Gothaer Allgemeine Versicherung AG

Annual Report 2022

Five-Year Summary

					€ thousand
	2022	**2021**	**2020**	**2019**	**2018**
Gross premiums written	2,156,515	2,021,879	1,941,005	1,853,007	1,810,124
Earned premiums net of reinsurance	1,738,275	1,673,138	1,646,847	1,608,737	1,564,376
Retention (in %)	81.4	83.2	85.4	85.8	86.5
Claims expenses net of reinsurance	1,177,047	1,165,222	1,046,055	1,064,040	1,071,392
In % of premiums earned	67.7	69.6	63.5	66.1	68.5
Underwriting expenses net of reinsurance	517,533	500,735	485,457	473,136	461,918
In % of premiums earned	29.8	29.9	29.5	29.4	29.5
Net income for the year [1]	76,442	80,199	102,054	142,164	114,803
Investments [2]	3,768,505	3,654,664	3,628,503	3,583,423	3,544,163
Net return (in %)	2.1	2.1	2.1	3.2	3.3
Gross underwriting reserves	3,864,660	3,846,863	3,410,231	3,337,471	3,349,938
In % of gross premiums written	179.2	190.3	175.7	180.1	185.1
Equity capital [3]	359,423	359,423	359,423	359,423	359,423
In % of premiums earned	20.7	21.5	21.8	22.3	23.0
Policies in force (in thousands)	6,305	6,322	6,333	6,342	6,285
Claims reported (in thousands)	338	334	337	361	386

1) Before transfer of profit and tax charged by the controlling company
2) Exclusive of outstanding deposits
3) Less outstanding contributions not called in

The Company

Gothaer Allgemeine Versicherung AG is part of the Gothaer Group. With around four million members and premium income of € 4.6 billion, the Gothaer Group is one of Germany's major insurance groups and ranks among the country's largest mutual insurance associations. All lines of insurance are offered. In delivering them, Gothaer does more than just supply insurance products; it attaches great importance to providing high-quality personal and digital advice and customer support. As a leading partner for small and medium-sized enterprises, the Group aims to make its strong commitment to customers tangible. In addition to a wide range of cover concepts, Gothaer supports businesses' efforts to address issues of strategic importance for the future, such as employee retention or energy transition. For private customers, too, the Gothaer Group offers digital services and sophisticated health services in addition to traditional insurance cover. With a history stretching back more than 200 years, Gothaer is also one of the oldest mutual insurance companies in Germany.

As a mutual insurance company, Gothaer has obligations only to customers – not to shareholders. This independence enables the Group to act continually and sustainably in the interests of those it insures.

Ensuring and insuring a better future

Gothaer's ambition is to be credibly sustainable. Its sustainability strategy transparently defines the goals of core business, both for the Group and for its responsibility to society. Sustainability criteria are applied to investments, sustainable insurance products are developed, the carbon footprint of business operations is measured and reduced, solutions are sought for climate neutrality and, through the Gothaer Foundation in particular, commitment to society is promoted. To ensure the continuous development of sustainability management, Gothaer is signed up, amongst other things, to the following sustainability-related initiatives: It is a supporter of the UN Principles for Sustainable Insurance (UNEP FI PSI), signatory to the UN Principles for Responsible Investment (UN PRI) and a member of the Net Zero Asset Owner Alliance (NZAOA).

More information is available in German at www.gothaer.de/ueber-uns/nachhaltigkeit/, where the sustainability strategy, sustainability reports and declarations of compliance with the German Sustainability Code (DNK) can also be found.

Gothaer Allgemeine Versicherung AG is the largest risk carrier for property and casualty insurance in the Gothaer Group. Since it was established in 1820, it has ranked among the largest property insurers in the German insurance market. In addition to flexibly selectable, high-performance single-line products, the product portfolio of Gothaer Allgemeine Versicherung AG encompasses combined insurance concepts and multi-risk products for seamless all-round protection at high performance level. With solutions tailored to specific needs, Gothaer is a reliable partner for both private clients and commercial customers in the SME and industrial sectors. Responding regularly to emerging trends and developments, Gothaer devises modern needs-based solutions and introduces them into the market in the form of innovative products.

At the same time, Gothaer Allgemeine Versicherung AG works constantly on the delivery of simple, digital and automated processes for its customers and sales partners. The company's special focus is on positioning itself as a leading partner for SMEs and thus strengthening what is already a robust brand position in that target group's awareness. It meets the diverse requirements of the various sectors with individual risk concepts, high expertise in sector-specific risks and a customized marketing approach. Great importance is also attached to sustainability – a megatrend that is integral to the company's strategy for growth. This is evidenced not least by Gothaer's role as market innovator and market leader in wind turbine insurance. Sustainable solutions are also continuously added to all product ranges, for both private and corporate clients. The focus here is particularly on loss prevention – because nothing is as sustainable as preventing damage from occurring in the first place.

