer included in the consolidated financial statements.

The list of holdings pursuant to section 313 (2) HGB is found at the beginning of the section "Other disclosures". It includes the consolidated companies of the Gothaer Group in the financial year. A list of holdings pursuant to section 313 (4) HGB, which includes subsidiaries and participations that are not consolidated, is also found there.

Accounting and Valuation Policies

Introduction

The consolidated annual 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 Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV).

Consolidated balance sheet, consolidated income statement, statement of changes in equity, cash flow statement and notes to the consolidated financial statements are prepared in thousand euros. The figures in the financial statements are rounded to one decimal place. Therefore the addition of individual items may result in rounding differences.

Currency translation

The consolidated financial statements are denominated in euros. The companies whose accounts are included in the consolidated financial statements essentially denominate their financial statements in euros. The balance sheets of subsidiaries that are denominated in other currencies are translated by the modified closing rate method. Equity is translated using historical rates. Translation differences are recognized in equity in the equity difference from currency translation. Other items on the assets and equity/liabilities sides of the balance sheet are translated at the mean spot rate at balance sheet date or, in the case of companies that are sold, on the date of their disposal; the income statement is translated at average rates. Goodwill arising in connection with the acquisition of a foreign operation is treated as an asset of the foreign operation and translated at the closing rate. The resulting translation differences are recognized in the equity difference from currency translation.

Intangible assets

Internally generated intangible fixed assets are not capitalized. Acquired intangible assets are recognized at cost less straight-line depreciation based on an anticipated economic life of two to 20 years for the relevant asset. Where permanent impairment is anticipated, depreciation is applied in accordance with section 253 (3) HGB.

In the prior year, goodwill was reported for one joint venture in accordance with section 301 (3) sentence 2 in conjunction with section 310 (2) HGB. This was written down in full as an impairment loss at 31 December 2021 because of the sale of the company.

Investments

Real estate, real estate rights and buildings, including buildings on third-party land are recognized at cost of acquisition or production less scheduled and non-scheduled depreciation.

Shares in affiliated companies and participations 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 companies and participations 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 equity 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 companies and participations 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 as a matter of principle.

Shares in joint ventures and associated companies are generally included in the consolidated financial statements at equity, i.e. at the pro rata share in equity. Pro rata shares in equity are established on the basis of the latest available financial statements. The carrying amounts in the financial statements of joint ventures and associated companies are retained pursuant to section 312 (5) HGB. Income resulting from the appreciation and expenses resulting from the depreciation of reported equity recognized through profit and loss are included in the investment result. Changes that are not recognized through profit and loss are taken into account in other revenue reserves.

For one joint venture, use is made of the option to consolidate on a pro rata basis pursuant to section 310 HGB.

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. In the case of permanent impairment, ddepreciation is applied in accordance with section 253 (3) HGB or, if use is made of the alternative treatment option, in accordance with section 253 (6) HGB. Where values recover, write-ups are performed in accordance with section 253 (5) HGB.

Shares, 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 as a matter of principle. 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 full 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 314 (1) no. 15 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.

Investments for the account and risk of life insurance policyholders are recognized at fair value, i.e. at their redemption price.

Receivables

Receivables due from policyholders and insurance agents in connection with direct insurance business are recognized at nominal value less reasonable individual and flat-rate value adjustments.

Accounts receivable in connection with reinsurance business are recognized at nominal value less reasonable individual and flat-rate value adjustments.

Tangible assets and inventories

Under tangible assets and inventories, operating and office equipment is recognized at cost less straight-line depreciation based on an anticipated economic life of one to 20 years. Low-value assets with an acquisition value of € 250 or less are written off directly. Inventories are valued at cost.

Deferred tax assets

Deferred taxes are calculated and offset in accordance with sections 274 and 306 HGB and DRS 18. This takes account of temporary differences between the commercial balance sheets and tax balance sheets of the consolidated companies, unused tax loss carryforwards and other balance sheet differences due to consolidation processes.

Deferred tax assets are recognized only if an offset with future taxable profit is probable. As a matter of principle, tax loss carryforwards are only factored into the calculation of deferred tax assets if the tax relief from the loss carryforward can be anticipated within the next five years.

The recoverability of deferred tax assets is reviewed as of every reporting date.

The deferred tax rate that is determined takes account of the respective tax situation of individual items or that of the Group companies. For German companies, this means allowing for 15.0 % corporation tax plus a solidarity surcharge of 5.5 % of the tax burden and trade tax rates between 14.1 % and 16.7 %.

Changes in tax rates are taken into account as soon as they are enacted.

Other assets

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

Equity

Revenue reserves include the loss reserve pursuant to section 193 VAG and other revenue reserves. The equity difference from currency translation includes reserves from the translation of the foreign currency positions of the foreign subsidiary. Minority interests include the prorated equity of subsidiaries that do not directly or indirectly belong 100 % to the Gothaer Group.

Underwriting reserves

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

The main types of reserves formed in property and casualty, life and health insurance are described below.

Underwriting reserves in property and casualty insurance

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 fraction methods are applied to a limited extent. In the engineering and marine insurance lines, the flat-rate 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 calculated on the basis of contractual arrangements.

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

Aggregate policy reserves for accident insurance with premium return as well as annuity reserves are determined in compliance with the relevant legal provisions, in particular the Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV). Aggregate policy reserves are determined on the basis of individual policies using the prospective method and taking into account future expenses. Individual losses reported and losses incurred but not reported 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 interest reserve (Zinszusatzreserve - ZZR) is formed for policies where actuarial interest is above the reference interest rate. For new policies, the ZZR 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 (except annuities) included in the reserves for outstanding claims in connection with direct insurance business has been determined on the basis of the anticipated requirement and calculated individually. The reserve for losses incurred but not yet reported is determined on a flat-rate 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 in line with 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 at amounts equal to those provided by ceding companies plus 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 pursuant to article 9 of the Fire Business Interruption Insurance Conditions (FBUB) is determined on a flat-rate basis.

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

Underwriting reserves in life insurance

Gross unearned premiums are calculated for each individual policy, taking account of the commencement date and the mode of premium payment agreed. Tax regulations are observed for the deduction of non-transferrable invoiced collection fees.

Policy reserves for direct written business are calculated for each individual policy, taking account of the relevant starting month.

As a matter of principle, policy reserves are calculated by the prospective method in accordance with section 341f HGB, section 25 RechVersV and the ordinances enacted pursuant to section 88 (3) VAG and section 235 (1) nos. 4 to 7 VAG respectively. In the case of unit-linked products, the value-dependent actuarial capital for each individual policy is used as the basis for a unit-linked policy reserve. The relevant valid business plan is observed for existing policies in force. Future costs are implicitly taken into account. In particular, policy reserves are also formed for administrative costs during non-contributory periods.

In light of anticipated improvements in mortality, we strengthened policy reserves for annuity and pension policies concluded on or before 31 December 2004, taking as a basis both current mortality tables and company cancellation and capital settlement probabilities. The calculated adjustment that is required takes account of the policy reserve revaluation requirements that need to be met for compliance with Federal Financial Supervisory Authority publication VerBaFin 01/2005.

Policy reserves were also increased for supplemental occupational disability policies based on tables older than the current DAV 1997 I. The degree of replenishment required was ascertained in accordance with Federal Financial Supervisory Authority publication VerBAV 12/98.

