Gothaer Allgemeine Versicherung AG
Annual Report 2020

Five-Year Summary

€ thousand	2020	2019	2018	2017	2016
Gross premiums written	1,941,005	1,853,007	1,810,124	1,822,082	1,722,724
Premiums written net of reinsurance	1,657,343	1,589,057	1,565,542	1,598,422	1,485,952
Retention (in %)	85.4	85.8	86.5	87.7	86.3
Claims expenses net of reinsurance	1,046,055	1,064,040	1,071,392	998,573	1,009,073
In % of premiums earned	63.5	66.1	68.5	63.3	67.6
Underwriting expenses net of reinsurance	485,457	473,136	461,918	469,405	445,318
In % of premiums earned	29.5	29.4	29.5	29.8	29.8
Net income for the year [1]	102,054	142,164	114,803	123,885	89,839
Investments [2]	3,628,503	3,583,423	3,544,163	3,481,268	3,228,229
Net return (in %)	2.1	3.2	3.3	3.1	3.4
Gross underwriting reserves	3,410,231	3,337,471	3,349,938	3,301,762	3,182,125
In % of gross premiums written	175.7	180.1	185.1	181.2	184.7
Equity capital [3]	609,423	609,423	609,423	609,423	575,602
In % of premiums written net of reinsurance	36.8	38.4	38.9	38.1	38.7
Policies in force (in thousands)	6,333	6,342	6,285	6,237	5,694
Claims reported (in thousands)	337	361	386	381	359

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

Gothaer Allgemeine Versicherung AG

Report for the Financial Year as of 1 January to 31 December 2020

Registered Office
Gothaer Allee 1
50969 Cologne
Germany

Cologne Local Court, HRB 21433

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

Supervisory Board

Prof. Dr. Werner Görg Chairman	Lawyer, Tax Consultant
Peter-Josef Schützeichel *) Vice Chairman	Employee, Chairman of the Central Works Council of Gothaer Allgemeine Versicherung AG
Carl Graf von Hardenberg	Chairman of the Supervisory Board of Hardenberg-Wilthen AG
Srecko Jagarinec *)	Employee, up to 2 April 2020
Uta Kemmerich-Keil	Former CEO Procter & Gamble Health International
Dr. Judith Kerschbaumer *)	Trade Union Secretary of ver.di, Lawyer
Dr. Dirk Niedermeyer	Managing Director of NZD Grundbesitzverwaltung GmbH & Co. KG
Gesine Rades	Diplom-Kauffrau, Auditor/Tax Consultant Rades partnership
Simone Robens *)	Employee, as of 2 April 2020
Thorsten Schlack *)	Employee, Chairman of the Central Works Council of Gothaer Krankenversicherung AG
Edgar Schoenen *)	Employee
Ulrich Heinz Wollschläger	Lawyer
Markus Wulfert *)	Employee, Head of Liability Claims Department

*) Elected by employees

Management

Thomas Bischof Chairman	as of 1 January 2021
Oliver Schoeller Chairman as of 1 August 2020 up to 31 December 2020	
Dr. Christopher Lohmann Chairman	up to 31 July 2020
Oliver Brüß	
Dr. Mathias Bühring-Uhle	
Dr. Karsten Eichmann Director of Industrial Relations	up to 30 June 2020
Harald Epple	
Michael Kurtenbach Director of Industrial Relations	as of 22 July 2020

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

Advisory Board

Christina Begale	Consultant
Wilm-Hendric Cronenberg	Managing Partner of Julius Cronenberg oH
Werner Dacol	Real Estate Valuer
Dr. Jörg Friedmann	Lawyer, Law firm Dr. Friedmann & Partner mbB
Dr. Vera Nicola Geisel	Head of Executive Board Affairs & Executives Contracts, Corporate Function People Development & Executives Management of ThyssenKrupp AG
Birgit Heinzel	Master craftswoman in ophthalmic optics and auditory acoustics, Managing Director of HEINZEL Sehen + Hören
Knut Kreuch	Lord Mayor of the City of Gotha
Uwe von Padberg	Diplom-Kaufmann, Managing Director of Creditreform Cologne v. Padberg GmbH & Co. KG
Peter Riegelein	Diplom-Kaufmann, Managing Partner of Hans Riegelein + Sohn GmbH & Co. KG
Prof. Dr. Torsten Rohlfs	Technical University Köln, Institute of Insurance Studies (ivw Cologne)
Jürgen Scheel	Chairman of the Management of Kieler Rückversicherungsverein a. G., (Retd.)
Dr. h.c. Fritz Schramma	Former Lord Mayor of the City of Cologne up to 3 July 2020
Astrid Schulte	Member of the Management of Heraeus Bildungsstiftung
Birgit Schwarze	President of DSSV e.V. Arbeitgeberverband deutscher Fitness- und Gesundheits-Anlagen

Management Report

Developments in the property and casualty insurance sector

Trends in 2020

In motor insurance – the property and casualty insurance class generating 38 % and € 28.7 billion in premium income – premium income weakened significantly in 2020 as a result of the coronavirus pandemic. The downturn was particularly due to temporary shutdowns affecting commercial business, lower annual road performance and reductions in the scope of comprehensive insurance cover. The average motor liability premium is currently expected to decrease by 0.5 % and the average collision & comprehensive premium by 1.0 %. The average partial own damage premium also looks like falling by another 2.5 %. Overall, premium growth in motor insurance is expected to edge up by 0.6 %. The reduction in mobility resulted in lower accident figures and lower claims expenses. Natural hazard claims are also expected to be below average. Overall, a marked decline of 9.1 % is anticipated in claims expenses for the financial year. Assuming that run-off and cost ratios remain virtually unchanged, the underwriting result in motor insurance should therefore be significantly improved. The projected combined ratio will thus be lower than in the prior year at around 90 %.

In property insurance, premium income is expected to grow by 5.4 % to € 22.7 billion, fuelled by a somewhat weaker upturn in private property insurance than in the non-private segment. The growth in private property insurance is driven by rising insured sums as well as extensions of cover for water damage and for additional natural hazards. In non-private property insurance, growth is particularly noted in the industrial lines and in engineering insurance. Despite a below-average volume of natural hazard claims and major losses, claims expenses in property insurance are expected to rise by around 7.5 % in 2020. The increase in claims expenditure was driven by the considerable volume of payments made under business closure policies. This more than outweighed declines in burglary. Overall, the underwriting result will thus remain at around the prior-year level and the combined ratio is forecast to be 92 %.

Despite the coronavirus crisis and the economic slowdown connected with it, the German Insurance Association GDV expects premium revenues from property and casualty insurance as a whole to show moderate growth in 2020, rising by 2.1 % to € 74.8 billion. The number of policies in force should increase by 0.9 %. Claims expenses for the financial year decreased by 2.5 % against the prior year. Here, higher property claims expenses due to the pandemic were mitigated by lower expenses in the motor class. The aforementioned developments, coupled with downturns in major claims and natural hazard expenses, make for an overall combined ratio of 90 %, which is again lower than in the prior year, and a significantly improved underwriting profit of approx. € 7.4 billion.

Outlook 2021

Developments in property and casualty insurance business will continue to be influenced in 2021 by the weakened economic situation of private households, which is only slowly recovering. A further attenuation of premium dynamics is expected in the coming year, although premium revenues are still expected to be 1.6 % higher than in the prior year. At the same time, private property insurance will continue to be characterized by intense price competition. Demand for extensions of cover and stable construction activity will have a supportive effect. In non-private property insurance, premium growth will be weakened by huge economic uncertainties and constraints on policyholder liquidity. For motor insurance, 2021 is expected to bring a pandemic-related reduction of policyholder mobility and premium growth on a par with the prior year. For marine and aviation insurance, downturns in premium volume are anticipated due to marked economic uncertainties and slow recovery of the travel sector.

Business developments in 2020

Developments in the financial year were significantly shaped by the Covid-19 pandemic. As expected, the consequences for public life and the economy impacted on claims and investment income at Gothaer Allgemeine Versicherung AG. The growth of the Company, however, was not affected by the coronavirus.

In our new Group strategy Ambition25 , we have set ourselves the target of being one of the five fastest-growing companies in the property and casualty insurance market by 2025. The above-market 4.7 % premium growth achieved this year – pushing gross written premiums to € 1,941.0 million – is very encouraging. Foundations for that success were laid by a radically modernized product range for the private client business segment. As part of the modernization programme, we introduced a policy for e-scooters and a premium discount for purely electric cars last year. We extended householders insurance to include "internet protection" and "electronics protection" modules and incorporated an optional no-claims bonus system into our homeowners insurance. In line with our motto "Protecting values in the community", we provided free child accident cover for all private clients' children whose childcare or school facilities had closed due to coronavirus in Germany. We receive positive feedback on our products and services from external product comparison services and in the form of good sales results. Analysts Franke und Bornberg gave our private liability policies an "outstanding" FFF rating.

In corporate client business, we continued to systematically restructure our industrial property and architects' liability portfolios. At the same time, we laid another important foundation stone for our ambitions by updating our Gothaer GewerbeProtect (GGP) modular product system. Across all lines – from public liability to contents and works traffic insurance – basic cover, Plus modules and extensions of cover were expanded and more finely attuned to the needs of small businesses and SMEs. In 2020, we made it possible for commercial clients to access rapid assistance for legal issues connected with coronavirus. In conjunction with Jurpartner Services, a subsidiary of ROLAND Rechtsschutz-Versicherungs-AG, we offered free initial telephone advice for all self-employed persons with a commercial insurance policy. To support our corporate motor clients under lockdown, we developed a quick and easy option in the form of non-contributory downtime insurance without official closure.

The coronavirus pandemic had contradictory effects on claims experience. Gross expenses for losses incurred in the financial year in direct written insurance business included an amount of € 62.1 million for so-called coronavirus losses, mainly in connection with event cancellation and plant closure risks. Due to the restrictions on public life and the increase in home office activity, however, there were also significantly fewer motor claims. The loss ratio for the entire motor class fell sharply. In addition, the volume of natural and accumulation losses was lower in 2020 and there was a significant improvement in major losses compared to the prior year. As a result, gross claims expenses overall decreased by € 24.9 million to € 1,213.2 million. In conjunction with the gratifying development of premium income, the gross loss ratio improved to 62.9 % and the combined ratio – with an unchanged gross cost ratio of 28.9 % – to 91.8 %.