However, Gothaer Allgemeine Versicherung AG goes a step further – a step beyond the role of a classic insurer. With targeted measures and its strong partner network, it will help 500 corporate clients in the SME sector to meet the challenges of energy transition over the coming years. In doing so, it will make a positive contribution to the achievement of German climate targets.

Gothaer Allgemeine Versicherung AG

Report for the Financial Year as of
1 January to 31 December 2022

Registered Office
Gothaer Allee 1
50969 Cologne
Germany

Cologne Local Court, HRB 21433

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

Supervisory Board

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

*) Elected by employees

Management

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

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

Advisory Board

Quentin Carl Adrian		Tax Consultant and partner of dhpg Dr. Harzem & Partner mbB
Christina Begale		Consultant
Wilm-Hendric Cronenberg		Managing Partner of Julius Cronenberg o.H.
Werner Dacol		Real Estate Valuer
Dr. Matthias Eickhoff		Member of the Management Board of Amevida SE
Dr. Jörg Friedmann		Lawyer, Law firm Dr. Friedmann & Partner mbB
Dr. Vera Nicola Geisel		Head of Human Resources & Legal of VDI GmbH
Birgit Heinzel		Master craftswoman in ophthalmic optics and auditory acoustics, Managing Director of HEINZEL Sehen + Hören
Knut Kreuch		Lord Mayor of the City of Gotha
Dr. Götz Kröner	as of 9 June 2022	Managing Director of Kröner Stärke GmbH
Regina Menger-Krug		Former Managing Director and owner of Sektgut Menger-Krug
Uwe von Padberg		Diplom-Kaufmann, Managing Director of Creditreform Cologne v. Padberg GmbH & Co. KG
Peter Riegelein		Diplom-Kaufmann, Managing Partner of Hans Riegelein + Sohn GmbH & Co. KG
Prof. Dr. Torsten Rohlfs		Technical University Köln, Institute of Insurance Studies (ivw Cologne)
Jürgen Scheel		Chairman of the Management Board of Kieler Rückversicherungsverein a. G., (Retd.)
Astrid Schulte		Member of the Management Board of Heraeus Bildungsstiftung
Dr. Katrin Vernau		Interim Director-General, Rundfunk Berlin-Brandenburg
Sabine Walser		Publishing Director of P. Keppler Verlag GmbH & Co. KG
Stefan Zant	as of 9 June 2022	Managing Director of Seven One Sports GmbH

Management Report

Developments in the property and casualty insurance sector

Trends in 2022

For **property and casualty insurance as a whole,** the German Insurance Association (GDV) anticipates premium growth of 4.0 % to € 80.4 billion in 2022 in the wake of inflation-driven insurance sum adjustments in the property insurance sector. Claims expenditure during the financial year decreased by 6.6 % against the prior year. While claims expenses in motor insurance rose, expenditure in property insurance was sharply recessive. Overall – owing to rising premium revenues and falling claims expenditure – a significantly improved underwriting profit of € 4.2 billion is anticipated. The combined ratio is expected to move down from the prior-year level to around 95 %.

In **property insurance**, premium income is expected to grow by 7.6 % to € 25.9 billion, fuelled by upturns in non-private and private property insurance of 9.0% and 6.5% respectively. In non-private property insurance, the growth is attributable in particular to the industrial lines; in private property insurance, it was primarily due to homeowners comprehensive business. The reasons for the dynamic premium growth lie in the continuing rise of inflation indices, which resulted in insurance sum adjustments. In addition, the "Bernd" flood disaster contributed to an increase in demand for natural hazard cover. Claims expenditures declined in 2022. At the same time, the impact of natural hazard events was moderately above average for property insurers, partly due to the series of windstorms in February. The burden of major fire losses, however, was significantly below average. Across the property insurance sector as a whole, claims expenditure during the financial year is expected to show a sharp reduction of 28.3 % in 2022. This, combined with strong premium growth, will ultimately result in an underwriting profit for property insurers. The combined ratio should be well below the prior-year figure at around 96 %.

Motor insurance is the largest property and casualty insurance class, generating around 37 % (€ 29.4 billion) of premium income. In 2022, portfolio growth in this class is expected to prove slower but sustained, raising premium revenues by 1.0 %. In partial own damage insurance, average premiums are expected to fall by 1.5 % against the prior year, while in collision & comprehensive insurance a moderate upturn of 0.5 % is forecast. In motor liability insurance, the average premium is expected to stagnate. The sustained reduction in mobility continues to impact on the loss situation, especially on the lower incidence of losses incurred. With regard to the average claim, a vigorous upturn is anticipated, due in part to high inflation and very dynamic increases in vehicle spare parts prices. In 2022, claims expenditure during the financial year is expected to show a significant rise of 8.1 %. With cost and run-off ratios virtually unchanged, this will result in an overall underwriting loss of around € 300 million. Accordingly, the combined ratio will be higher than in the prior year, potentially around 101 %.