Since the amendment of the German Policy Reserve Ordinance (DeckRV) in 2018, additional interest reserves (Zinszusatzreserve – ZZR) have been calculated by the so-called corridor method. This moderately lowers the underlying reference interest rate and thus spreads ZZR expenses over a longer period of time. Because of the low level of interest rates, policy reserves (ZZR) were also increased in 2021 for policies with an actuarial interest rate higher than the reference rate.

In the regulated portfolio of Gothaer Lebensversicherung AG, reserves are formed on the basis of business plans to strengthen interest rates in existing policies. In the regulated portfolio of Gothaer Pensionskasse AG, the procedure agreed with the supervisory authority involves spreading the ZZR increase over a longer period.

The increase in additional interest reserves presented an expense of € 109.4 million for Gothaer Lebensversicherung AG and € 40.4 million for Gothaer Pensionskasse AG. Additional interest reserves account for 10.1 % of policy reserves at Gothaer Lebensversicherung AG and 8.5 % at Gothaer Pensionskasse AG.

Reserves for known outstanding claims and redemptions are calculated for each individual claim or redemption incurred by balance sheet date and reported by the date on which reserves are established. Weighted reserves based on previous years' experience are formed for unresolved claims under invalidity policies. Flat-rate reserves are formed for claims that have been incurred but not yet reported. The gross amounts recognized include reserves for anticipated loss adjustment expenses at a level permissible under tax law.

The reserves for premium refunds include funds (terminal bonus funds) for future terminal bonuses and minimum participation in valuation reserves. Terminal bonus funds are calculated by recognized actuarial methods. The rules for calculating terminal bonus funds are set out in the relevant approved principle business plan for surplus participation (old policies as defined by section 336 VAG) or comply with the requirements of section 28 (7) RechVersV (new contracts as defined by section 336 VAG).

When deferred taxes are recognized pursuant to section 274 HGB, reserves for deferred premium refunds are formed to the value of policyholders' anticipated future participation in taxation and tax relief.

Other underwriting reserves are formed mostly to the value of the difference between the underwriting reserves required for unit-linked life policies where investment risk is borne by policyholders and the existing investment stock. For consortium agreements with external lead management, reserves are calculated on the basis of the values reported by the lead company.

Reinsurers' shares of underwriting reserves for insurance business ceded are calculated on the basis of the relevant reinsurance treaties.

Underwriting reserves in health insurance

Policy reserves are calculated for each individual policy by the prospective method in line with recognized actuarial principles. In the process, care is taken, in particular, to ensure observance of the procedures stipulated in the technical basis for calculation as well as section 341f HGB and sections 146 ff VAG.

Policy reserves also take into account transfers from lapsed policies as of 31 December of the financial year. These transfers are portable parts of the ageing reserve that policyholders can transfer when switching to another private health insurer.

The percentage share of the co-insured community established for members of the postal and railway civil servants health insurance schemes (GPV) is adopted as communicated by the GPV management, without changes.

Because tariff generations and premium adjustment periods differ, there are also different actuarial interest rates for different tariffs/groups of persons. The average actuarial interest rate in the financial year was 2.530 % (PY: 2.656 %).

Reserves for outstanding claims in direct written business were calculated using a statistical approximation method in line with section 341g (3) HGB in conjunction with section 26 (1) RechVersV. The bases are formed by payments made in the period under review for claims incurred as well as the ratio of the average payment made in the years 2019 to 2021 to the total payments made for prior-year claims. Arrears were taken into account. Separate estimates are made for prior-year claims and claims in the year before the prior year. Outstanding PKV-Verband invoices due to contractual arrangements and legal regulations – in particular in connection with the Corona pandemic – were also taken into account in reserves.

Reserves for loss adjustment expenses are included in reserves for outstanding claims. They were established on the basis of the ratio of total loss adjustment expenses incurred in the financial year to the total volume of insurance payments made. Reserves for loss adjustment expenses are calculated as the percentage of reserved insurance payments and recognized at 70 % of the total in accordance with tax regulations.

Reserves for profit-related and non-profit-related premium refunds include reserves for premium refunds pursuant to section 341e (2) no. 2 HGB. The transfer to reserves for premium refunds takes account of the statutory instrument (KVAV) issued on the basis of section 160 VAG. The appropriation of these resources has been approved by the independent trustee as required by law.

When deferred taxes are recognized pursuant to section 274 HGB, reserves for deferred premium refunds are formed to the value of policyholders' anticipated future participation in taxation and tax relief.

Other accruals

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 (Rückstellungsabzinsungsverordnung), 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 % and 1.97 % (30.09.)
• Wage and salary trend		2.20 %
• Pension progression trend		1.60 %
• Capital trend		1.50 %
• Fluctuation	up to age 35	6.00 %
	up to age 45	3.00 %
	up to age 60	1.00 %

We exercised the option offered under section 67 (1) EGHGB to accumulate at least a fifteenth of the allocation resulting from the transition to valuation under the German Accounting Law Modernization Act (BilMoG) through to 31 December 2024 at the latest.

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

Accruals for pensions and similar obligations of our Austrian branch were calculated by the present-value method applying the AVÖ 2018-P bases for calculating pension insurance (Pagler & Pagler tables) and taking into account a pension trend of 1.60 % and an actuarial interest rate of 1.87 %.

Claims on reinsurance that are protected from all other creditors and serve to fulfil pension obligations are offset against pension provisions in accordance with section 246 (2) sentence 2 HGB.

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 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 miscellaneous accruals are recognized at the amount dictated by sound business judgement. Reserves with a residual term of more than a year were 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.

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

Notes to the Consolidated Statement of Financial Position

Assets

Changes in assets in the financial year 2021

					Carrying amount previous year
A.		Intangible assets			
		1.	Acquired concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets		215,017
		2.	Goodwill		2,453
		3.	Payments in advance		35,962
		4.	**Subtotal A.**		**253,432**
B	**I.**	**Real estate, real estate rights and buildings, including buildings on third-party land**			**23,850**
B	**II.**	**Investments in affiliated companies and participations**			
		1.	Shares in affiliated companies		74,887
		2.	Loans to affiliated companies		2,437
		3.	Shares in joint ventures and associated companies		259,622
		4.	Participations		890,882
		5.	Loans to participations		8,573
		6.	**Subtotal B II.**		**1,236,401**
Total					**1,513,682**

					€ thousand
Additions	Reclassfications	Disposals	Reversals	Amortization	Carrying amount financial year
1,444	21,343	294	0	44,486	193,024
0	0	1,962	0	491	0
47,153	-21,343	28	0	0	61,745
48,597	0	2,284	0	44,977	254,769
5	0	0	0	813	23,042
4,084	0	2,116	0	112	76,742
850	223,138	3,299	0	0	223,127
669	0	0	33,493	17,060	276,723
90,450	0	169,260	29,607	28,427	813,251
12	0	0	0	0	8,585
96,064	223,138	174,675	63,099	45,599	1,398,428
144,666	223,138	176,959	63,099	91,388	1,676,238

Real estate, real estate rights and buildings, including buildings on third-party land

The carrying value of self-occupied land and buildings totalled € 23,042 thousand (PY:€ 23,850 thousand).