After reinsurance and adjustment of equalization reserves, the underwriting account showed a profit of € 66.6 million, which is less than in the prior year but still a very pleasing result in this exceptional year.

2020 was a very challenging year for investment. The downward trend in ten-year Bund yields worsened as a result of the coronavirus pandemic, descending to -0.6 % at year-end. Our investment portfolios yielded a reduced net return of 2.1 % this year.

Income before taxes was lower than in the prior year due to reduced income streams from underwriting and investment. At € 99.4 million, however, we consider it was still at a satisfactory level.

Premium income

Gross premium income from direct written business increased by 4.0 % to € 1,777.7 million. Growth was thus stronger than the market average, as anticipated. The sharpest increases in premium income achieved in this financial year were mainly in other property insurance and homeowners comprehensive insurance. Our growth strategy continues to be based on a profit-oriented underwriting policy and thus selective writing of new business.

Gross premiums from direct foreign business totalled € 62.8 million (PY: € 52.2 million), € 23.6 million of which (PY: € 19.3 million) was generated by our branch operation in France. Our local presence in France is a major prerequisite for the development of renewable energy business.

At year-end, policies in force comprised 6,332,688 (PY: 6,341,626) direct policies of at least one year's duration.

	Gross premiums written € million		In % of gross premiums written		Number of insurance policies in force	
	2020	2019	2020	2019	2020	2019
Accident	137.9	138.6	7.8	8.1	669,576	684,924
Liability	356.5	353.5	20.1	20.7	1,642,030	1,662,416
Motor liability	244.3	244.2	13.7	14.3	864,386	874,627
Other motor	163.0	162.7	9.2	9.5	673,420	679,825
Fire	100.4	91.6	5.6	5.4	110,744	110,477
Comprehensive householders	85.8	87.6	4.8	5.1	714,297	737,117
Comprehensive homeowners	208.3	189.9	11.7	11.1	379,337	364,803
Other property	282.9	261.5	15.9	15.3	632,145	590,775
Marine and aviation	63.0	54.8	3.5	3.2	27,103	25,908
Other insurance	135.5	124.2	7.6	7.3	619,650	610,754
Direct written business	1,777.7	1,708.7	100.0	100.0	6,332,688	6,341,626

Claims

As a result of the coronavirus pandemic, claims expenses in direct written insurance business increased sharply for event cancellation and business interruption – both of which are reported under other property insurance. At the same time, the lockdown or partial standstill of public life and the increase in home office activity resulted in significantly fewer accidents and thus fewer motor insurance claims. This compensatory effect was intensified by a positive development in major claims. Contrary to expectations, the number of claims reported and, above all, the volume of major loss expenses in the financial year – especially in industrial fire business – were significantly lower than in the prior year. However, higher claims expenses were noted for water damage in homeowners' comprehensive insurance and liability claims expenses were boosted by run-off.

The total number of claims reported fell from 361,288 to 336,586. Apart from other property insurance, which was affected by the coronavirus pandemic, the only other increase was registered in comprehensive homeowners insurance. Accordingly, gross claims expenditure in direct written insurance business decreased by € 19.4 million to € 1,109.5 million. The gross loss ratio in direct written business stood at 62.8 % (PY: 66.1 %), which was lower than anticipated. The loss reserve ratio – the ratio of provisions for outstanding claims to gross earned premiums – remained at a high level, 140.2 % (PY: 144.7 %).

	Gross claims expenses € million		In % of Gross premiums earned		Number of claims reported	
	2020	2019	2020	2019	2020	2019
Accident	63.4	67.4	45.9	48.7	14,956	16,893
Liability	201.4	185.1	56.6	51.9	76,732	81,641
Motor liability	178.1	186.8	72.9	76.5	43,778	52,150
Other motor	116.2	139.1	71.3	85.5	62,890	70,659
Fire	48.2	72.9	48.3	79.5	1,790	1,940
Comprehensive householders	28.0	31.4	32.4	35.6	24,536	27,882
Comprehensive homeowners	142.2	126.9	69.5	67.8	54,564	51,985
Other property	202.5	175.5	71.8	67.5	26,954	26,791
Marine and aviation	47.9	32.1	77.2	58.8	4,205	4,645
Other insurance	81.5	111.6	61.7	90.5	26,181	26,702
Direct written business	1,109.5	1,128.9	62.8	66.1	336,586	361,288

Underwriting expenses

Gross underwriting expenses in direct written business increased by € 15.9 million to € 509.7 million. Total underwriting expenses included € 276.6 million (PY: € 274.1 million) in acquisition costs and € 233.1 million (PY: € 219.7 million) in insurance policy management costs. The increase in administrative expenses was due to digitalization activities for the future (e.g. modernization of the portfolio management system for private clients). Contrary to expectations, the gross cost ratio in direct written insurance business was only slightly lower than in the prior year at 28.8 % (PY: 28.9 %).

Reinsurance business assumed

With the sale of the shareholding in our former sister company in 2019, we terminated our reinsurance relationship with Wiener TU S. A. (formerly Gothaer Towarzystwo Ubezpieczeń S. A.). The portfolio divestiture had one-off effects on both written and earned premiums. Excluding those effects, gross written premiums from reinsurance business assumed totalled € 163.3 million (PY: € 144.3 million) and gross earned premiums amounted to € 161.4 million (PY: € 165.7 million). This exceeded our expectations.

Claims expenses improved by € 5.5 million to € 103.7 million, while underwriting expenses fell to € 47.9 million (PY: € 48.2 million). An amount of € 15.8 million needed to be withdrawn from the equalization reserve in the financial year (PY: € 16.6 million). This was due mainly to the engineering insurance withdrawal, which is now to be recognized at the minimum funding requirement.

After deduction of reinsurers' shares, net underwriting profit amounted to € 23.0 million (PY: € 23.8 million).

Reinsurance business ceded

We pass risks on to reinsurers in order to hedge our own positions. Both our reinsurance structure and the conditions on which our reinsurance treaties were concluded showed only moderate change against the prior year. The development of the reinsurance premiums paid and reinsurance commissions received was thus in line with the development of the reinsured portfolios.

Premium shares totalling € 283.7 million (PY: € 263.9 million) were transferred to assignees in the financial year. This resulted in a retention rate of 85.4 % (PY: 85.8 %). Our reinsurers needed to shoulder € 167.1 million of claims expenses, after € 174.1 million in the prior year. The high event cancellation expenses due to coronavirus were hedged by our reinsurance structure. In line with the development of the reinsured portfolios, reinsurance commissions were € 3.3 million higher than in the previous year at € 72.1 million. Overall, the reinsurance balance thus amounted to € 38.9 million for reinsurers, compared with € 20.1 million in the prior year. This was due largely to a greater volume of facultative reinsurance cessions than in the prior year and a reduced volume of claims.

Underwriting result

Before adjustment of equalization reserves, the underwriting result net of reinsurance stood at € 97.7 million (PY: € 51.1 million) in direct written insurance business and € 104.9 million (PY: € 58.3 million) in business overall. This was significantly better than in the prior year. The main drivers were increased earned premiums and recessive claims expenses.

After large transfers to equalization reserves for direct written insurance business and withdrawals at the prior-year level for insurance business assumed, the underwriting result was a positive € 66.6 million (PY: € 72.8 million).

€ million	Change in equalization reserves		Underwriting result net of reinsurance	
	2020	2019	2020	2019
Accident	-3.5	-3.2	37.1	34.5
Liability	5.1	1.7	24.7	35.2
Motor liability	-14.5	0.0	34.5	12.6
Other motor	19.2	-2.0	-7.3	-5.6
Fire	30.6	0.3	-18.5	-14.4
Comprehensive householders	0.0	0.0	26.1	24.6
Comprehensive homeowners	11.8	4.8	-28.7	-13.5
Other property	7.5	-2.3	-20.6	-8.4
Marine and aviation	-2.7	1.5	-4.7	-1.2
Other insurance	0.6	1.2	1.0	-14.9
Direct written business	54.1	2.1	43.6	49.0

Investments

Gothaer Allgemeine Versicherung AG pursues an investment strategy that is primarily geared to generating a robust, sustained net return in a competitive environment while taking account of regulatory requirements that need to be met by investment earnings, liquidity, security and quality as well as Solvency II requirements. This is ensured by the systematic use of risk-adjusted and risk-balanced performance management aimed at optimizing the return/risk ratio of the investment portfolio. The Company's current investment strategy and the resulting strategic asset allocation should therefore be seen as the result of a continuous and comprehensive asset liability management process that also, and particularly, takes account of underwriting requirements. In 2020, Gothaer Allgemeine Versicherung AG remained systematically committed to a long standing investment policy that is largely geared to stable current income. The two priorities of this strategy are to generate attractive returns even in the current market environment of sustained low interest rates and to ensure that risks are reduced overall by being spread as broadly as possible over the different types of investment. Since 2019, investment decisions have taken greater account of environmental, social and governance criteria – so-called sustainability criteria. The consequent reduction of investment positions that failed to meet the developed sustainability criteria continued through 2020. In addition, the fund landscape restructuring project launched in 2019 was largely completed in 2020.