Outlook 2023

Property and casualty insurance business is expected to generate strong premium growth of 6.1 % in 2023. The main reasons for this are insurance sum and premium adjustments due to inflation. On the other hand, the dynamism of premium growth in some lines may be dampened by high competition and economic slowdown.

In private property insurance, there will be marked adjustments of insurance sums as a result of rising construction prices. Higher costs for skilled labour and materials as well as catch-up effects due to construction projects that could not be realised in the previous year will result in noticeable increases in premium revenues. In non-private property insurance, a sharper increase in premium income is anticipated in 2023 because of inflation. Controversial discussions are taking place with the industry about how much companies might share the burden of premium increases or bear more risk themselves. In addition, the intended reduction of dependence on energy sources from Russia will inject dynamism into the development of renewable energy sources. High investment in renewable energy is likely to have an impact on demand for engineering insurance.

In motor insurance, premiums will rise significantly due to price inflation, which leads to higher claims expenses. New vehicle registrations are expected to return to a normal level in 2023. The automotive industry could benefit from an easing of the international supply chain situation as well as from catch-up effects due to a lack of input and spare parts for vehicles in the prior year. On the other hand, changes in mobility behaviour could have a contractive effect, as the € 49 ticket and possible high petrol prices make rail travel more attractive. With regard to new business, high competition in the motor insurance sector may result in a reluctance to increase premiums.

Business developments in 2022

The 500-50-5 initiative was launched as part of the Gothaer Group strategy Ambition25. With it, we aim to help 500 corporate clients reduce their carbon emissions by 50 % over the next five years in order to speed up the drive for climate neutrality and make a sustainable contribution to climate change mitigation. We consistently worked towards this ambitious goal in 2022 by building a broad network of cooperative linkages. Examples include cooperation with Cozero and Wegatech. Cozero software enables companies to record and report their carbon emissions in line with the Greenhouse Gas Protocol. Using the Wegatech online configurator, Gothaer customers can swiftly obtain an initial free appraisal of investments in sustainable energy technologies. In addition to this initiative, we support the rapid spread of affordable electric vehicles in Germany as an insurance partner for electric car provider ELARIS.

We have also set ourselves the goal in Ambition25 of being one of the five fastest-growing companies in the property and casualty insurance market. In line with our strategy, we achieved market-average premium growth of 6.7 % with gross written premiums totalling € 2,156.5 million. That growth was driven in particular by business with corporate clients. This year, the number of modular Gothaer GewerbeProtect (GGP) policies in our portfolio exceeded 100,000 for the first time. GGP offers customizable cover with high process efficiency on the basis of a modern IT platform. In summer 2022, GGP was expanded to include cover for sustainable mobility, i.e. cover for charging stations/wall boxes for electric vehicles. In addition, the issue of cyber risks is increasingly important for small and medium-sized enterprises (SMEs). Here, we offer solutions that not only provide support in the event of a loss but are also designed as a preventive tool to increase risk awareness within enterprises and reduce security gaps. Furthermore, we are continuously improving our products and services for private customers. Examples include the addition of drone hull insurance to our hunting liability insurance as well as moped and e-scooter insurance for conclusion online and payment through PayPal.

The claims situation in the financial year was influenced by various factors. Due to the series of storms Ylena, Zeynep and Antonia (also known as Dudley, Eunice and Franklin), 2022 presented another above-average burden of losses from natural disasters. This was exacerbated by the run-off of outstanding claims related to the "Bernd" flood disaster and the continuing tense situation with regard to major fire losses. The economic environment also had an impact. Due to high inflation – resulting from both the ongoing supply shortages caused by the coronavirus pandemic and the impacts of the war in Ukraine – an increase in average claims was noted across the board. Gross claims expenditure nevertheless decreased by € 345.8 million to € 1,486.8 million because the prior-year figure was inflated by "Bernd", the largest gross loss in our history. As a result, the gross loss ratio fell to 69.5 % and the combined ratio – with a moderately lower gross cost ratio of 28.8 % - moved down to 98.3 %. After reinsurance and adjustment of equalization reserves, the underwriting account remained in profit at € 42.9 million.

The central banks raised key interest rates to combat the high inflation rates. As a result, yields on ten-year German government bonds were no longer negative; they rose to 2.6 % at year-end. However, the upturn in interest rates failed to bring about an increase in net return in the financial year. It led instead to recognition of hidden liabilities. Net return remained unchanged at 2.1 %.

Due to reduced income from underwriting, income before taxes did not quite match the prior-year figure but remains at a sound level at € 78.1 million.

Premium income

Gross premium income from direct written business increased by 7.6 % to € 1,981.0 million. Growth was thus stronger than the market average. The sharpest increases in premium income achieved in this financial year were in liability, homeowners comprehensive, fire, other property and other 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 € 90.9 million (PY: € 72.4 million), € 35.1 million of which (PY: € 29.2 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 6,305,401 (PY: 6,322,050) direct policies of at least one year's duration.