Comparison of book and fair value of investments

B. II. 1. and 2. include investment fund certificates, bearer bonds and other fixed-interest securities with a book value of € 24,367,489 thousand that are classified as long-term assets pursuant to section 341b (2) HGB. The fair value of these assets comes to € 26,284,853 thousand. Hidden liabilities total € 28,969 thousand.

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

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

			€ thousand
		Carrying amount	Fair value
B.II.4.	Participations	919	895
B.III.1.	Shares, investments in unit trusts and funds and other non-fixed-interest securities	30,692	30,550
B.III.2.	Bearer bonds and other fixed-interest securities	519,779	494,537
B.III.3.	Mortgages, liens on real property and annuities	105	103
B.III.4.a)	Registered bonds	38,440	36,774
B.III.4.b)	Promissory notes and loans	56,037	55,487
B.III.4.c)	Loans and advance payments on insurance policies	150	146
B.III.4.d)	Other miscellaneous loans	5,528	5,159

In the case of one participation, depreciation was waived on the grounds that impairment was temporary and there was already evidence of imminent recovery.

In the case of bearer bonds and other fixed-interest securities, mortgages, liens on real property and annuities, registered securities, promissory notes and loans as well as loans and advance payments on insurance policies, 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. II. 4.	Participations			11,714	32,462
	Forward currency sales	42,560	TUSD		-1,607
	Forward currency purchases	3,670	TUSD		66
	Micro valuation unit	**38,890**	**TUSD**	**11,714**	**30,921**
B. II. 4.	Participations			921,159	1,196,191
	Forward currency sales	694,260	TUSD		-25,288
	Forward currency purchases	79,870	TUSD		1,028
	Portfolio valuation unit	**614,390**	**TUSD**	**921,159**	**1,171,931**
B. II. 4.	Participations			105,612	130,238
	Forward currency sales	98,800	TGBP		-184
	Micro valuation unit	**98,800**	**TGBP**	**105,612**	**130,054**
B. II. 4.	Participations			90,756	119,007
	Forward currency sales	60,260	TGBP		-994
	Forward currency purchases	2,460	TGBP		25
	Portfolio valuation unit	**57,800**	**TGBP**	**90,756**	**118,038**
B. III. 1.	Investments in funds			68,907	74,121
	Forward currency sales	104,580	TUSD		-3,154
	Forward currency purchases	20,430	TUSD		-116
	Portfolio valuation unit	**84,150**	**TUSD**	**68,907**	**70,851**
B. III. 1.	Investments in funds			4,521	4,567
	Forward currency sales	5,210	TUSD		-97
	Micro valuation unit	**5,210**	**TUSD**	**4,521**	**4,470**
B. III. 1.	Investments in funds			13,770	13,793
	Forward currency sales	9,640	TGBP		-22
	Portfolio valuation unit	**9,640**	**TGBP**	**13,770**	**13,771**
B. III. 1.	Investments in funds			30,983	31,034
	Forward currency sales	21,700	TGBP		-50
	Micro valuation unit	**21,700**	**TGBP**	**30,983**	**30,984**

					€ thousand
		Trading/ Nominal volume		Carrying amount	Fair value
B. III. 2.	Bearer bonds			0	323
	Forward currency sales	360	TUSD		-14
	Micro valuation unit	**360**	**TUSD**	**0**	**309**
B. III. 2.	Bearer bonds			126,437	144,479
	Forward currency sales	150,840	TUSD		-5,796
	Portfolio valuation unit	**150,840**	**TUSD**	**126,437**	**138,683**
B. III. 4. a)	Registered bonds			5,067	5,183
	Forward currency sales	4,200	TGBP		-116
	Portfolio valuation unit	**4,200**	**TGBP**	**5,067**	**5,067**

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.

Shares in joint ventures and associated companies

Shares in joint ventures and associated companies include no goodwill.

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

Type of fund/ investment objective	Carrying amount	Fair value	Difference	Payout	Redemption option
					€ thousand
Equity fund	1,538,382	1,546,901	8,519	3,687	daily
Pension fund	18,116,830	19,413,122	1,296,292	290,517	daily or within one month
Property fund	1,423,842	1,621,454	197,612	71,387	daily or within max. six months
Other	1,238,793	1,263,085	24,292	16,168	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.

Other loans

	2021	2020
		€ thousand
B.III.4. Other loans		
a) Registered bonds	1,461,222	1,764,437
b) Promissory notes and loans	1,690,373	2,145,775
c) Loans and advance payments on insurance policies	18,705	22,816
d) Other miscellaneous loans	182,127	502,250
Total	3,352,427	4,435,277

Deferred tax assets

Differences between valuations in the commercial balance sheets and tax balance sheets of the consolidated companies resulted in an asset-side balance from future tax benefits. The deferred tax assets recognized for this are essentially due to lower valuations in the commercial balance sheets for investments and higher valuations in the commercial balance sheets for loss reserves and annuities for pensions and similar obligations. They also result from the recognition of deferred taxes on tax loss carry forwards.

Equity and Liabilities

Other accruals

The difference between the valuation of accruals for pensions and similar obligations at average interest over the last ten years and that over the last seven years was € 34,340 thousand (PY: € 44,108 thousand).

Offsetting of assets and liabilities

Pursuant to section 246 (2) sentence 2 HGB, plan assets from reinsurance of € 566 thousand (PY: € 554 thousand) have been offset against corresponding pension obligations of € 749 thousand (PY: € 669 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 – € 253 thousand (PY: € 0 thousand) – was offset against the € 253 thousand fair value of investment certificates held in trust as security (PY: € 0 thousand). The cost of the investment certificates totals € 253 thousand (PY: € 0 thousand).

Notes to the Consolidated Income Statement

Gross written premiums

	2021	2020
€ thousand		
Life insurance business	1,446,087	1,444,864
Health insurance business	919,208	899,403
Property and casualty insurance business	2,217,229	2,115,559
Of which:		
Germany	4,446,660	4,328,962
Other EEA States	128,551	124,258
Third countries	7,313	6,606
Direct insurance business	4,582,524	4,459,826
Reinsurance business assumed	111,757	97,199
Total	**4,694,281**	**4,557,025**

Investment expenses

Amortization of investments includes non-scheduled depreciation of € 51,398 thousand (PY: € 59,634 thousand) in accordance with section 277 (3) HGB.

Other income

Other income includes € 0 thousand (PY: € 16 thousand) income from the discounting of reserves and income from currency translation totals € 815 thousand (PY: € 9,136 thousand).

Other expenses

Other expenses include € 31,844 thousand (PY: € 28,609 thousand) from the discounting of reserves and € 2,759 thousand (PY: € 7,379 thousand) from currency translation. Non-scheduled depreciation of € 0 thousand (PY: € 29,720 thousand) was recognized 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 € 80 thousand (PY: € 70 thousand) were offset against related income of € 12 thousand (PY: € 12 thousand) as stipulated in section 246 (2) sent. 2 HGB.