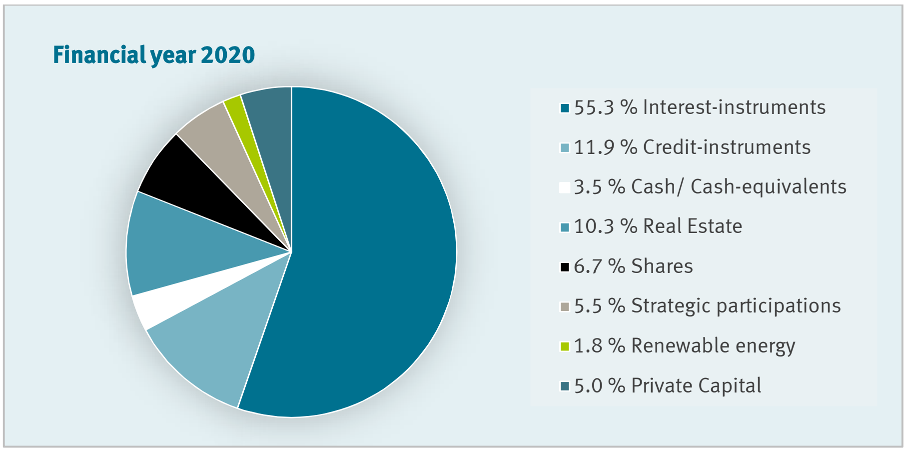
At the beginning of the period under review, global economic development continued along the moderate growth path established in the previous year. From February 2020, when Covid-19 spread from China and became a global pandemic, the infection dynamics became the major pacemaker for the global economy, which was subject to extreme volatility over the rest of the year. For the year as a whole, this resulted in a 3.5 % decline in global economic output against the prior year. Compared with the other major EU countries, Germany came off lightly with a 4.9 % drop in gross domestic product (GDP). From March 2020, the central banks further intensified the already ultra-expansive course of their monetary policy to prevent the global economic shock from turning into a protracted economic depression. Mirroring its impact on the economy, the coronavirus pandemic also had a defining influence on capital market developments in 2020. From the beginning of the year, German government bonds followed an accelerating downward yield trend that briefly took the yield of ten-year Bunds to a new all-time low of -0.9 % on 9 March 2020. After a ten-day correction to -0.2 %, it then entered a flat downtrend for the rest of the year, reaching -0.6 % at year-end. Like German government bonds, US government bonds traced a downward yield path in the first half of the year. From August onward, they entered a flat uptrend, reaching 0.9 % by the end of the year.

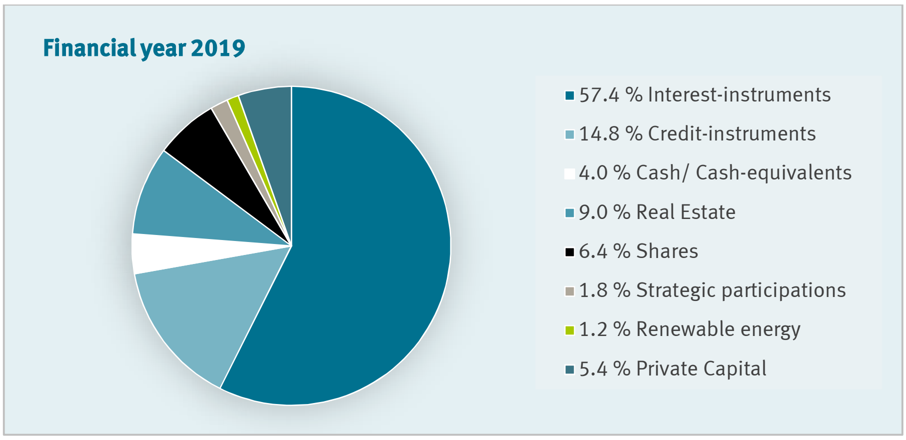
Equity investors experienced a breathtaking rollercoaster ride in 2020. The major market indices started the year with a vigorous surge, climbing to new record levels by mid-February, only to plummet within weeks by around 40 %. From mid-March, in response to monetary and fiscal pandemic containment measures, share prices then staged a similarly rapid recovery. German equities ended the year with a slightly positive overall return (Dax Performance Index: +3.5 %).

The book value of the Gothaer Allgemeine Versicherung AG investment portfolio increased by around € 46.0 million to € 3,654.2 million in the year under review (PY: € 3,608.2 million). The value of net valuation reserves at overall portfolio level rose to € 252.8 million (PY: € 249.2 million). This development was essentially driven by reserves for interest rate instruments totalling € 93.7 million (PY: € 96.7 million).

Composition of investments

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





Selective optimization of returns and risk continued to be a major focus of investment activity last year, so asset allocation remained largely unchanged. The conversion of intra-group loans resulted in a shift between the credit instrument and strategic shareholding asset classes. Within the interest rate instrument asset class, greater emphasis was placed on investing in alternative fixed-income investments such as Dutch mortgage loans. In addition, an SCR-optimizing option hedge was set up for a part of the equity portfolio. Some of the capital thus released was reinvested in attractive real estate opportunities in 2020. Because of the indirect real estate strategy pursued, investment in property (real estate asset class) within the investment structure is not reported under the balance sheet item "Land, land rights and buildings, including buildings on third-party land". Duration increased over the course of the year from 5.4 to 5.8.

In addition to current income, extraordinary income also made a contribution to the overall result. At € 15.7 million (PY: € 38.5 million), extraordinary income was significantly lower than in the prior year. In 2019, most extraordinary income resulted from two special effects: the restructuring of an intra-group subordinated loan and high write-ups on special bond funds. In 2020, insignificant depreciation on real estate and private capital assets was offset by significantly higher gains, particularly in fund holdings and interest rate instruments. While individual assets were subject to crisis-related depreciation, the coronavirus pandemic did not result in any systematic losses in value within the portfolio.

Alongside lower extraordinary income, current income also decreased due to the ongoing low interest rate environment. Over the year as a whole, investment income totalled € 77.3 million (PY: € 114.8 million). This made for a net return of 2.1 % (PY: 3.2 %).

Net income for the year

Including other income and expenses, income before taxes totalled € 99.4 million, as compared with € 138.5 million in the prior year. After taxes, the entire profit of € 102.1 million (PY: € 142.2 million) was transferred as a tax allocation and profit transfer to our parent company, Gothaer Finanzholding AG, under the existing profit transfer and tax allocation agreement.

Shareholders' equity

At € 359.4 million, shareholders' equity in the Company was unchanged at the end of 2020. The equity ratio – defined here as the ratio of equity to premiums earned net of reinsurance – thus reached 21.8 % (PY: 22.3 %). Together with subordinate liabilities of € 250.0 million, the volume of the guarantee assets of the Company at balance-sheet date was unchanged at € 609.4 million.

Insurance lines and coverages

- Health insurance[2)]

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

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

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

- Fire insurance
  Fire industrial, agricultural and other fire insurance

- Aviation insurance[2)]

- Comprehensive householders insurance

- Comprehensive homeowners insurance

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

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

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

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

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

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

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

Membership in associations and similar organizations

The Company is a member of the following associations:

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

We also belong to the following European associations:

- Fédération Française de l'Assurance (FFA), Paris
- France Énergie Éolienne, Paris
- L'Office franco-allemand pour la transition énergétique (OFATE)
- Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE), Brussels
- Verband der Versicherungsunternehmen Österreichs VVO, Vienna

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 worktime framework was extended to provide greater time flexibility for employees. Thanks to these measures and the commitment and creativity of our employees, we were able to continue to operate without any major restrictions on productivity.

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

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

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

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

Our efforts are also geared at present to making Gothaer demographic-proof, maintaining staff performance and heightening job satisfaction. In addition to commercially viable financial incentives, we 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

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

The following chart shows the targets and actual representation figures as of 30 June 2020 and the new targets set for the Supervisory Board and Management Board as of 30 June 2023, and for managers as of 31 December 2023:

			in %
	Target 30.06.2020	Actual proportion 30.06.2020	Target 30.06.2023
Supervisory Board	33.3	33.3	33.3
- Shareholder side	16.7	16.7	16.7
- Employee side	16.7	16.7	16.7
Management Board/Executives	0.0	0.0	0.0
Managers			
- Management tier I	10.0	6.3	20.0*
- Management tier II	10.0	14.3	20.0*

*) Target for 31.12.2023

The targets set for the proportion of women on the Supervisory Board, on the Management Board and in management tier II of Gothaer Allgemeine Versicherung AG were achieved.

The shortfall in management tier I of Gothaer Allgemeine Versicherung AG is due to changes in organizational structures and management tier assignment. Within the context of extensive change processes in the period under review, it was not possible to achieve all the targets set despite the implementation of a wide range of measures – such as a mentoring programme and various initiatives promoting reconciliation of work and family life.

Further measures are being developed and successively implemented to increase the proportion of women in management. Some key examples: The issue is anchored in the "Mindset & Diversity" action line of the new Group strategy "Ambition 25" and thus receives special attention, including from management, for this reason alone.

Furthermore, an awareness-raising process was initiated across the Group – starting with short presentations on the topic of "Unconscious Bias" at Management Board meetings and in departmental meetings with managers in management tier I – which will be systematically carried forward and expanded in the future. In addition, we aim to heighten the focus on female talent in our employer branding and recruitment activities.

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

Brand

A strong brand is a critical success factor, especially for an insurance company. The decision to buy an intangible asset such as insurance cover is based on the trust associated with the brand. Gothaer is among the 10 best-known insurance brands in Germany and remains a relevant and attractive brand even 200 years after its foundation. Our brand image and positioning as a symbol of "Added Value through Community" – based on the founding idea of Gothaer as a mutual insurance company – is supported by modern advertising communication. In 2020, the year of the coronavirus pandemic, the message – strikingly communicated by the brand claim "Kraft der Gemeinschaft" (Power of the Community) – was linked to the brand in a very emotional and tangible way. The modern target-group-oriented approach, coupled with an efficient integrated mix of digital and classical media as well as other brand communication tools, give Gothaer a contemporary brand presence.

Code of conduct for sales and distribution

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

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

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

Non-financial Declaration

We claim exemption on grounds of group membership under Section 289b (2) of the German Commercial Code (HGB). The Non-financial Declaration is contained in the consolidated financial statements of Gothaer Versicherungsbank VVaG Cologne, in which the Company is included. The consolidated financial statements are published on the Gothaer website (www.gothaer.de) as well as in the Federal Gazette.

Outlook for 2021

Proviso

The forecasts and estimates contained in this annual report are based on the information available to us in December 2020. Assessments of the impacts that coronavirus will have on future business are still subject to a huge degree of uncertainty. Even estimation of the possible duration of the pandemic is influenced by various factors: vaccine successes and simultaneous mutation of the virus. This presents further challenges for the assessment of coronavirus-related restrictions on private and economic life.

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

Premium income

Our corporate strategy in the coming year will continue to focus on stable and substantial sales performance.