	Gross premiums written € million		In % of gross premiums written		Number of insurance policies in force	
	2022	2021	2022	2021	2022	2021
Accident	136.6	137.7	6.9	7.5	642,389	655,229
Liability	397.3	368.4	20.1	20.0	1,600,648	1,621,797
Motor liability	243.5	242.8	12.3	13.2	862,110	859,574
Other motor	166.3	164.9	8.4	9.0	679,698	674,753
Fire	120.0	106.3	6.1	5.8	106,390	108,654
Comprehensive householders	84.0	83.9	4.2	4.6	666,684	692,010
Comprehensive homeowners	249.7	224.9	12.6	12.2	397,080	390,813
Other property	342.7	302.0	17.3	16.4	676,987	655,483
Marine and aviation	77.0	70.0	3.9	3.8	29,791	28,295
Other insurance	163.9	140.5	8.3	7.6	643,624	635,442
Direct written business	1,981.0	1,841.4	100.0	100.0	6,305,401	6,322,050

Claims

On the claims side, 2022 was particularly marked by spring storms. For the windstorm series Ylena, Zeynep and Antonia alone, we registered more than 27 thousand claims. This was above average for recent years. Claims expenditure in 2022 was also affected by run-off related to the "Bernd" flood disaster and the situation with regard to major fire losses continued to be tense. Claims expenditure for newly reported major fire losses decreased compared to the prior year but, at € 225 million, also remained above average in 2022. Furthermore, higher claims expenditure was registered in lines of insurance where the numbers of reported claims are recessive. For example, the average claim in motor insurance increased as a result of the general rise in the price of vehicle spare parts and bottlenecks in the delivery of garage services and rental cars.

As a consequence, the number of claims reported rose from 334,219 to 338,266. Gross claims expenditure in direct written insurance business decreased by € 328.0 million to € 1,389.2 million, although the prior-year expenditure figure included € 502.6 million for "Bernd". The gross loss ratio in direct written business fell from 93.6 % in the prior year to 70.6 %. The loss reserve ratio – the ratio of provisions for outstanding claims to gross earned premiums – stood at 150.8 % (PY: 160.8 %).

	Gross claims expenses € million		In % of Gross premiums earned		Number of claims reported	
	2022	2021	2022	2021	2022	2021
Accident	58.8	64.5	43.0	47.0	14,404	14,099
Liability	189.6	190.4	47.9	51.8	65,782	70,063
Motor liability	168.5	166.5	69.2	68.6	40,030	40,187
Other motor	153.6	143.7	92.3	87.2	64,019	65,709
Fire	95.8	109.3	80.6	103.4	1,825	1,990
Comprehensive householders	31.3	51.6	37.2	61.1	23,282	25,941
Comprehensive homeowners	265.5	300.2	108.5	135.2	66,341	55,458
Other property	234.6	398.3	69.3	132.5	26,789	25,761
Marine and aviation	64.5	54.1	84.7	77.5	5,371	4,979
Other insurance	127.0	238.6	78.5	172.1	30,423	30,032
Direct written business	1,389.2	1,717.2	70.6	93.6	338,266	334,219

Underwriting expenses

Gross underwriting expenses in direct written business increased by € 36.3 million to € 568.3 million. Total underwriting expenses included € 318.3 million (PY: € 293.3 million) in acquisition costs and € 250.0 million (PY: € 238.6 million) in insurance policy management costs. Acquisition costs rose as a result of good production figures. In relation to gross earned premiums, the gross cost ratio in direct written insurance business ended moderately lower than in the prior year at 28.9 % (PY: 29.0 %).

Reinsurance business assumed

Gross written premiums from reinsurance business assumed totalled € 175.5 million (PY: € 180.5 million) and gross earned premiums amounted to € 173.6 million (PY: € 177.0 million). The moderate downturn was essentially due to business with Gothaer Group companies.

Claims expenses decreased significantly to € 97.6 million (PY: €115.4 million); underwriting expenses fell by € 2.5 million to € 48.5 million.

Unlike in the prior year, an amount of € 4.7 million needed to be withdrawn from the equalization reserve (PY: € 9.8 million allocation) across all lines of insurance. After deduction of reinsurers' shares, net underwriting profit thus totalled € 18.8 million (PY: € 2.6 million).

Reinsurance business ceded

We pass risks on to reinsurers in order to hedge our own positions. The structure of the reinsurance treaties on which that hedging is based showed only minimal change against the prior year but cessions designed to protect against natural hazards became significantly more expensive in the wake of the "Bernd" flood disaster. As our business has grown fairly vigorously in lines exposed to natural hazards, reinsurance premiums paid rose more sharply than reinsurance commissions received.