Other disclosures

List of holdings

Subsidiaries included in consolidated financial statements

as %

Name	Domicile		Ownership interest*
Parent company			
Gothaer Versicherungsbank VVaG	Cologne	DE	
Aquila GAM Fund GmbH & Co. geschlossene Investmentkommanditgesellschaft	Hamburg	DE	100.0
capiton II Holding GmbH & Co. KG	Berlin	DE	99.0
capiton Zweite Kapitalbeteiligungsgesellschaft mbH	Berlin	DE	99.0
CG Car-Garantie Versicherungs-Aktiengesellschaft	Freiburg i. Brsg.	DE	67.0
FWP Lux Feeder Beta S.A.	Munsbach	LU	100.0
GG-Grundfonds Vermittlungs GmbH	Cologne	DE	100.0
Gothaer Allgemeine Versicherung AG	Cologne	DE	100.0
Gothaer Asset Management AG	Cologne	DE	100.0
Gothaer Beratung und Vertriebsservice GmbH	Cologne	DE	100.0
Gothaer Erste Kapitalbeteiligungsgesellschaft mbH	Cologne	DE	100.0
Gothaer Finanzholding AG	Cologne	DE	100.0
Gothaer Grundbesitz GmbH	Cologne	DE	100.0
Gothaer Invest- und FinanzService GmbH	Cologne	DE	100.0
Gothaer Krankenversicherung AG	Cologne	DE	100.0
Gothaer Leben Renewables GmbH	Cologne	DE	100.0
Gothaer Lebensversicherung AG	Cologne	DE	100.0
Gothaer Pensionskasse AG	Cologne	DE	100.0
Gothaer Sechste Kapitalbeteiligungsgesellschaft mbH	Pullach i. Isartal	DE	100.0
Gothaer Systems GmbH	Cologne	DE	100.0
Gothaer Vierte Kapitalbeteiligungsgesellschaft mbH	Cologne	DE	100.0
Gothaer Zweite Beteiligungsgesellschaft Niederlande mbH	Cologne	DE	100.0
Hamburg-Kölner-Vermögensverwaltungsgesellschaft mbH	Cologne	DE	100.0
Janitos Versicherung AG	Heidelberg	DE	100.0
kk Metalltechnik Beteiligungsgesellschaft mbH	Berlin	DE	72.7
MediExpert Gesellschaft für betriebliches Gesundheitsmanagement mbH	Cologne	DE	100.0
PE Holding USD GmbH	Cologne	DE	100.0
VBMC ValueBasedManagedCare GmbH	Cologne	DE	100.0

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

Subsidiaries not included in consolidated financial statements

Pursuant to section 296 (1) no. 3 HGB and section 296 (2) HGB, the following subsidiaries are not included in the consolidated financial statements because they are intended to be sold or because they are of minor significance for the Group:

			as %
Name	**Domicile**		**Ownership interest**[1]
100% RE IPP Beteiligungs GmbH[2]	Wörrstadt	DE	100.0
100% RE IPP GmbH & Co. KG[2]	Wörrstadt	DE	100.0
100% RE IPP Komplementär GmbH[2]	Wörrstadt	DE	100.0
A.S.I. Wirtschaftsberatung AG[3]	Münster	DE	100.0
Annex-Produkte Vertriebs GmbH[3]	Cologne	DE	100.0
capiton MT Beteiligungsgesellschaft mbH i.L.[3]	Berlin	DE	72.7
CarGarantie Courtage SARL[3]	Richwiller	FR	67.0
Car-Garantie GmbH[3]	Freiburg i. Brsg.	DE	67.0
Eolienne Citoyenne Lestrade SNC[2]	Straßburg	FR	100.0
GBG-Consulting für betriebliche Altersversorgung GmbH[3]	Hamburg	DE	100.0
GKC Gothaer Kunden-Service-Center GmbH[3]	Cologne	DE	100.0
Gothaer Digital GmbH[3]	Cologne	DE	100.0
Gothaer Kapitalverwaltungs-GmbH[3]	Cologne	DE	100.0
Gothaer Risk-Management GmbH[3]	Cologne	DE	100.0
Gothaer Vertriebs-Service AG[3]	Cologne	DE	100.0
GSC Gothaer Schaden-Service-Center GmbH[3]	Berlin	DE	100.0
GSG Garantie-Service GmbH[3]	Freiburg i. Brsg.	DE	67.0
Infrastruktur Galgenberg GmbH & Co. KG[2]	Wörrstadt	DE	100.0
IWS International Warranty Solutions GmbH i.L. [3]	Cologne	DE	67.0
juwi Beteiligungs GmbH & Co. NaturPower 22 KG[2]	Wörrstadt	DE	100.0
Medico GmbH & Co. KG[3]	Frankfurt a.M.	DE	99.9
MVVS Meine Versicherungen-Vermittlungsservice GmbH[3]	Cologne	DE	100.0
Pensus Pensionsmanagement GmbH[3]	Göttingen	DE	100.0
RE Feeder GmbH[3]	Cologne	DE	100.0
Schroders Immobilienwerte Deutschland[2]	Frankfurt a.M.	DE	81.9
Solaranlage Kabelitz GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Solarpark Morbach Süd II GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Solarpark Tutow V GmbH & Co.KG[2]	Wörrstadt	DE	100.0

Name	Domicile		Ownership interest[1]
			as %
SWT RE IPP Komplementär GmbH[2]	Wörrstadt	DE	51.0
Umspannwerk Windpark Hunsrück GmbH & Co. KG[2]	Aachen	DE	81.3
Windpark Alsenz GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Beltheim GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Gabsheim I GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Gabsheim II GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Galgenberg I GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Galgenberg II GmbH & Co. KG [2]	Wörrstadt	DE	100.0
Windpark Gornhausen GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Gornhausen II GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Grehweilerberg GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Kerzenheim GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Niederhausen GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Rothenborn GmbH & Co. KG[2]	Wörrstadt	DE	51.0
Windpark Sippersfeld GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Veldenz GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Wörrstadt GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windpark Wörrstadt-Ost GmbH & Co. KG[2]	Wörrstadt	DE	100.0
Windrad Stetten GmbH & Co. KG[2]	Wörrstadt	DE	100.0
WiWi Windkraft GmbH & Co. Betreiberteam II KG[2]	Wörrstadt	DE	63.5
WiWi Windkraft GmbH & Co. Bürgerrad Reichenbach-Steegen KG[2]	Wörrstadt	DE	80.8
WiWi Windkraft GmbH & Co. Sickinger Höhe KG[2]	Wörrstadt	DE	78.0
WiWi Windkraft GmbH & Co. Westpfalz KG[2]	Wörrstadt	DE	85.9

[1] In the case of ownership interests that are partially held indirectly, economic interests are calculated.
[2] Not included pursuant to section 296 paragraph 1 no. 3 HGB due to resale intention
[3] Not included pursuant to section 296 paragraph 2 HGB due to minor significance

Joint ventures and associated companies included in the consolidated financial statements

Name	Domicile		Ownership interest*
			as %
KILOS Beteiligungs GmbH & Co. Vermietungs-KG	Pöcking	DE	93.1
OPCI French Wholesale Properties - FWP, SPPPICAV	Paris	FR	43.1
OWP Nordergründe GmbH & Co. KG	Bremen	DE	40.0
ROLAND Rechtsschutz-Versicherungs-AG	Cologne	DE	40.0
Skogberget Vind AB	Malmö	SE	45.0

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

Joint ventures and associated companies not included in the consolidated financial statements