The projection for direct written business in 2020 is for moderate growth. In the private client segment, significant growth will continue to come from comprehensive homeowners insurance, while in the corporate client segment the main driver will be industrial property insurance.

In private property, liability and accident insurance, intense competition on prices and conditions continues unabated. In addition, the entry into the market of digital insurers is intensifying the fierce (price) competition that already existed within the industry. Against the backdrop of these challenges, our private client segment will focus on a strong commitment to the customer in line with strategic planning. New business models and digital sales approaches will be developed for this purpose. Preventive solutions for clients will be strategically developed through cooperative smart home ventures with partners ABUS, Grohe and Bosch. In digital sales, cooperations with Getaway (insurance cover for car rentals between private individuals) and Mami Poppins (insurance cover for the rental of baby carriages) will continue.

On the corporate client side, the coronavirus crisis will have a significant impact on the development of premium income in 2021 due to the high proportion of sales-based risks. We again expect significant boosts to new business in the coming year from our modular multi-line commercial product Gothaer GewerbeProtect. In the future, a special focus will be on creating digital interfaces that meet the market-wide standards of the Industry Institute for Process Optimization for the trouble-free connection of brokerage houses, pools and platforms. The product and IT landscape will be continuously and flexibly developed by line functions, sales and IT departments in interdisciplinary agile teams. In 2021, cyber insurance is expected to be a special source of new impetus for the commercial segment.

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

Claims

On the claims side, projections are based on the assumption that the burden of major and natural hazard claims will return to its normal higher 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 coronavirus pandemic, we anticipate a significantly higher gross loss ratio in 2021 than in 2020.

Underwriting expenses

Due to investment in strategic planning, there will be a moderate increase in administrative costs next year in relation to premiums.

Underwriting result

Owing to the level of claims forecast, the gross underwriting result will be significantly lower than in the prior year. However, the gross combined ratio should remain below the 95 % mark.

Investments

Because of the continuing low level of interest rates forecast and the challenges connected with it, we anticipate a further downturn in investment income and net return in the coming year.

Income before taxes

Despite declining underwriting results and lower investment income, we again anticipate distinctly positive net earnings in the coming year.

Even against the background of a market environment that remains challenging due to the ongoing development of the coronavirus pandemic, we are confident that our strategic alignment will enable us to improve our market position and further develop client relationships in the coming year. We remain a reliable partner for our customers.

Opportunities and risks of future developments

Risk-oriented management concept

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

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

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

Risk management organization

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

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

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

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

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

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

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

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

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

Opportunities and risks for the Company

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

The ongoing Covid-19 pandemic and its macroeconomic impacts will result, first and foremost, in a fall in premium income from the sales-related insurance policies of our corporate clients. We estimate that this will be in line with the downturn in gross domestic product in the real economy. On the claims side, the pandemic has given rise to an increased claims volume, particularly for the business closure and event cancellation lines. Our systematic use of reinsurance protection provides appreciable relief for those operations.

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 are also expected to continue to push up demand for insurance from both corporate and private clients.

Successful Lean Six Sigma measures should lead to efficiency gains in the future. In addition, the increasing use of robotics solutions will facilitate the rapid processing of standardized, repetitive transactions.

Underwriting risks

Assumption of risk lies at the core of our business activities. Since we assume that natural events resulting from climate change will continue to influence underwriting risk in the future, we will continue to place greater emphasis on 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 each individual underwriting risk to be separately assessed by our risk engineers.

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

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

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

In the private client segment, competition is still intense for high-margin products. The situation is characterized by growing transparency of prices and conditions, the entry into the market of digital insurers and the consequent high level of attrition rates. Overall, underwriting margins are under increasing pressure. We respond to these market requirements with a profit-oriented policy on prices and conditions. End-to-end portfolio management enables us to monitor the portfolio constantly and to respond with individual measures to improve earnings where policies perform particularly poorly. Furthermore, a new product and pricing strategy was implemented for the private client segment in property, liability and casualty insurance. It permits flexible marketing of up to five product lines depending on the state of the market for the various types of insurance.

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

Reinsurance

When reinsurance treaties came up for renewal on 1 January 2020, a number of reinsurers cited increased retrocession costs to justify demands for higher reinsurance premiums market-wide. Ultimately, however, those market participants failed to prevail and higher rates for reinsurance cover needed to be accepted at most for loss-impacted reinsurance treaties. The renewal of reinsurance treaties at 1 January 2020 was therefore unproblematic and all reinsurance treaties were placed on terms that were regarded as satisfactory by Gothaer.

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. In addition, the threshold was moderately raised for our non-proportional general accident cover.

As in the prior year, the results of Gothaer reinsurance cessions for reinsurers were largely unaffected by natural hazard losses. However, there was a rise in claims expenses connected with pandemic-related major losses – particularly in event cancellation insurance. Reinsurers contributed proportionately to the pandemic-related benefits paid by Gothaer to its policyholders. This resulted in very 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
2011	66.5	12.6
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

Risks arising from reinsurance assumed

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

Risks arising from fronting agreements

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

Loss of receivables risk

Accounts receivable from policyholders and insurance agents in connection with direct written insurance business totalled € 93.0 million at balance sheet date. € 23.0 million of the aggregate total of accounts receivable handled by our central collection systems has been due for more than 90 days. The average collection loss (unsuccessful court orders) in the last three years was € 2.6 million, which represented an average of 1.4 ‰ of gross premiums written.

Risks arising from business ceded for reinsurance

We cede reinsurance only to high-class reinsurers. 68 % of our reinsurance premiums are ceded to reinsurers with a rating of AA- or better. Accounts receivable in connection with assumed and ceded reinsurance business totalled € 33.2 million at balance sheet date. Accounts receivable in connection with reinsurance ceded amounted to € 28.5 million. The structure of receivables from reinsurers by rating category was as follows:

Rating class	€ million
AA	21.0
A	7.2
BBB	0.2
Not rated	0.2

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

Investment risks

Risk strategy

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

Risk situation and management

• Market change risk

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

Simulating interest rate change risk in line with German Accounting Standard DRS 20 A2.14 produced the following result for Gothaer Allgemeine Versicherung AG: a 1 percentage point parallel increase in the interest curve with a modified duration of 5.8 (PY: 5.4) reduced the market value of interest-bearing securities by € 158.4 million (PY: € 158.0 million) in comparison to the year-end value of the portfolio.

The market value of the equity portfolio is also expected to remain stable in the coming year. Share exposure increased moderately as a result of positive market developments. In addition, an SCR-optimizing option hedge was set up for a part of the equity portfolio. Risk capital stress testing (20 % downturn in prices) resulted in a fall in market value of around € 149.6 million (PY: € 118.3 million) at balance sheet date.

Developments in the real estate market were shaped by Covid-19 in 2020 and will continue to be influenced by it. What can be observed at present is that the markets for the various types of occupancy are developing differently. Due to these uncertainties, investments in real estate loans currently remain attractive. Change risks (risks of long-term change) are reduced here by the generally shorter and limited investment period compared with equity investments as well as by the right to repayment (compared with equity investments). 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 € 40.2 million (PY: € 34.6 million).

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

• Credit/solvency risk

Credit/solvency risk is the risk of insolvency or late payment; it also includes the risk of a negative change in the creditworthiness of a debtor or issuer. In the interest of risk management, investment vehicles are acquired only when a qualified and cross-checked assessment of creditworthiness 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.

The percentage of total investment volume accounted for by credit instruments continued to decrease in 2020, falling to around 11.9 % (PY: 14.8 %) by market value. This was a result of active scaling back. At year-end, there was no significant credit risk discernible. Total investment in PIIS-government bonds accounted for around 6.1 % (PY: 6.6 %) of the market value of the investment portfolio. At the end of the year, these investments produced an aggregate unrealized profit of around € 22.5 million (PY: € 20.3 million).

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

Rating class		in %
	2020	2019
AAA	28.0	30.4
AA+	6.3	8.6
AA	9.0	7.9
AA-	8.2	6.8
A+	9.2	9.0
A	10.2	4.4
A-	6.5	8.4
BBB+	5.7	7.3
BBB	11.1	10.1
BBB-	3.0	5.1
Speculative Grade (BB+ to D)	1.2	1.0
Not rated	1.6	1.0

• Liquidity risk

A viable liquidity planning and management system is a prime requirement for effective investment management. Group-wide liquidity planning, which encompasses both investment and underwriting, ensures precise day-by-day projection of cash balances. When 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 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 ever-increasing role of information and communication technologies (IT) in business process support enables insurance companies to digitize and automate processes. As the importance of uninterrupted professional IT services for Gothaer grows, so too does Group-wide risk management's focus on IT risks.

Professionalized criminal organizations seek to exploit the growing dependence on IT to launch targeted attacks against companies and their service providers. To counter this mounting threat, the Gothaer Group operates a certified information security management system (ISMS). That system focuses, in particular, on maintaining business processes through risk-oriented protection of the confidentiality, integrity, availability and authenticity of the information assets involved.

We broadly guarantee compliance with the supervisory IT requirements for insurance enterprises ("Versicherungsaufsichtliche Anforderungen an die IT") of the Federal Financial Supervisory Authority (BaFin) and other statutory requirements. Controlling and implementing measures ensure that the arrangements we make are continuously upgraded to meet the ever-growing risks.

We also essentially 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.

Organizational and technical measures within the ISMS are geared to the relevant regulatory requirements as well as to recognized standards and the current state of the art. In addition, critical business processes, including the resources required for them, are safeguarded by further business continuity management (BCM) measures. The effectiveness of the entire ISMS is reviewed during the course of the year on a risk-oriented basis by means of internal audits, and external monitoring and certification in accordance with ISO/IEC 27001 is carried out annually by TÜV Rheinland.

Regular ad-hoc reporting on risk management, level of security and significant events ensures that risk-minimizing measures are managed in accordance with regulatory requirements.

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, HR 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. In 2020, highly targeted analyses and measurements were performed 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.

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

Regulatory compliance of financial statements

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

Legal risks

Due to mounting legislative requirements and judiciary developments at European and national level, the insurance industry faces major challenges even from a purely administrative perspective. Recent examples include the pending Association Sanctions Act in Germany and, at European level, the Schrems II ruling by the ECJ.

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.