Premium shares totalling € 401.4 million (PY: € 339.7 million) were transferred to assignees in the financial year. This resulted in a retention rate of 81.4 % (PY: 83.2 %). Because the run-off result was shaped by the highly reinsured flood event "Bernd", the claims expenses shouldered by our reinsurers were again comparatively high at € 309.7 million (PY: € 667.4 million). Reinsurance commissions, at € 99.3 million, were € 17.0 million higher than in the previous year in line with the development of the reinsured portfolios. Overall, following the historical high of € 412.7 million in the prior year, the reinsurance balance was € 10.7 million in our favour. This is again considered a positive reinsurance result for Gothaer Allgemeine Versicherung AG and was due to the cession of fairly major fire losses as well as Bernd-related run-off for reinsurers.

Underwriting result

Before adjustment of equalization reserves, the underwriting result net of reinsurance was in profit in the year under review, standing at € 15.4 million in direct written insurance business (PY: € -22.0 million) and € 29.5 million in business overall (PY: € -9.7 million).

After adjustment of equalization reserves, the underwriting result rose to € 42.9 million (PY: € 51.7 million). In direct written business, a sum of € 8.7 million needed to be withdrawn from equalization reserves in the year under review. While allocations due to claims shortfalls were made, particularly in fire and other property insurance, withdrawals were required in motor, comprehensive homeowners and other insurance lines.

				€ million
	Change in equalization reserves		Underwriting result net of reinsurance	
	2022	2021	2022	2021
Accident	-3.3	-18.2	36.1	52.1
Liability	2.3	4.0	46.3	29.4
Motor liability	2.7	-27.4	24.4	50.9
Other motor	-10.3	5.5	-12.1	-11.0
Fire	8.4	-25.2	-24.9	-1.1
Comprehensive householders	0.0	0.0	22.0	18.9
Comprehensive homeowners	-12.0	1.4	-46.9	-42.4
Other property	11.9	-7.8	10.6	-29.4
Marine and aviation	-6.8	-3.9	-7.2	-4.7
Other insurance	-1.6	0.6	-24.2	-13.6
Direct written business	**-8.7**	**-71.1**	**24.1**	**49.1**

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 2022, 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, particularly in the current market environment of sharply rising interest rates, and to ensure that risks are reduced overall by being spread as broadly as possible over the different types of investment. Investment decisions have also taken account of environmental, social and governance criteria – so-called sustainability criteria. Moreover, with regard to the scaling-up of sustainable investment, a new "natural capital" asset class was introduced in 2022 with a special focus on impact investing.

Global economic developments in the period under review were marked by persistently accelerating inflation rates and the resulting response of the central banks in North America and Europe. From February onwards, a third influencing factor came into play: Putin's war of aggression against Ukraine, which led to a global food crisis and a European energy crisis. In 2022 as a whole, global economic output increased by only 3.4 % against the prior year (PY: 6.2 %). In Germany, growth was 1.9 %, which was around half the EU average and fell far short of the figure forecast by the German Council of Economic Experts (+4.6%). In the euro area, inflation in the first quarter of 2022 was driven by rising prices for crude oil, natural gas and agricultural commodities. In Germany, it peaked at 8.8 % in October and reached an annual average of 6.9 %, which is the highest inflation recorded since the 1973/74 oil crisis. The European Central Bank (ECB) and the US Federal Reserve (Fed) therefore raced to tighten monetary policy in 2022. The Fed raised its target interest rate seven times in 2022, boosting it by a total of 4.25 percentage points to 4.50 %. The ECB raised its deposit interest rate by 2.50 percentage points in four steps to 2.00 %.

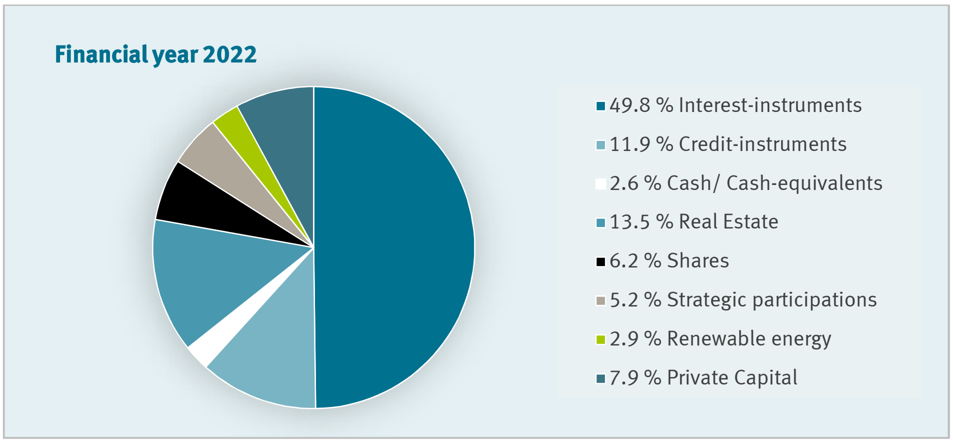
Capital market developments in the period under review were also marked by the unpredicted surge in inflation and the aggressive monetary policy response to it. In the case of German government bonds (Bunds), yields in the ten-year maturity segment traced a volatile upward curve. Starting from a low of -0.2 % at the beginning of the year, ten-year Bund yields climbed in two surges to around 2.6 %. Over the year as a whole, German government bonds posted a corresponding negative performance -17.9 %. The loss of value in the US market, at 12.9 %, was significantly lower than in the German bond market.