Pursuant to section 311 (2) HGB and DRS 27, the following joint ventures and associated companies are not included in the consolidated financial statements due to their minor significance for the Group:

			as %
Name	**Domicile**		**Ownership interest***
Derya Elektrik Üretimi Ve Ticaret A.S.	Istanbul	TR	26.0
Ideal Enerji Üretimi Sanayi Ve Ticaret A.S.	Istanbul	TR	26.0
LM+ - Leistungsmanagement GmbH	Cologne	DE	25.0
RCP Deutscher Solarfonds II GmbH & Co. KG	Frankfurt a.M.	DE	24.0
Selbca Holding GmbH	Berlin	DE	27.8

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

Participations not included in consolidated financial statements

					€ thousand
Name	**Domicile**		**Ownership interest * as %**	**Equity**	**Net result for the year**
Aberdeen Asia Pacific II, L.P.	George Town	KY	13.4	100,959	5,142
Accession Mezzanine Capital III L.P.	St. Helier	JE	18.0	64,540	14,303
Achmea B.V.	Zeist	NL	1.2	10,552,000	642,000
AMP Capital Infrastructure Debt Fund II (EUR), LP	London	GB	60.8	12,662	627
Beechbrook Mezzanine II L.P.	Edinburgh	GB	16.6	47,326	8,284
Beechbrook Private Debt III L.P.	London	GB	15.5	193,390	30,040
Behrman Capital PEP L.P.	Wilmington	US	2.5	607,278	37,994
Behrman Capital IV, L.P.	Wilmington	US	12.3	212,937	2,875
Curzon Capital Partners IV L.P.	London	GB	8.6	204,209	-50,536
EMF NEIF I (A) L.P.	London	GB	42.5	36,865	11,154
EPISO IV, L.P.	London	GB	2.7	1,428,096	61,389
European Alliance Partners Company AG	Zürich	CH	12.5	8,370	315
EXTREMUS Versicherungs-Aktiengesellschaft	Cologne	DE	5.0	64,219	119
Falcon Strategic Partners IV, L.P.	Wilmington	US	2.8	666,683	-56,745
Falcon Strategic Partners V (Cayman), L.P.	George Town	KY	31.1	739,572	12,709
FirstMark Capital II, L.P.	Wilmington	US	13.3	451,250	26

Name	Domicile		Ownership interest * as %	Equity	Net result for the year
					€ thousand
FirstMark Capital III L.P.	Wilmington	US	13.5	441,398	24,527
FirstMark Capital OF I, L.P.	Wilmington	US	16.7	275,556	112,564
GDV Dienstleistungs-GmbH	Hamburg	DE	1.1	28,671	-270
GoldPoint Partners Co-Investment V, L.P.	Wilmington	US	11.2	464,306	6,169
GoldPoint Partners Co-Investment VI, L.P.	Wilmington	US	8.2	748,364	174,999
heal.capital I GmbH & Co. KG	Berlin	DE	3.0	7,825	-2,254
Lovell Minnick Equity Partners V-A LP	Delaware	US	9.2	208,946	30,851
New York Life Capital Partners IV, L.P.	New York	US	9.2	9,348	-7,838
NYLCAP Mezzanine Partners III, LP	Wilmington	US	4.9	224,468	-16,214
PineBridge Secondary Partners III L.P.	Wilmington	US	12.4	161,337	14,028
PineBridge Secondary Partners IV Feeder, SLP	Luxemburg	LU	10.5	299,041	20,302
Praesidian Capital Bridge Fund, L.P.	Wilmington	US	19.9	40,600	7,898
Praesidian Capital Opportunity Fund III-A, L.P.	Wilmington	US	32.7	26,542	-8,319
Protektor Lebensversicherungs-AG	Berlin	DE	2.3	7,853	2
RREEF Pan-European Infrastructure Feeder GmbH & Co. KG	Eschborn	DE	27.8	257,306	-138
Sana Kliniken AG	München	DE	2.4	610,636	35,659
SilkRoad Asia Value Parallel Fund, SICAV-SIF	Luxemburg	LU	15.6	313,655	-18,322
Småkraft AS	Bergen	NO	15.4	218,022	-21,494
WAI S.C.A., SICAV- FIS / Private Equity Secondary 2008	Luxemburg	LU	22.1	22,816	785

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

The option set out in section 313 (3) sentence 4 HGB was exercised in drawing up the list of holdings.

The disclosures refer to the last financial year for which financial statements were available. Financial statements denominated in foreign currencies were translated into euros at the mean spot rate at balance sheet date.

Liabilities

Liabilities with a residual term of more than five years totalled € 319,350 thousand (PY: € 250,000 thousand).

Board membership and remuneration

Members of the Supervisory Board and Management are identified by name at the beginning of this report.

Management of the parent company received remuneration totalling € 8,343 thousand. No advance payments were made in the year under review. Retirement, survivors' benefits and other payments for former members of Management came to € 6,162 thousand. Further accruals totalling € 76,809 thousand exist for current pensions and pension entitlements for this group of individuals.

Remuneration paid to the Supervisory Board totalled € 1,094. Remuneration paid to members of the Advisory Board came to € 72 thousand. No amounts were paid to former members of the Supervisory Board and the Advisory Board, or deferred for them.

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

Directorships of Members of the Supervisory Board and Management

Supervisory Board	Membership of other statutory supervisory boards	Comparable domestic and foreign directorships and officerships
Prof. Dr. Werner Görg Chair	Gothaer Finanzholding AG (Chair), Gothaer Krankenversicherung AG (Chair), Gothaer Allgemeine Versicherung AG (Chair), Gothaer Lebensversicherung AG (Chair)	
Carl Graf von Hardenberg Vice Chair	Gothaer Finanzholding AG, Gothaer Allgemeine Versicherung AG, Hardenberg-Wilthen AG (Chair), Volksbank Kassel Göttingen eG (Chair)	
Urs Berger	Gothaer Finanzholding AG, Schweizerische Mobiliar Genossenschaft (Administrative Board Chair), Schweizerische Mobiliar Holding AG (Administrative Board Chair), van Baerle AG, SZ Consulting AG, Basler Kantonalbank, SensoPro AG, Ringier AG, Ammann Group Holding AG	
Gabriele Eick	Gothaer Finanzholding AG, Die Mobiliar AG	Goethe-Universität Frankfurt am Main (Foundation), Landesstiftung Miteinander in Hessen, Zoologische Gesellschaft Frankfurt (Foundation), Aramark GmbH (Chair)
Prof. Dr. Johanna Hey	Gothaer Finanzholding AG, ADVA Optical Networking SE (Vice Chair), Flossbach von Storch AG	
Jürgen Wolfgang Kirchhoff	Gothaer Finanzholding AG, Märkische Bank eG (Chair)	