Summary of the risk situation

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

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

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

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

In 2020, Standard & Poor's gave Gothaer Allgemeine Versicherung AG a confirmatory A- follow-up rating for financial stability and maintained outlook at positive.

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

Balance Sheet as at 31 December 2020

Assets

				€ thousand
			2020	2019
A. Intangible assets				
I. Acquired concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets		63,670		62,483
II. Payments in advance		18,449		20,388
			82,119	82,871
B. Investments				
I. Investments in affiliated companies and associates				
1. Shares in affiliated companies	158,717			167,152
2. Loans to affiliated companies	125,011			125,000
3. Investments in associated companies	183,046			196,106
4. Loans to associated companies	19			19
		466,793		488,276
II. Other investments				
1. Shares, investments in unit trust and funds and other non-fixed-interest securities	1,915,866			1,447,246
2. Bearer bonds and other fixed-interest securities	731,122			1,079,371
3. Mortgages, liens on real property and annuities	663			848
4. Other loans	448,807			478,729
5. Bank deposits	65,250			88,950
6. Miscellaneous investments	2			2
		3,161,710		3,095,146
III. Deposits made in connection with reinsurance business assumed		25,697		24,777
of which from affiliated companies: €25,143 thousand (PY: €24,210 thousand)				
			3,654,200	3,608,200

				€ thousand
			2020	2019
C Accounts receivable				
I. Accounts receivable in connection with direct insurance business from:				
1. Policyholders	33,704			34,367
2. Insurance agents	59,263			52,620
		92,966		86,987
II. Accounts receivable in connection with reinsurance business		33,202		46,013
of which from affiliated companies: €1,481 thousand (PY: €3,569 thousand)				
of which from associated companies: €3,631 thousand (PY: €2,144 thousand)				
III. Other accounts receivable		52,364		71,002
of which from affiliated companies: €10,280 thousand (PY: €11,239 thousand)				
of which from associated companies: €79 thousand (PY: €0 thousand)				
			178,532	204,003
D. Other assets				
I. Tangible assets and inventories		4,140		3,467
II. Current credit balances with banks, checks and cash on hand		38,451		33,923
III. Miscellaneous assets		1,000		1,043
			43,591	38,434
E. Prepaid expenses				
I. Prepaid interest and rent		23,264		25,527
II. Other prepaid expenses		408		438
			23,672	25,966
F. Excess of plan assets over pension liability			1,378	976
Total assets			3,983,492	3,960,448

Shareholders' equity and liabilities

						€ thousand
					2020	2019
A.	Shareholders' equity					
	I.	Called-in capital				
		Subscribed capital	153,388			153,388
		Less outstanding contributions not called in	10,226			10,226
				143,162		143,162
	II.	Capital reserve		216,256		216,256
	III.	Revenue reserve				
		Statutory reserve		5		5
					359,423	359,423
B.	Subordinate liabilities				250,000	250,000
C.	Underwriting reserves					
	I.	Unearned premiums				
		1. Gross amount	260,418			248,936
		2. less: amounts ceded	21,099			20,113
				239,319		228,823
	II.	Aggregate policy reserve				
		Gross amount		35,218		38,004
	III.	Reserve for outstanding claims				
		1. Gross amount	2,664,877			2,638,311
		2. less: amounts ceded	385,107			377,681
				2,279,770		2,260,630
	IV.	Reserve for performance-related and non-performance-related premium refunds				
		1. Gross amount	4,297			4,744
		2. less: amounts ceded	134			95
				4,163		4,649
	V.	Equalization reserves and similar reserves		437,817		399,533
	VI.	Other underwriting reserves				
		1. Gross amount	7,604			7,942
		2. less: amounts ceded	-3,832			-4,061
				11,436		12,004
					3,007,724	2,943,644

					€ thousand
				2020	**2019**
D.	**Other accruals**				
	I. Accruals for pensions and similar obligations		582		597
	II. Accruals for taxes		2,810		3,500
	III. Miscellaneous accruals		36,396		30,254
				39,788	34,351
E.	**Deposits held in connection with reinsurance business ceded**			35,029	36,254
F.	**Other liabilities**				
	I. Accounts payable in connection with direct insurance business to				
	1. Policyholders	102,261			92,202
	2. Insurance agents	17,369			15,414
			119,631		107,616
	II. Accounts payable in connection with reinsurance business		35,096		56,020
	of which to affiliated companies: €2,909 thousand (PY: €775 thousand)				
	III. Miscellaneous liabilities		136,801		173,139
	of which: for taxes: €18,943 thousand (PY: €19,586 thousand) toward affiliated companies: €98,260 thousand (PY: €141,328 thousand) toward associated companies: €1,759 thousand (PY: €249 thousand)				
				291,528	336,775
Total shareholders' equity and liabilities				**3,983,492**	**3,960,448**

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

Cologne, 4 March 2021

Dr. Land
Appointed actuary

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

Cologne, 4 March 2021

zur Mühlen
Trustee

Income Statement
for the Year Ended 31 December 2020

				€ thousand
			2020	2019
I. Underwriting account				
1. Earned premiums net of reinsurance				
a) Gross premiums written	1,941,005			1,853,007
b) Reinsurance premiums ceded	283,662			263,950
		1,657,343		1,589,057
c) Change in gross unearned premiums	-11,482			19,718
d) Change in gross unearned premiums ceded	-986			38
		-10,496		19,680
			1,646,847	1,608,737
2. Technical interest net of reinsurance			2,279	2,960
3. Other underwriting income net of reinsurance			1,344	1,921
4. Claims expenses net of reinsurance				
a) Claims paid				
aa) Gross amount	1,196,940			1,229,792
bb) Amount ceded	159,768			143,372
		1,037,172		1,086,420
b) Change in reserve for outstanding claims				
aa) Gross amount	16,243			8,340
bb) Amount ceded	7,360			30,720
		8,884		-22,380
			1,046,055	1,064,040
5. Change in other net underwriting reserves				
a) Net aggregate policy reserve		2,786		2,913
b) Other net underwriting reserves		568		-2,808
			3,354	104
6. Expenses for performance-related and non-performance-related premium refunds net of reinsurance			2,674	4,050
7. Underwriting expenses net of reinsurance				
a) Gross underwriting expenses		557,597		541,942
b) less: commissions and profit sharing received on reinsurance business ceded		72,141		68,806
			485,457	473,136
8. Other underwriting expenses net of reinsurance			14,714	14,200
9. Subtotal			104,924	58,297
10. Change in equalization reserves and similar reserves			-38,284	14,489
11. Underwriting result net of reinsurance			66,640	72,786

				€ thousand
			2020	2019
II. Non-underwriting account				
1. Investment income				
a) Income from investments of which from affiliated companies: €3,161 thousand (PY: €7,250 thousand)	8,840			15,507
b) Income from other investments of which from affiliated companies: €6,683 thousand (PY: €12,406 thousand)	74,222			69,080
c) Income from write-ups	335			18,309
d) Proceeds from the disposal of investments	41,058			27,144
		124,455		130,040
2. Investment expenses				
a) Cost of portfolio management, interest expenses and other expenses in connection with investments	21,510			8,232
b) Amortization of investments	17,038			4,298
c) Losses from the disposal of investments	8,613			2,689
		47,161		15,219
			77,293	114,820
3. Technical interest			-2,616	-3,224
			74,678	111,596
4. Other income		73,449		62,543
5. Other expenses		115,386		108,448
			-41,937	-45,905
6. Income before taxes			99,382	138,478
7. Taxes on income and tax	-2,815			-4,072
charged by the controlling company	39,337			39,760
		36,522		35,688
8. Other taxes		143		385
			36,665	36,073
9. Profit transferred on the basis of a profit-transfer or pooling agreement			62,717	102,404
10. Net income for the year			0	0

Notes to the Financial Statements
Accounting and Valuation Policies

Introduction

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

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

Currency translation

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

Intangible assets

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

Investments

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

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

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

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

Investment fund certificates, which are classed as fixed assets, are recognized at cost. In accordance with section 253 (3) HGB, depreciation is applied only in the case of permanent impairment, e.g. where a significant deterioration of credit quality occurs. If the reason for impairment no longer exists, a write-up is performed pursuant to section 253 (5) HGB.

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

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

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

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

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

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

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

For all structured interest rate products, a precise analysis of cash flow structures is performed and the products divided into the underlying basic elements. 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. Optional components are calculated either using the Excel valuation tool "Rendite & Derivate" from Moosmüller & Knauf or the valuation software MB Risk Management (MBRM). The actual valuation is performed by discounting all anticipated future cash flows, while also taking into account security-specific spreads.

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

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

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

Bank deposits are carried at nominal value.

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.

Deposits with ceding companies are recognized at nominal value.

Accounts receivable in connection with direct insurance business

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

Tangible assets and inventories

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

Surplus from offsetting

The surplus is stated at fair value.

Other assets

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

Underwriting reserves

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

The volume of unearned premiums from direct insurance activities is predominantly established by the 360/360-method on the basis of statistic premiums from policies in force. Other methods are applied to a limited extent. In the engineering and marine insurance lines, the 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 established on the basis of contractual agreements.

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

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

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

The reserve for losses (with the exception of annuities) included in the reserves for outstanding claims in connection with direct insurance business was determined on the basis of the anticipated requirement and calculated individually. The reserve for losses incurred but not yet reported was determined on a 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 on the basis of the letter from the Federal Ministry of Finance dated 2 February 1973.

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

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

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

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

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

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

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

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

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

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

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

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

Accruals for pensions and similar obligations

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

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

• Actuarial interest	2.31 %
• Wage and salary trend	2.20 %
• Pension progression rate	1.60 %
• Fluctuation up to age 35	6.00 %
up to age 45	3.00 %
up to age 60	1.00 %

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

Miscellaneous accruals

The reserve for obligations in connection with pre-retirement employment agreements is determined by applying actuarial principles. Calculation is based on the 2018 G mortality tables developed by Prof. Dr. Klaus Heubeck, taking account of a wage and salary trend of 2.20 % and actuarial interest of 0.48 %.