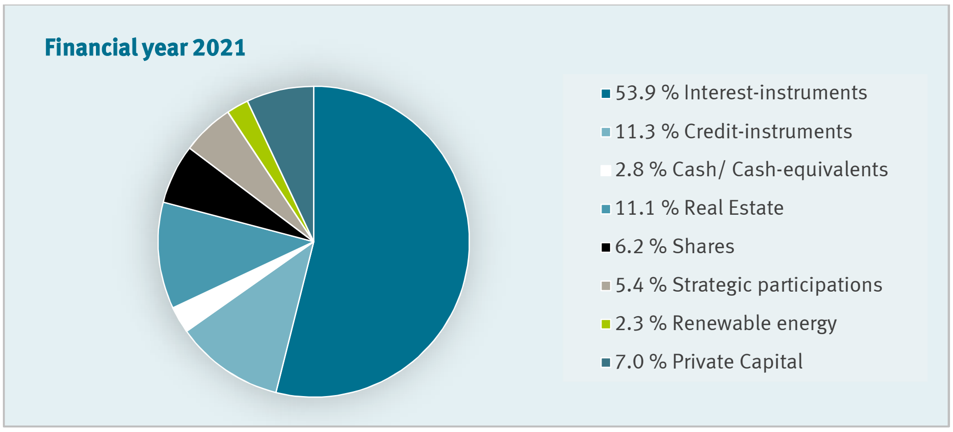
For equity investors, 2022 was an extremely poor year because of the reversal of the upward trend experienced in the prior year. In the European markets, however, the downswing turned around in Q4, so performance over the year was less negative than that of the US indices. While the annual performance of the S&P500 Total Return Index in USD stood at -18.1 %, the total return of European dividend stocks (EuroStoxx50 Total Return Index) was down by only -9.5 % and the German Dax Performance Index by -12.3 %.

The book value of the Gothaer Allgemeine Versicherung AG investment portfolio increased by around € 115.9 million to € 3,797.9 million in the year under review (PY: € 3,682.0 million). While it was still possible in the prior year to recognize net hidden reserves of € 270.9 million at overall portfolio level, those reserves turned into hidden liabilities with a carrying value of € 336.0 million in the year under review as a result of interest rate movements. This development was essentially driven by the pension fund portfolio and interest rate instruments.

Composition of investments

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





Selective optimization of returns and risk continued to be a major focus of investment activity last year. Owing to falls in the market value of interest-rate-sensitive investments, there was an appreciable change in the asset allocation of the Company. Equity investments essentially included Solvency II-optimized equity mandates with option hedges. In the real estate und private capital asset classes, a greater emphasis was placed on debt investments. The percentage of investments held in the fund portfolio increased to 61.7 % by book value (PY: 52.2 %). Duration increased over the course of the year from 6.2 to 6.3.

Investment income, at € 78.5 million (PY: € 75.6 million), showed a moderate increase. With the investment portfolio simultaneously enlarged, this made for an unchanged net return of 2.1 %. Extraordinary income, at € -5.3 million, was again negative against the prior year (PY: € -5.6 million), largely as a result of depreciation in the fund portfolio.

Net income for the year

Including other income and expenses, income before taxes totalled € 78.1 million, as against € 82.6 million in the prior year. After taxes, the entire profit of € 76.4 million (PY: € 80.2 million) was transferred as a tax allocation and profit transfer to our parent company, Gothaer Finanzholding AG, Cologne, 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 2022. The equity ratio – defined here as the ratio of equity to premiums earned net of reinsurance – thus reached 20.7 % (PY: 21.5 %).

Comparison of business developments in 2022 with the forecast made in 2021

Premium income was significantly higher than anticipated in 2022. Direct written business with corporate clients registered particularly dynamic growth beyond projections.

On the claims side, the projected economic impacts of major losses – especially natural losses – were greater than anticipated in 2022. The disastrous weather event "Bernd" that occurred in 2021 also had a substantial unplanned impact on the gross underwriting result in 2022 because of the need for additional reserves.

Administrative costs increased beyond the projected figure as a result of investment in strategic gearing. Owing to growth, however, they remained at the projected level in relation to premium income.

Reinsurance relief was significantly higher than projected in 2022, largely because of the higher level of claims arising from natural loss events. Reinsurers were also substantially involved in shouldering the burden of additional reserves required for losses related to the disastrous weather event "Bernd".

Given the impact of the higher claims arising from the series of windstorm events in early 2022 as well as a major loss in comprehensive homeowners insurance, the projected allocation to equalization reserves was not made. Because of the general economic situation and unscheduled depreciation in the fund portfolio, investment income was significantly below the projected level. Overall, income before taxes was actually higher than anticipated.