Management	Membership of other statutory supervisory boards	Comparable domestic and foreign directorships and officership
Oliver Schoeller Chair	Gothaer Systems GmbH (Vice Chair), ROLAND Rechtsschutz-Versicherungs-AG (Vice Chair), Gothaer Pensionskasse AG Gothaer Asset Management AG (Vice Chair)	Eurapco AG (Chairman of the Board) as of 15 November 2021, AMICE (Vice President)
Thomas Bischof	Janitos Versicherung AG as of 20 April 2021	
Oliver Brüß	Janitos Versicherung AG (Vice Chair), Gothaer Pensionskasse AG (Vice Chair), A.S.I. Wirtschaftsberatung AG (Chair), Gothaer Vertriebs-Service AG (Chair), SCIRA AG up to 23 December 2021	
Dr. Mathias Bühring-Uhle	Janitos Versicherung AG (Chair), A.S.I. Wirtschaftsberatung AG, Gothaer Systems GmbH (Chair), CG Car-Garantie Versicherungs-AG (Chair)	
Dr. Sylvia Eichelberg	LEG Immobilien SE as of 27 May 2021	
Harald Epple	Gothaer Pensionskasse AG (Chair), Gothaer Asset Management AG (Chair), ROLAND Rechtsschutz-Versicherungs-AG	
Michael Kurtenbach	A.S.I. Wirtschaftsberatung AG (Vice Chair), Gothaer Vertriebs-Service AG (Vice Chair), Pensionskasse der BERLIN-KÖLNISCHE Versicherungen VVaG (Chair), Versorgungskasse Gothaer Versicherungsbank VVaG (Chair), GDV Dienstleistungs-GmbH, Gothaer Asset Management AG	

Total fee for the statutory auditor

	2021	2020
	€ thousand	
Auditing of financial statements	1,689	1,638
Attestation services	23	11
Tax advisory services	52	68
Other services	29	40
Total	**1,794**	**1,758**

Personnel expenses

	2021	2020
	€ thousand	
1. Wages and salaries	344,753	323,199
2. Social security contributions and employee benefits	56,060	51,246
3. Post retirement benefits	20,630	15,309
4. Total expenses	**421,443**	**389,753**

Human resources on average

	2021	2020
	Persons	
In house	4,271	4,102
including a prorated 0 employee (PY: 1) of proportionally consolidated companies		
In the field	487	480
	4,758	**4,581**
Apprentices	227	214
Total	**4,985**	**4,795**

Contingent liabilities and other financial commitments

In compliance with section 28 (1) EGHGB, accruals of € 4,414 thousand have not been recognized for pension-related obligations for which a legal entitlement was acquired prior to 1 January 1987.

Pension accruals of € 13,336 thousand were not recognized on the balance sheet because the apportionment option under section 67 (1) EGHGB was exercised.

At year-end, contributions totalling € 1,221,337 thousand were outstanding for shares held in affiliated companies and associates as well as for other investments (including € 27,397 thousand payable to affiliated companies).

Other financial commitments arising from long-term leasing and rental agreements to-talled € 114,390 thousand at balance sheet date.

Under a guarantee bond, Gothaer Lebensversicherung AG and Gothaer Krankenversicherung AG have an obligation towards their house bank to meet potential demands by US tax authorities for the repayment of tax refunds totalling USD 5,815 thousand in connection with credited US cheques. Based on years of experience with comparable US cheque credits, we currently see no significant risk of a claim being made on the guarantee bond.

Standard market purchase price adjustment and indemnification obligations as well as purchase price guarantees totalling approximately € 1,452 thousand have been assumed from the sale of a shareholding in the prior year. The risk of claims actually being made on these obligations and guarantees is regarded as low because the litigation risk inherent in indemnification risks is currently considered unlikely to materialize.

Gothaer Allgemeine Versicherung AG and Janitos Versicherung AG are members of the association "Verkehrsopferhilfe e. V.". This membership entails an obligation to contribute to the funds that the association requires to carry out its activities. The contribution is based on the share of the premium income generated by member companies from direct written motor and liability insurance in the year prior to the previous calendar year.

On the basis of sections 221 ff. VAG, health insurers are required to be members of a guarantee fund. After the assumption of insurance contracts, the fund can levy special contributions up to 2 ‰ of the sum of net underwriting reserves for the fulfilment of its duties.

In accordance with sections 221 ff. VAG, Gothaer Lebensversicherung AG is a member of the life insurers' guarantee fund (Sicherungsfonds für die Lebensversicherer). In addition to the obligatory current contributions, the fund can levy special contributions up to 1 ‰ of the sum of net underwriting reserves on the basis of the Guarantee Fund Financing Ordinance (Life). Furthermore, in the event of the fund not having the resources needed to handle a rescue case, Gothaer Lebensversicherung AG has committed to make financial resources available to the guarantee fund – or alternatively to Protektor Lebensversicherungs-AG – in an amount equal to 1 % of the sum of net underwriting reserves, taking account of the contributions already made to the guarantee fund. The total commitment to the guarantee fund at balance sheet date was € 205,121 thousand.

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.

Proposal for the appropriation of profit

The profit for the year registered by our parent company Gothaer Versicherungsbank VVaG was € 19,134,718.65. Including the profit of € 3,835.11 brought forward from 2020, the retained profit available to the General Members Meeting for appropriation is € 19,138,553.76.

We propose to the General Members Meeting that the sum of € 19,130,000.00 should be transferred to other revenue reserves and € 8,553.76 should be carried forward.

Cologne, 12 April 2022

Management

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

Independent Auditors' Report

GOTHAER Versicherungsbank VVaG, Cologne

Report on the Audit of the Consolidated Financial Statements and the Group Management Report

Audit opinions

We have audited the consolidated financial statements of GOTHAER Versicherungsbank VVaG, Cologne, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, the statement of changes in equity and the cash flow statement for the financial year 1 January to 31 December 2021 as well as the notes to the consolidated financial statements, including the presentation of accounting and valuation policies. We have also audited the Group management report of GOTHAER Versicherungsbank VVaG, Cologne, for the financial year from 1 January to 31 December 2021. In line with the requirements of German law, we have not audited the content of the parts of the management report referred to in this report under "Other information".

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

– the accompanying consolidated 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 Group as at 31 December 2021 as well as the results of its operations from 1 January to 31 December 2021 and

– the accompanying Group management report as a whole provides an accurate view of the situation of the Group. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the content of the parts of the management report referred to under "Other information".

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 consolidated financial statements or the Group 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 Consolidated Financial

Statements and the Group Management Report". We are independent of the Group companies 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 consolidated financial statements and Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated 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 consolidated 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 gross policy reserves

With regard to the accounting and valuation policies adopted, please refer to the sections on underwriting reserves in life insurance and underwriting reserves in health insurance in the accounting and valuation policies chapter of the notes to the consolidated financial statements. Risk disclosures are contained in the Group management report in the sections on life insurance, biometric risk as well as health insurance and underwriting risks under opportunities and risks for the Group in the chapter on opportunities and risks of future developments.

THE FINANCIAL STATEMENT RISK

GOTHAER Versicherungsbank VVaG recognizes gross policy reserves totalling € 24,823.1 million in its consolidated financial statements. This was 69.3 % of the balance sheet total.

As a matter of principle, policy reserves in the life insurance segment are the sum of the policy reserves estimated for each individual policy. Policy reserve valuations are reached by the prospective method and derived from the cash values of future benefits less future premiums. Depending on tariff, individual policy reserves are estimated on the basis of a large number of machine and manual calculations.

Regulatory and commercial law rules need to be observed here. They particularly include rules on biometric variables, cost assumptions and interest rate assumptions, including the rules on strengthening interest rates (additional interest reserves and interest-driven reserve strengthening). The adequacy of the basis for calculation needs to be taken into account in order to ensure that obligations can be met in the long term. Use of these assumptions is partly discretionary.