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

Other liabilities

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

Notes to the Balance Sheet

Assets

Changes in assets in the financial year 2020

				Carrying amounts previous year
A.		Intangible assets		
		1.	Acquired concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets	62,483
		2.	Payments in advance	20,388
		3.	**Subtotal A.**	**82,871**
B	I.	Investments in affiliated companies and associates		
		1.	Shares in affiliated companies	167,152
		2.	Loans to affiliated companies	125,000
		3.	Investments in associated companies	196,106
		4.	Loans to associated companies	19
		5.	**Subtotal B I.**	**488,276**
B	II.	Other investments		
		1.	Shares, investments in unit trusts and funds and other non-fixed-interest securities	1,447,246
		2.	Bearer bonds and other fixed-interest securities	1,079,371
		3.	Mortgages, liens on real property and annuities	848
		4.	Other loans	
			a) Registered bonds	328,104
			b) Promissory notes and loans	129,807
			c) Loans and advance payments on insurance policies	9
			d) Other miscellaneous loans	20,809
		5.	Bank deposits	88,950
		6.	Miscellaneous investments	2
		7.	**Subtotal B II.**	**3,095,146**
Total				3,666,293

€ thousand

Additions	Reclassifications	Disposals	Reversals	Amortization	Carrying amounts Financial year
1	12,554	281	0	11,086	63,670
21,388	-12,554	0	0	10,773	18,449
21,389	0	281	0	21,860	82,119
11,955	0	19,736	23	676	158,717
11	0	0	0	0	125,011
7,842	0	12,204	313	9,011	183,046
0	0	0	0	0	19
19,809	0	31,940	335	9,687	466,793
1,055,438	0	579,687	0	7,132	1,915,866
11,356	0	359,605	0	0	731,122
0	0	185	0	0	663
291	0	22,556	0	0	305,840
12,453	0	18,257	0	0	124,003
0	0	3	0	0	6
602	0	2,232	0	220	18,959
0	0	23,700	0	0	65,250
0	0	0	0	0	2
1,080,140	0	1,006,225	0	7,352	3,161,710
1,121,338	0	1,038,447	335	38,898	3,710,622

Carrying amounts and fair value of investments

			€ thousand		
			Carrying amounts	Fair values	Valuation reserves
B.I.	Investments in affiliated companies and associates				
	1.	Shares in affiliated companies	158,717	166,525	7,808
	2.	Loans to affiliated companies	125,011	141,860	16,849
	3.	Investments in associated companies	183,046	223,316	40,270
	4.	Loans to associated companies	19	19	0
B.II.	Other investments				
	1.	Shares, investments in unit trusts and funds and other non-fixed-interest securities	1,915,866	1,975,941	60,075
	2.	Bearer bonds and other fixed-interest securities	731,122	805,965	74,843
	3.	Mortgages, liens on real property and annuities	663	694	32
	4.	Other loans			
		a) Registered bonds	305,840	339,991	34,151
		b) Promissory notes and loans	124,003	141,581	17,578
		c) Loans and advance payments on insurance policies	6	7	1
		d) Other miscellaneous loans	18,959	20,142	1,183
	5.	Bank deposits	65,250	65,250	0
	6.	Miscellaneous investments	2	2	0
B.III.	Deposits in connection with reinsurance business assumed		25,697	25,697	0
Total			3,654,200	3,906,989	252,789

B. II. 1. and 2. include investment fund certificates, bearer bonds and other fixed-interest securities with a carrying amount of € 2,523,411 thousand that are classified as long-term assets pursuant to section 341b (2) HGB. The fair value of these assets comes to a total € 2,635,671 thousand. Hidden liabilities amounted to € 83 thousand.

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

Total investments included for purposes of payment of surplus bonuses

In the case of accident insurance with premium refunds, investments carried at a cost of € 57,369 thousand with a fair value of € 64,432 thousand are included for purposes of payment of surplus bonuses. As of 31 December 2020, the difference between cost and fair value came to € 7,063 thousand.

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

			€ thousand
		Carrying amount	Fair value
B.II.2.	Bearer bonds and other fixed-interest securities	10,995	10,912

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

Information on valuation units

		€ thousand			
		Trading/Nominal volume		Carrying amount	Fair value
B. I. 3.	Investments in associated companies			15,078	15,461
	Forward currency sales	19,000	TUSD		571
	Micro valuation unit	**19,000**	**TUSD**	**15,078**	**16,032**
B. I. 3.	Investments in associated companies			35,869	66,627
	Forward currency sales	84,180	TUSD		2,492
	Forward currency purchases	4,030	TUSD		-107
	Portfolio valuation unit	**87,580**	**TUSD**	**65,869**	**69,013**
B. I. 3.	Investments in associated companies			9,922	10,103
	Forward currency sales	7,430	TGBP		-182
	Portfolio valuation unit			**9,922**	**9,922**
B. I. 3.	Investments in associated companies			16,227	18,637
	Forward currency sales	13,000	TNOK		-20
	Forward currency sales	4,300	TGBP		-105
	Portfolio valuation unit			**16,227**	**18,512**
B. II. 2.	Bearer bonds			5,923	5,945
	Forward currency sales	7,000	TUSD		211
	Micro valuation unit			**5,923**	**6,156**
B. II. 2.	Bearer bonds			20,371	21,285
	Forward currency sales	24,000	TUSD		723
	Portfolio valuation unit			**20,371**	**22,008**
B. II. 4. d)	Other loans			8,959	8,633
	Forward currency sales	12,150	TUSD		363
	Forward currency purchases	1,610	TUSD		-37
	Micro valuation unit	**10,540**	**TUSD**	**8,959**	**8,959**

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

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

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

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

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

					€ thousand
Type of fund/ investment objective	Carrying amount	Fair value	Difference	Payout	Redemption option
Equity fund	161,222	161,222	0	5,172	daily
Pension fund	737,089	739,824	2,736	27,165	daily or within one month
Property fund	95,750	117,613	21,863	-6	daily or within max. six months
Other	835,761	867,483	31,722	0	daily

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

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

Shareholders' equity and liabilities

Shareholders' equity

		€ thousand	
		2020	2019
I.	**Called-in capital**		
	Subscribed capital	153,388	153,388
	Less outstanding contributions not called in	10,226	10,226
	The subscribed capital in the amount of €153,387,564.36 consists of 300,000 registered shares of €511.29 each (see bylaws of 19.12.2011). Gothaer Finanzholding AG has informed our Company that it controls a majority of the voting rights pursuant to section 20 (4) AktG.		
	Total	143,162	143,162
II.	**Capital reserve**	216,256	216,256
	of which pursuant to section 272 (2) no. 4 HGB	51,821	51,821
III.	**Revenue reserve**		
	Statutory reserve	5	5
Total		359,423	359,423

Gross underwriting reserves

	€ thousand	
	2020	2019
Accident	339,023	353,779
Liability	1,174,274	1,161,887
Motor liability	595,713	621,853
Other motor	43,180	28,413
Fire and property	725,973	652,540
Of which:		
Fire	146,798	126,602
Comprehensive householders	37,229	40,022
Comprehensive homeowners	217,482	194,194
Other property	324,463	291,722
Marine and aviation	90,883	75,203
Other insurance	144,161	149,183
Direct insurance business	3,113,206	3,042,858
Reinsurance business assumed	297,025	294,614
Total	3,410,231	3,337,471

Of which gross reserves for outstanding claims

	2020	2019
	€ thousand	
Accident	259,757	267,657
Liability	1,037,939	1,030,887
Motor liability	528,368	540,082
Other motor	21,499	26,133
Fire and property	440,255	421,032
Of which:		
Fire	95,832	106,862
Comprehensive householders	12,460	14,771
Comprehensive homeowners	88,930	80,614
Other property	243,033	218,785
Marine and aviation	71,296	53,764
Other insurance	120,438	129,739
Direct insurance business	2,479,552	2,469,294
Reinsurance business assumed	185,325	169,016
Total	2,664,877	2,638,311

The evaluation of the figures of gross reserves for outstanding claims has taken into account salvage, subrogation and loss sharing agreements in the amount of € 9,410 thousand (PY: € 9,781 thousand).

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

Performance-related	2020	2019
	€ thousand	
Opening balance	1,364	475
Withdrawals	370	282
Additions	51	1,171
Final balance	1,045	1,364

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

- € 266 thousand (PY: € 153 thousand) for current surplus bonuses that have already been fixed but not yet distributed
- € 189 thousand (PY: € 46 thousand) for terminal bonuses that have already been fixed but not yet distributed
- € 5 thousand (PY: € 3 thousand) for amounts that have already been fixed but not yet distributed for participation in valuation reserves

The terminal bonus fund amounts to € 173 thousand (PY: € 210 thousand).

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

The following rates apply for surplus bonuses due in the calendar year 2021 on the basis of contractual provisions. Where rates have changed against 2020, the prior-year rates are shown in brackets:

- **Old policies**

Interest on bonus	5.00 %	(8.00 %)	on the eligible aggregate policy reserve of basic insurance
	0.00 %	(4.50 %)	on the eligible aggregate policy reserve of bonus insurance
Basic bonus	6.00 %		on the annual return premium
Terminal bonus	8.00 %	(15.00 %)	on total eligible return premiums

- **New policies**

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

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

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

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

Policies with rates BRE1, BRK1, BRS1, BRT1

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

Policies with rates BRE2, BRK2, BRS2, BRT2

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

Increase in policy reserve for interest rate risk (Zinszusatzreserve)

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

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

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

Participation in valuation reserves

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

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

Eligible policies

All accident insurance with premium return policies are eligible.

Time of irrevocable allocation of valuation reserves

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

Determination of valuation reserves available for distribution

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

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

Allocation of valuation reserves upon maturity of policies

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

Allocation of valuation reserves available for distribution upon maturity of policies

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

Distribution factor of a policy

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

Distribution of valuation reserves upon maturity of policies

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

Equalization reserves and similar reserves

		€ thousand
	2020	2019
Accident	21,454	24,978
Liability	79,878	74,798
Motor liability	62,521	77,050
Other motor	19,225	0
Fire and property	165,073	115,199
Of which:		
Fire	41,014	10,391
Comprehensive householders	0	0
Comprehensive homeowners	81,782	70,000
Other property	42,277	34,809
Marine and aviation	12,060	14,755
Other insurance	4,218	3,573
Direct insurance business	364,429	310,354
Reinsurance business assumed	73,388	89,180
Total	**437,817**	**399,533**

Other accruals

The difference resulting from the valuation of pension accruals and similar obligations totals € 65 thousand (PY: € 72 thousand).