Insurance lines and coverages

- **Health insurance**[2)]

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

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

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

- **Aviation insurance**[2)]

- **Legal expenses insurance**[2)]

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

- **Comprehensive householders insurance**

- **Comprehensive homeowners insurance**

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

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

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

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

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

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

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

Membership in associations and similar organizations

The Company is a member of the following associations:

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

We also belong to the following European associations:

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

Employees

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

The 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

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. At the same time, after the coronavirus pandemic ended, Gothaer succeeded in establishing a viable model for combining office and home office work. The outcomes of the 2022 Group Dialogue show the extremely positive feedback from staff and management.

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.

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 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. The success of these efforts can be clearly measured: internally via the Group Dialogue, which shows a very high – and rising – willingness to recommend Gothaer as an employer, externally by its successful certification as a "Top Employer 2023".

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

The effectiveness of the various instruments and initiatives was confirmed by the 2022 Group Dialogue, in particular by the significantly improved "Sustainable Commitment" index, which summarizes survey results on motivation, empowerment, health and productivity.

Gender diversity

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

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

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

*) Target for 31.12.2023

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

In the area focused on attitude, measures currently include enabling managers in all management tiers and employees to participate in workshops on unconscious bias. In recruitment, a (female) active sourcing system continues to be employed so that more female talent figures in future job selections. As regards the promotion and development of high-potential female employees, female potential is systematically considered in development and succession planning and an even distribution of all genders is ensured in development programmes. Two measures are currently being implemented with the aim of adapting working conditions. First, all vacant positions are advertised on a full- and part-time basis. Secondly, job sharing and reduced working hours are being made possible. Both measures are intended, among other things, to improve the compatibility of career and family life.

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

Brand

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

Code of conduct for sales and distribution

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

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

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

Non-financial Declaration

We claim exemption on grounds of group membership under section 289b (2) of the German Commercial Code (HGB). To meet the requirements that need to be fulfilled by the non-financial declaration, Gothaer Versicherungsbank VVaG prepares a Declaration of Compliance with the German Sustainability Code (DNK) for the Gothaer Group. This is published in accordance with section 315 (3) of the German Commercial Code (HGB) at https://www.gothaer.de/ueber-uns/nachhaltigkeit/ and together with the consolidated financial statements in the Federal Gazette.

Outlook for 2023

Proviso

The forecasts and estimates contained in this annual report are based on the information available to us in December 2022.

The following statements on future business are subject to a high degree of uncertainty, largely because of the opacity of future economic developments. Given the existence of serious geopolitical tensions and their impacts on inflation and corporate investment activity, economic forecasting is highly challenging. The past year has confirmed this with the outbreak of the war in Ukraine and the ensuing energy crisis.

Aside from the uncertain economic environment, there are concerns, as in previous years, about the future course of the coronavirus endemic, with virus mutations and their possible impacts on private and economic life. In addition, the accuracy of projections may be affected by developments in the capital markets, 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. We anticipate positive premium growth in the coming year. In particular, we project strong growth for direct written business in 2023.

In the private client segment, we continue to expect significant growth impulses from comprehensive homeowners insurance. In private motor insurance, however, only a moderate increase in premium income is anticipated. To meet the demands of the market, a new product and pricing strategy has been developed for private client business in property, liability and casualty lines. In future, differentiated products can be offered depending on the market situation for the individual lines.

In the corporate client segment, our focus in 2023 continues to be on broad-based growth. Due to a significant hardening of the market – in industrial property and other lines – we anticipate vigorous increases in premium income. Growth impulses are also projected for commercial property insurance.

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

Claims

On the claims side, projections are based on the assumption that the burden of major and natural hazard claims will return to a normal level. The generally growing risk presented by natural disasters is hedged by appropriate reinsurance programmes. Given our portfolio structure, we expect the gross loss ratio in 2023 to be significantly lower than in 2022.

Underwriting expenses

Investment in strategic planning will again contribute to a moderate increase in administrative costs in the coming year. However, ongoing vigorous premium growth will offer an opportunity to lower prorated cost upturns for customers.

Underwriting result

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

Investments

The weak phase for the global economy is expected to continue through 2023 because it will take time for the full effects of tighter monetary policy in North America and Europe to unfold. In addition, inflation will shift from goods to services due to continuing high energy prices and – in some sectors – sharply rising wage costs, and will therefore not fall by more than a moderate amount. The rate of global economic growth forecast for 2023 is likely to be 1.3 percentage points lower than in 2022 at +2.1 %. For Germany, the German Council of Economic Experts forecasts a moderate 0.2 % contraction of GDP and annual inflation of 7.4 % in 2023.

The simultaneous ocurrence of a number of global economic risks ("polycrisis") will continue through 2023. With the escalation of the Ukraine war, the smouldering China-Taiwan conflict, the global climate crisis, the European energy crisis, high inflation and the restrictive global monetary policy, there are many economic pitfalls ahead. In light of this, 2023 is likely to be another year of high uncertainty for the bond markets.