The risk of policy reserves being over- or undervalued at individual policy level exists to the extent that calculation parameters might be inconsistently or incorrectly applied.

As a matter of principle, the policy reserves reported in the health insurance segment are the sum of the ageing reserves estimated for each individual policy. Depending on tariff, the ageing reserves of individual policies are estimated on the basis of a large number of almost completely automated calculation steps.

Policy reserves consist of tariff-based ageing reserves, accumulated funds from the direct credit pursuant to section 150 VAG as well as reserves for the statutory supplement pursuant to section 149 VAG.

Regulatory and commercial law rules need to be observed here. In particular, ageing reserves must always be calculated on the basis of the same assumptions that were used for calculating premiums. The volume of ageing reserves is essentially determined by the assumptions made regarding actuarial burning costs (average claim payments per person and year) as well as interest rate and lapse assumptions. In the case of actuarial burning costs, it is particularly important to consider the change as the insured get older. As a matter of principle, changes in assumptions in connection with premium adjustments may only be made with the approval of the independent trustee.

The risk to the financial statements is that, owing to the highly complex nature of the calculations, policy reserve volume may not be in line with statutory requirement.

OUR AUDIT APPROACH

We used our own actuaries in the audit team to audit the policy reserves in the life insurance segment and performed the following key audit procedures:

- We established to our satisfaction that all of the insurance contracts in the portfolio management systems were taken into account for the policy reserves. We took the controls created by GOTHAER Versicherungsbank VVaG as a basis and checked that they were appropriate and properly implemented. At the same time, we performed reconciliations between portfolio management systems, statistical systems and the general ledger to verify that the data transfer procedures used work correctly.

- To ensure the accuracy of the policy reserves at individual policy level, we used our own DP systems to calculate the policy reserves for the main parts of the direct written portfolios and compared the results with those of GOTHAER Versicherungsbank VVaG.

- With regard to the additional interest reserves (Zinszusatzreserve – ZZR) formed as part of policy reserves for new policies, we conducted an adequacy test on the assumptions that GOTHAER Versicherungsbank VVaG made on the reference interest rate and on the respective lapse and capital settlement probabilities estimated.

- We verified that the Bundesanstalt für Finanzdienstleistungsaufsicht approved business plans were used for old policies. The plans also contain guidelines for interest-induced reserve strengthening.

- We verified that the general tables published by the German Actuary Association as well as the customized tables used were applied properly. At the same time, by analyzing the breakdown of profit sources, we established to our satisfaction that there were no long-term negative risk results.

- Furthermore, we compared the development of policy reserves with our own extrapolations of policy reserves, which we established both in a time series and for the current financial year as a whole.

- We also studied the Responsible Actuary's report. In particular, we established to our satisfaction that the report contains no statements that are inconsistent with our audit results.

We also used our own actuaries in the audit team to audit the policy reserves in the health insurance segment and performed the following key audit procedures:

- We verified that all of the insurance contracts in the portfolio management systems were taken into account for the policy reserves. We took the controls created by GOTHAER Versicherungsbank VVaG as a basis and checked that they were appropriate and properly implemented. At the same time, we performed reconciliations to establish whether data from the portfolio management system had been fully processed and registered in the general ledger. We particularly focused on controls which ensure that new tariffs are properly recorded and that changes in assumptions are correctly implemented in the systems.

- To verify that tariff-based ageing reserves are formed in compliance with the so-called Technical Basis for Calculation, we recalculated the ageing reserves for a randomly selected part of the portfolio and compared the results with the GOTHAER Versicherungsbank VVaG figures. We also verified in this connection that the assumptions used to estimate ageing reserves (actuarial interest rate, actuarial burning costs, mortality and lapse tables) are consistent with those used for calculating premiums.

- In the course of the audit procedures performed on premium adjustments made during the financial year, we established to our satisfaction that the changes made were approved by the independent trustee. In the case of actuarial interest rate changes, we calculated that the actuarial interest rate used was consistent with the actuarial corporate interest rate (AUZ). To ensure that premium adjustments approved by the independent trustee were properly implemented, we checked the calculations in selected instances, correctly applying the new bases for calculation. In addition, we checked the way in which premium refund reserve funds were calculated for limiting purposes.

- We calculate the "policy reserves/written premiums" ratio for every tariff and analyze the changes against past years.

- From the overall change in policy reserves, we isolate known factors such as premium refund reserve funds used for limiting purposes, direct credits, actuarial interest rates and Zillmer adjustments and analyze the remaining (so-called adjusted) change over time.

- Taking net return as a starting point, we recalculated the direct credit pursuant to section 150 (1) and (2) VAG and reconciled the corresponding assignment to policy reserves.

OUR CONCLUSIONS

The methods used to value the policy reserves are appropriate and compliant with commercial law and regulatory requirements. The stipulations in the Technical Basis for Calculation were properly implemented.

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

With regard to accounting and valuation policies, please refer to the section on underwriting reserves in property and casualty insurance in the accounting and valuation policies chapter of the Notes to the Consolidated Financial Statements. Risk disclosures are contained in the Group management report in the sections on property and casualty insurance and underwriting risks under opportunities and risks for the Group in the chapter on risks of future developments.

THE FINANCIAL STATEMENT RISK

The gross reserve for outstanding claims totalled € 3,666.9 million at balance sheet date. This was 10.2 % of the balance sheet total. The gross reserve for outstanding claims in direct insurance business accounted for the major part of this amount.

The gross reserve for outstanding claims is made up of various partial loss reserves. The major part of it is formed by the reserve for reported and unreported losses.

The valuation of the reserve for reported and unreported losses is uncertain in terms of the prospective volume of loss and is thus 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), flat-rate 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 key process risks and the 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.

- We verified the GOTHAER Versicherungsbank VVaG'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 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 calculations performed by GOTHAER Versicherungsbank VVaG.

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

OUR CONCLUSIONS

The methods used to value the gross partial loss reserves for reported and unreported losses in direct written business are appropriate, 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 separate Group non-financial report that is referenced in the Group Management Report and is expected to be made available to us after the date of this auditor's report, and

– the Group governance statement contained in the "Gender diversity" section of the Group management report.

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

Our audit opinions on the consolidated financial statements and Group 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 consolidated financial statements, the audited content of the Group 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 consolidated financial statements and Group management report

The legal representatives are responsible for the preparation of consolidated 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 Group. 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 consolidated financial statements that are free from material misstatement, whether deliberate or unintentional.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group'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 consolidated financial statements based on the going concern assumption, provided there are no factual or legal circumstances that prevent this being done.

Furthermore, the legal representatives are responsible for preparing a Group management report that, as a whole, provides an accurate view of the Group's position and is, in all material respects, consistent with the consolidated 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 Group management report in accordance with the relevant German legal requirements and to enable sufficient appropriate evidence to be provided for the assertions in the Group management report.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the Group management report

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and Group 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 the present consolidated financial statements and Group 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 consolidated financial statements and Group 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 consolidated 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 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 Group'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 consolidated financial statements and Group 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 Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and assess whether the consolidated 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 Group in compliance with German general accounting principles.

- Gather sufficient appropriate audit evidence for the accounting information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and the Group management report. We are responsible for directing, monitoring and carrying out the group audit. We bear sole responsibility for our audit opinions.