		€ thousand
	2020	2019
III. Miscellaneous accruals for:		
Pre-retirement employment	1,562	3,088
Social plans/severance payments	1,809	5,169
Bonuses	12,970	11,419
Leave/Time credits	2,757	1,856
Other HR reserves	451	415
Sales and competition activities	1,931	1,225
Financial statement expenses	586	582
Outstanding invoices	1,442	2,669
Legal disputes	200	398
Anticipated losses	1,635	1,244
Other	11,054	2,191
Gesamt	36,396	30,254

Offsetting of assets and liabilities

In line with section 246 (2) sent. 2 HGB, plan assets of € 8,309 thousand (PY: € 7,888 thousand) have been offset against corresponding pension obligations of € 8,493 thousand (PY: € 10,000 thousand). The fair value of the plan assets offset is equal to value at cost.

Notes to the Income Statement

Gross premiums written

		€ thousand
	2020	2019
Accident	137,865	138,635
Liability	356,515	353,490
Motor liability	244,331	244,243
Other motor	163,000	162,664
Fire and property	677,482	630,591
Of which:		
Fire	100,431	91,603
Comprehensive householders	85,819	87,595
Comprehensive homeowners	208,315	189,937
Other property	282,916	261,457
Marine and aviation	62,971	54,823
Other insurance	135,544	124,224
Direct insurance business	1,777,708	1,708,671
Reinsurance business assumed	163,297	144,337
Total	**1,941,005**	**1,853,007**

Gross premiums earned

		€ thousand
	2020	2019
Accident	138,112	138,537
Liability	355,668	356,513
Motor liability	244,320	244,286
Other motor	162,985	162,639
Fire and property	672,838	627,087
Of which:		
Fire	99,868	91,687
Comprehensive householders	86,310	88,291
Comprehensive homeowners	204,799	187,203
Other property	281,861	259,907
Marine and aviation	62,087	54,637
Other insurance	132,095	123,372
Direct insurance business	1,768,103	1,707,071
Reinsurance business assumed	161,419	165,654
Total	**1,929,523**	**1,872,725**

Net premiums earned

€ thousand	2020	2019
Accident	137,000	137,466
Liability	309,071	311,007
Motor liability	211,005	210,866
Other motor	137,811	137,405
Fire and property	530,206	499,664
Of which:		
Fire	56,996	53,988
Comprehensive householders	85,977	87,824
Comprehensive homeowners	173,229	158,407
Other property	214,003	199,446
Marine and aviation	60,209	53,057
Other insurance	109,073	105,153
Direct insurance business	1,494,374	1,454,618
Reinsurance business assumed	152,472	154,119
Total	1,646,847	1,608,737

Technical interest net of reinsurance

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

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

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

Gross claims expenses

	2020	2019
	€ thousand	
Accident	63,390	67,421
Liability	201,422	185,122
Motor liability	178,134	186,792
Other motor	116,176	139,121
Fire and property	420,915	406,734
Of which:		
Fire	48,206	72,900
Comprehensive householders	27,986	31,390
Comprehensive homeowners	142,248	126,907
Other property	202,475	175,536
Marine and aviation	47,944	32,138
Other insurance	81,530	111,608
Direct insurance business	1,109,512	1,128,936
Reinsurance business assumed	103,671	109,197
Total	**1,213,184**	**1,238,132**

Gross claims expenses include claims expenses in the financial year and the result of loss adjustment from reserves for outstanding claims taken over from the previous year (gross in each case). Profit on adjustments represents 6.7 % (PY: 8.4 %) of the reserve at the beginning of the period.

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

	2020	2019
	€ thousand	
Performance-related	51	1,171
Non-performance-related	2,637	2,802
Direct insurance business	2,688	3,973
Reinsurance business assumed	-15	76
Total	**2,674**	**4,050**

Gross underwriting expenses

	€ thousand	
	2020	2019
Accident	45,233	43,738
Liability	122,333	124,462
Motor liability	41,415	40,394
Other motor	28,295	27,248
Fire and property	216,808	204,739
Of which:		
Fire	27,352	26,270
Comprehensive householders	29,552	29,498
Comprehensive homeowners	63,817	58,063
Other property	96,087	90,908
Marine and aviation	20,049	18,180
Other insurance	35,571	35,000
Direct insurance business	509,704	493,761
Reinsurance business assumed	47,894	48,181
Total	557,597	541,942

Gross underwriting expenses include acquisition expenses of € 276,625 thousand (PY: € 274,056 thousand) and administrative expenses of € 280.972 thousand (PY: € 267,886 thousand).

Net for reinsurance business (- = credit to reinsurers)

	€ thousand	
	2020	2019
Accident	-617	-418
Liability	-2,825	-10,122
Motor liability	-4,754	-4,616
Other motor	-6,323	-3,804
Fire and property	-12,818	-10,317
Marine and aviation	81	-2,454
Other insurance	-13,602	11,681
Direct insurance business	-40,859	-20,050
Reinsurance business assumed	-2,548	-1,039
Total	-43,407	-21,089

Underwriting result net of reinsurance

		€ thousand
	2020	2019
Accident	37,067	34,507
Liability	24,743	35,199
Motor liability	34,524	12,630
Other motor	-7,299	-5,600
Fire and property	-41,711	-11,607
Of which:		
Fire	-18,468	-14,376
Comprehensive householders	26,067	24,624
Comprehensive homeowners	-28,731	-13,483
Other property	-20,580	-8,371
Marine and aviation	-4,667	-1,239
Other insurance	963	-14,910
Direct insurance business	43,620	48,981
Reinsurance business assumed	23,020	23,805
Total	66,640	72,786

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

		PIF
	2020	2019
Accident	669,576	684,924
Liability	1,642,030	1,662,416
Motor liability	864,386	874,627
Other motor	673,420	679,825
Fire and property	1,836,523	1,803,172
Of which:		
Fire	110,744	110,477
Comprehensive householders	714,297	737,117
Comprehensive homeowners	379,337	364,803
Other property	632,145	590,775
Marine and aviation	27,103	25,908
Other insurance	619,650	610,754
Total	6,332,688	6,341,626

Investment expenses

Amortization of investments includes non-scheduled depreciation of € 15,477 thousand (PY: € 3,941 thousand) in accordance with section 277 (3) HGB.

Other income

Other income includes € 7,548 thousand (PY: € 186 thousand) resulting from currency translations.

Other expenses

Other expenses include € 2,695 thousand (PY: € 3,394 thousand) resulting from compounding of reserves and € 6,432 thousand (PY: € 211 thousand) from currency translations. Non-scheduled depreciation of € 10,773 thousand (PY: € 4,036 thousand) was applied to advance payments for intangible assets.

Offsetting of income and expenses

In line with the offsetting of retirement pension commitments and the corresponding plan assets, related expenses of € 1,858 thousand (PY: € 3,169 thousand) were offset against related income of € 1,672 thousand (PY: € 2,943 thousand) as stipulated in section 246 (2) sent. 2 HGB.

Other disclosures

List of holdings

Name	Registered address		Equity Interest in %	Share-holders' equity	Year result
					€ thousand
Aberdeen Asia Pacific II, L.P.	George Town	KY	5.4	98,381	1,893
Accession Mezzanine Capital III L.P.	St. Helier	JE	3.4	66,926	4,353
Achmea B.V.	Zeist	NL	0.5	10,183,000	480,000
Aquila GAM Fund GmbH & Co. geschlossene Invest-mentkommanditgesellschaft	Hamburg	DE	25.6	92,385	2,121
Behrman Capital PEP L.P.	Wilmington	US	1.0	735,522	102,641
Behrman Capital IV, L.P.	Wilmington	US	4.9	195,645	2,933
Curzon Capital Partners IV L.P.	London	GB	4.9	272,714	-14,990
Derya Elektrik Üretimi Ve Ticaret A.S.	Istanbul	TR	6.7	-11,523	-6,653
EMF NEIF I (A) L.P.	London	GB	8.5	21,999	-2,935
EPISO III, L.P.	London	GB	1.3	327,273	-137,080
EPISO IV, L.P.	London	GB	1.5	1,417,653	172,831
Falcon Strategic Partners V (Cayman), L.P.	George Town	KY	12.4	755,738	98,474
FirstMark Capital II, L.P.	Wilmington	US	13.3	434,292	88,998
FirstMark Capital III L.P.	Wilmington	US	3.4	396,124	126,117
GDV Dienstleistungs-GmbH	Hamburg	DE	1.1	28,941	1,511
GG-Grundfonds Vermittlungs GmbH	Cologne	DE	100.0	-16,720	-8
GoldPoint Partners Co-Investment V, L.P.	Wilmington	US	4.4	511,050	127,974
GoldPoint Partners Co-Investment VI, L.P.	Wilmington	US	3.3	407,822	45,944
Gothaer Erste Kapitalbeteili-gungsgesellschaft mbH	Cologne	DE	20.4	21,856	2,756
Ideal Enerji Üretimi Sanayi Ve Ticaret A.S.	Istanbul	TR	6.7	22,106	3,495
Janitos Versicherung AG	Heidelberg	DE	100.0	17,449	568
KILOS Beteiligungs GmbH & Co. Vermietungs-KG	Pöcking	DE	93.1	55,157	-3,562
Lovell Minnick Equity Partners V-A LP	Delaware	US	3.7	40,364	-8,897
Nuveen Immobilien GmbH & Co. GB I KG	Frankfurt a.M.	DE	3.3	20,888	2,759
NYLCAP 2010 Co-Invest L.P.	New York	US	39.6	7,910	1,454
NYLCAP Mezzanine Partners III, LP	Wilmington	US	1.9	20,174	3,713
PE Holding USD GmbH	Cologne	DE	40.0	262,449	-3,546

Name	Registered address		Equity interest in %	Share-holders' equity	Year result
					€ thousand
PineBridge Secondary Partners III L.P.	Wilmington	US	4.5	157,285	7,519
PineBridge Secondary Partners IV Feeder, SLP	Luxemburg	LU	4.2	251,918	15,911
Praesidian Capital Bridge Fund, L.P.	Wilmington	US	8.0	42,897	6,383
Praesidian Capital Opportunity Fund III-A, L.P.	Wilmington	US	13.1	34,262	566
Selbca Holding GmbH	Berlin	DE	5.5	6,301	-393
SilkRoad Asia Value Parallel Fund, SICAV-SIF	Luxemburg	LU	6.3	302,570	11,461
Småkraft AS	Bergen	NO	3.9	203,175	8,815
Surface Technologies GmbH & Co. KG	Baruth	DE	6.7	17,435	1,117
WAI S.C.A., SICAV- FIS / Private Equity Secondary 2008	Luxemburg	LU	4.5	24,834	217

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

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

Commissions and other remuneration of insurance agents, personnel expenses

		2020	2019
			€ thousand
1.	Commissions of insurance agents within the meaning of section 92 HGB in connection with direct insurance business	358,110	353,990
2.	Other remuneration of insurance agents within the meaning of section 92 HGB	936	607
3.	Wages and salaries	115,482	109,764
4.	Social security contributions and employee benefits	19,303	18,601
5.	Post retirement benefits	5,257	8,166
6.	**Total expenses**	**499,086**	**491,128**

Liabilities

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

Board membership and remuneration

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

No remuneration was paid to the Management. Retirement benefits, survivors' benefits and other remuneration for former members of Management amounted to € 755 thousand. Provisions for pension benefits for this group of individuals total € 9,929 thousand.

Remuneration paid to the Supervisory Board came to € 505 thousand; remuneration for the Advisory Board totalled € 13 thousand.

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

Total fee for the statutory auditor

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

Human resources on average

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

Contingent liabilities and other financial commitments

In compliance with section 28 (1) EGHGB, accruals of € 1,554 thousand have not been recognized for pension-related obligations for which a legal entitlement was acquired prior to 1 January 1987.

There is a joint liability and debt of € 68,187 thousand for post-retirement benefits of employees and executive officers and former employees and executive officers disclosed by Gothaer Finanzholding AG. Owing to the intrinsic strength of Gothaer Finanzholding AG, there is no perceived risk from the present vantage of the Company having to fulfil this obligation instead of Gothaer Finanzholding AG.

At year-end, contributions totalling € 104,113 thousand (including € 52,138 thousand due to affiliated companies) were outstanding for shares held by the Company in affiliated companies and associates as well as for other investments.

At balance sheet date, contingent liabilities not shown in the balance sheet existed for letters of comfort for long-term and unlimited rental and leasing agreements concluded by affiliated companies. The annual obligation for these totals € 1,346 thousand.

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

Deferred taxes

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

Group membership

The financial statements of our Company are included in the consolidated financial statements of Gothaer Versicherungsbank VVaG, Cologne. Gothaer Versicherungsbank VVaG prepares the consolidated financial statements for the largest and smallest group of companies. The consolidated financial statements are published in the Federal Gazette (Bundesanzeiger).

Events of special significance

No events of special significance occurred after the conclusion of the financial year 2020.

Cologne, 10 March 2021

Board of Management

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

Independent Auditors' Report

Gothaer Allgemeine Versicherung AG, Cologne

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

Audit opinions

We have audited the annual financial statements of Gothaer Allgemeine Versicherung AG, Cologne, which comprise the balance sheet as at 31 December 2020, the income statement for the financial year from 1 January to 31 December 2020 and the notes to the financial statements, including the presentation of accounting and valuation policies. We have also audited the management report of Gothaer Allgemeine Versicherung AG, Cologne, for the financial year from 1 January to 31 December 2020.

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 financial statements comply in all material respects with the rules of German commercial law applicable to insurance companies and, in accordance with German general accounting principles, present a true and fair picture of the net assets and financial position of the Company as at 31 December 2020 as well as the results of its operations from 1 January to 31 December 2020 and

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

Basis for the audit opinions

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

Key Audit Matters in the Audit of the Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year from 1 January to 31 December 2020. These matters were considered in the context of our audit of the financial statements as a whole and in the process of forming our audit opinion on them; we do not provide a separate audit opinion on these matters.

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

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

THE FINANCIAL STATEMENT RISK

The gross reserve for losses incurred but not reported in direct written business totalled € 2,479.6 million at balance sheet date. This was 62.2 % of the balance sheet total.

The gross reserve for losses incurred but not reported is subdivided into various partial loss reserves. The reserve for reported and unreported losses accounts for substantial amount of the gross reserve for losses incurred but not reported.

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. 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 estimated on the basis of the prospective expense of each individual claim. For unreported losses, belated claim reserves are formed, predominantly calculated on the basis of empirical values and recognized actuarial methods.

The risk presented by claims that have been reported by balance sheet date is that the reserves are not sufficient to cover the outstanding claim payments. In the case of losses incurred but not yet reported (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 controls for assessing the completeness and accuracy of the estimates made and tested them for adequacy and efficacy. In particular, we established to our satisfaction that the controls designed to ensure that claims are promptly registered and processed and thus correctly valued are appropriately structured and effectively performed.

- On the basis of both careful screening and random selection, we verified the volume of individual, reported loss reserves by referencing records for different lines and types of insurance.

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

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

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

- 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 and in line with the applicable accounting principles. 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 corporate governance statement (proportion of women) contained in the "Gender diversity" section of the management report and
- the reference to the non-financial declaration contained in the "Non-financial Declaration" section of the management report.

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

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

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

- whether it is materially inconsistent with the financial statements, the audited content of the management report or the knowledge we obtained in the audit, or
- whether it otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the Supervisory Board meeting on 2 April 2020. We were appointed by the Supervisory Board on 28 October 2020. We have acted as auditor for Gothaer Allgemeine Versicherung AG without interruption since the financial year 2002.

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

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

Responsible Auditor

The auditor responsible for the audit is Roland Hansen.

Cologne, 25 March 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft

Hansen	Theißen
Wirtschaftsprüfer	Wirtschaftsprüfer

Report of the Supervisory Board

The Supervisory Board continuously monitored the conduct of business by Management in the course of the financial year in fulfilment of its duties under the law and the bylaws of the Company. Management regularly submitted written reports on business developments and the situation of the Company to the Board and reported orally at three ordinary and two extraordinary meetings. The Board was involved in all decisions of fundamental importance for the Company. The committees of the Board were also involved in informational and oversight activities. The Investment Committee, Audit Committee and Executive Committee convened on three occasions during the past financial year. It was not necessary to convene the committee established pursuant to section 27 (3) of the Co-Determination Act (MitbestG). Elections to the Supervisory Board were held during the period under review. In addition to the re-election of the existing Supervisory Board members, Ms. Robens was elected to replace retiring Mr. Jagarinec. The progress and outcomes of the committee meetings were reported and discussed at the meetings of the Supervisory Board.

In line with the stipulations of the Federal Financial Supervisory Authority, the members of the Supervisory Board conducted a self-appraisal, assessing their knowledge of investment, underwriting and accounting. This appraisal will form the basis for a development plan drawn up by the Board each year identifying the topics in which the Board as a whole or individual members of it wish to deepen their knowledge. A training event was held for Board members on investment and IT. The time-slot reserved for a further training event was used to hold an extraordinary Supervisory Board meeting, at which the Board was briefed on the financial, operational and sales implications of the Covid-19 pandemic and its consequence for the "Ambition25" corporate strategy.

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

The Supervisory Board paid special attention to the "Ambition25" group strategy, in which the Company addresses market distinction issues such as "Leading Partner for SMEs", "Strong Commitment to the Customer" and "More than Insurance" and embeds the implementation strategies and programmes required to ensure that processes, structures and products are attuned to the needs of an organization that is – both internally and externally – increasingly digital. During two meetings, the Board also received reports on the impacts of the coronavirus pandemic and action taken by the Company to support affected enterprises. In addition, the Board discussed the underwriting challenges of business closure insurance – also against the backdrop of the special conditions applied by Gothaer Allgemeine Versicherung AG – and addressed the matter of setting targets to be met by the end of June 2023 for the representation of women on Management and Supervisory Boards.

The Company demonstrated its earning power even in a difficult capital market environment. The positive net profit for the year was thanks to a good underwriting result, which proved sustainable despite claims expenses due to Covid-19. The rating agency Standard & Poor’s awarded the Company a confirmatory A- rating with positive outlook in 2020.

With regard to sales, the Supervisory Board discussed cross-selling potential with other risk carriers in the Gothaer Group. The Board also continued to encourage Management to systematically harness cross-selling opportunities.

The Supervisory Board discharged its statutory duty to examine HR issues relating to Management. Dr. Eichmann and Dr. Lohmann resigned their Management positions. Mr. Kurtenbach was appointed to Management as Director of Industrial Relations. Mr. Schoeller was appointed Management Board Chairman and was succeeded on 1 January 2021 by Mr. Bischof.

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

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

The Audit Committee established by the Supervisory Board in line with section 107 (3) of the German Corporation Act (AktG) monitored the accounting process and verified the effectiveness of the internal control system, risk management system, compliance organization and internal auditing system. There were no objections. The key performance indicators in the financial statements were discussed in detail with Management and auditors, taking benchmarks of comparable companies into account. The Audit Committee therefore proposed to the Supervisory Board that the financial statements for the financial year 2020 should be formally adopted in accordance with section 172 AktG.

The financial statements and accompanying management report presented for the financial year 2020 were audited by the auditor appointed in line with section 341k of the German Commercial Code (HGB), KPMG AG Wirtschaftsprüfungsgesellschaft, Cologne, which also evaluated the early risk detection system.

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

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

After examining the financial statements and Management Report presented for the financial year 2020, the Supervisory Board has no objections to raise. It endorses the 2020 financial statements. The financial statements are thus formally adopted pursuant to section 172 AktG.

The Supervisory Board wishes to express its special appreciation and heart-felt thanks to staff and Management for their work last year in an environment made significantly more difficult by the impacts of the Covid-19 pandemic and the measures taken to contain it.

Cologne, 25 March 2021

The Supervisory Board

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

Company Locations

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