- Evaluate the consistency of the management report with the financial statements, its conformity with German law and the view of the Group'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 consolidated 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 29 April 2021. We were appointed by the Supervisory Board on 11 November 2021. We have been the auditor of GOTHAER Versicherungsbank VVaG 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 Group companies, we provided the following services that were not disclosed in the consolidated financial statements or Group management report:

For GOTHAER Versicherungsbank VVaG, we audited the solo solvency overview and the group solvency overview.

For controlled companies, we audited solvency overviews, audited and reviewed financial statements, audited dependency reports, performed WpHG and FinVermV audits, performed certifications for foreign authorities and fulfilment of eligibility criteria, verified notifications of contributions pursuant to SichLVFinV, performed EEG audits, rendered tax consultancy services and provided general advice.

Responsible Auditor

The auditor responsible for the audit is Roland Hansen.

Cologne, 13 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 financial year 2022.

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 and reported orally to the Board at five 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 over-sight activities. The Investment Committee and Executive Committee each 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. 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 (Bundesanstalt für Finanzdienstleistungsaufsicht), 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. A training event was 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 regularly by the Supervisory Board included developments in premiums, claims and costs, the performance of major Group holdings and the impact of such developments on the financial statements. Special attention was also paid to the issues of competition, product design, distribution and the development of the sales volume, costs and earnings of the Group companies. In addition, the Board focused intensely on the solvency situation under Solvency II in the Gothaer Group, studying not only the percentage coverage ratios of the current Solvency II regime but also studies examining the impact of changes to Solvency II rules. The Board also received information from Management on the medium-term corporate planning, risk strategy and risk situation of the Association as well as on IT strategy.

The Supervisory Board paid special attention to the "Ambition25" group strategy, in which the Gothaer Group companies address market distinction issues such as "Leading Partner for SMEs", "Strong Commitment to the Customer" and "More than Insurance". Here, the Board focused not only on implementation strategies and programmes for market development but also on the products, processes and structures required for the increasingly digital value added of the Gothaer Group. The Board also studied higher risk exposures in individual areas and their impact on Solvency II, reinsurance and earnings.

In addition, the Supervisory Board received detailed reports on the impacts of the coronavirus pandemic and the Group's participation in programmes to contain the pandemic, e.g. by offering vaccination. It also discussed 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 Gothaer Group companies as well as the conclusions drawn for future risk management. This also included the effect of passive reinsurance and the form it will take in the future.

The Board received detailed reports on the measures taken to raise the standard of service and advice for the exclusive organization. In addition, a deeper insight was gained into the important broker segment, especially in industrial business, as well as the establishment of new customer access points via platforms.

The Board also regularly met with Management to discuss basic strategic issues for the future gearing of the Group's subsidiaries. The focus here was on Janitos Versicherung AG and CG Car-Garantie Versicherungs-AG. In addition, the Group successfully completed the sale of its Romanian subsidiary Gothaer Asigurări Reasigurări in 2021.

The impacts of the low-interest environment on the personal insurance companies within the Group remained a matter of special interest for the Supervisory Board in 2021. The Board received regular reports on the programme for realigning Gothaer Lebensversicherung AG and Gothaer Pensionskasse AG – a programme designed to ensure that appropriate account is taken of the challenges presented by the low-interest phase, the need to form additional interest reserves (Zinszusatzreserve) and Solvency II. Attention focused on the solvency margin required and the resulting consequences for product and pricing strategy in new business as well as the different interest rate scenarios and their implications for Gothaer Lebensversicherung AG and Gothaer Pensionskasse AG. The Board also examined in detail the measures taken to reposition and meet the financial requirements of additional interest reserving, especially at Gothaer Pensionskasse AG.

Despite the special challenges presented by the coronavirus pandemic and the severe precipitation event due to cyclone "Bernd", the Group companies again reported good results. Standard & Poor's upgraded the ratings of Gothaer Allgemeine Versicherung AG, Gothaer Lebensversicherung AG and Gothaer Krankenversicherung AG to A with positive outlook in 2021. The rating upgrade attests to the security and financial strength of the Group in a challenging environment.

The Supervisory Board also discharged its statutory duty to examine HR issues relating to Management. Dr. Bühring-Uhle's term of office on the Management Board 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 the Group companies' investments, changes in undisclosed liabilities/undisclosed reserves and the development of investment income and discussed the possible macroeconomic consequences of the development of interest rates and the implications for the insurance industry.

The Audit Committee established by the Supervisory Board in line with section 107(3) 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. Key performance indicators in the financial statements were discussed in detail with Management and the auditors of the financial statements, taking comparable company benchmarks into account. The Audit Committee therefore proposed to the Supervisory Board that the financial statements for the financial year 2020 should be formally adopted in accordance with section 172 AktG.

The company financial statements for the 2021 financial year and the accompanying management report as well as the consolidated financial statements and the accompanying Group management report were audited by the auditor appointed pursuant to section 341k HGB, KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne. In each case, the audit included an assessment of the early risk warning system.

Both sets of financial statements received an unqualified audit opinion from the audit firm pursuant to section 322 HGB. The auditors attended the Supervisory Board meeting on the financial statements and reported on the key results of the audits.

The Supervisory Board received the audit reports submitted and took note of and approved the results of the audits.

After examination of the presented financial statements and management report for the 2021 financial year and the consolidated financial statements and Group management report for the 2021 financial year, the Supervisory Board raised no objections. The Supervisory Board approved the financial statements and the consolidated financial statements for the year 2021. The financial statements are therefore adopted pursuant to section 172 of the German Stock Corporation Act (AktG).

The Supervisory Board approves Management's proposal for the use of retained profit.

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

Cologne, 28 April 2022

The Supervisory Board

Prof. Dr. Werner Görg	Carl Graf von Hardenberg	Urs Berger
Gabriele Eick	Prof. Dr. Johanna Hey	Jürgen Wolfgang Kirchhoff

Addresses of major Group companies

Gothaer Versicherungsbank VVaG

Arnoldiplatz 1	Phone	0221 308-00
50969 Cologne	Internet	www.gothaer.de

Gothaer Finanzholding AG

Arnoldiplatz 1	Phone	0221 308-00
50969 Cologne	Internet	www.gothaer.de

Gothaer Allgemeine Versicherung AG

Gothaer Allee 1	Phone	0221 308-00
50969 Cologne	Internet	www.gothaer.de

Gothaer Lebensversicherung AG

Arnoldiplatz 1	Phone	0221 308-00
50969 Cologne	Internet	www.gothaer.de

Gothaer Krankenversicherung AG

Arnoldiplatz 1	Phone	0221 308-00
50969 Cologne	Internet	www.gothaer.de

Gothaer Pensionskasse AG

Arnoldiplatz 1	Phone	0221 308-00
50969 Cologne	Internet	www.gothaer.de

Janitos Versicherung AG

Im Breitspiel 2-4	Phone	06221 209-1000
69126 Heidelberg	Internet	www.janitos.de

CG Car-Garantie Versicherungs-AG

Gündlinger Str. 12	Phone	0761 4548-0
79111 Freiburg	Internet	www.cargarantie.de

Gothaer Versicherungsbank VVaG
Arnoldiplatz 1
50969 Cologne

Phone 0221 308-00
Fax 0221 308-103
www.gothaer.de