In the coming year, the focus of investment activities will continue to be on selective risk-return optimization of the investment portfolio. The asset allocation plan for 2023 includes a shift from equities to credit instruments. Overall, a moderately higher net return is anticipated in 2023.

Income before taxes

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

Against the backdrop of our projected results we will remain a reliable partner for our customers in 2023.

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 op-erational framework in which the companies in the Group accept risks and do busi-ness 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, marine, D&O and cyber 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, underwriting authorities and the exclusion of specific risks. Regular risk reports are prepared by Risk Management providing executives with assessments of the current risk situation and changes in its makeup as well as supplemental information about any new or newly detected major risks.

One of the biggest issues in the financial year 2022 was inflation, especially in Germany. We constantly analyze the situation in detail and have put together a comprehensive package of measures that works along the entire value chain. This means we are strongly positioned even in the face of this development.

We see opportunities for continued premium growth for the Company in increasingly dynamic fields such as cyber insurance, in the assumption of surety insurance and in existing sectors. Increasingly frequent extreme weather events – especially the low-pressure system "Bernd" in July 2021 – are also expected to continue to push up demand from both corporate and private clients for protection against property risks.

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

Underwriting risks

Assumption of risk lies at the core of our business activities. We assume that underwriting risk will be substantially and enduringly influenced by major natural losses in the future as a result of climate change. We will therefore continue to place greater emphasis on reinsurance for natural events. Furthermore, the risk of natural hazards is countered 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. This strategy ensures that the Company is well prepared even for extreme natural events, as demonstrated by the way the effects of the "Bernd" flood event were handled in 2021.

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 and index 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. The adequacy of 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.

To counter the significant overestimation of premium and reserve risk in the standard formula, Gothaer Allgemeine Versicherung AG applies undertaking-specific parameters (USP). This significantly reduces premium and reserve risk and thus has a positive effect on the solvency ratio.

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. Thanks to a comprehensive controlling system that identifies negative developments as well as deviations from projected figures, we are in a position 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 substantially mitigated by the structure of Gothaer Allgemeine Versicherung AG reinsurance. A good credit and company rating are a prime requirement for any reinsurer selected. In order to identify hazards and risks to earning capacity, we also model the impacts of different loss scenarios on our portfolio within the framework of our internal risk model. Apart from this, measures are taken to keep the impacts on the gross side as low as possible. Rates are thus set as far as possible on the basis of actuarial methods. In addition, underwriting policy provides for targeted use of instruments such as self-insurance, sublimits and coverage limitation agreements.

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

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

Reinsurance

The renewal of reinsurance treaties at 1 January 2023 was very much shaped by a tense capacity situation in the coverage of property risks, especially for lines exposed to natural hazards. Contracts with low trigger points and contracts covering high-frequency risks were affected by massive underwriting restraint on the part of reinsurers. This not only resulted in a noticeable increase in prices; it also meant that retentions in the property sector needed to be raised higher and more sharply than ever before. At the same time, reinsurers raised demands with regard to the wording of contracts, which in some cases needed to be accepted in order to ensure placement.

Gothaer was not spared the effects of these developments, with the result that reinsurance cover is now triggered later. Although Gothaer was ultimately able to secure sufficient reinsurance capacity for all the lines that it operates, it needed to accept substantial price increases, especially in the property sector. Furthermore, to protect the increased retentions in property insurance, a contract with limited risk transfer was acquired for the first time, structured to spread an adverse frequency of fire losses and NatCat events over a number of years.

Particularly in light of the hardening of the market seen in the property sector, Gothaer continues to monitor the opportunities and options offered by transferring risk to the capital market. Although the structures and prices of non-traditional reinsurance solutions have moved closer to those of conventional reinsurance, conventional reinsurance 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
2013	70.0	11.3
2014	67.0	10.8
2015	69.1	10.4
2016	67.4	9.7
2017	62.9	12.3
2018	69.5	11.6
2019	64.7	11.2
2020	64.3	8.3
2021	71.3	9.6
2022	68.7	10.7

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 € 113.9 million for Gothaer Allgemeine Versicherung AG at balance sheet date. € 45.7 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 € 3.1 million, which represented an average of 0.2 % of gross premiums written.

We cede reinsurance only to high-class reinsurers. 98 % of our reinsurance premiums are ceded to reinsurers with a rating of A- or better. Accounts receivable in connection with assumed and ceded reinsurance business totalled € 85.1 million at balance sheet date. The volume of receivables for ceded reinsurance operations showed the following breakdown by rating category:

Rating class	€ million
AA	32.8
A	50.3
Not rated	0.1
Total	83.2

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

6.3 (PY: 6.2) reduced the market value of interest-bearing securities by € 141.0 million (PY: € 166.7 million) in comparison to the year-end value of the portfolio.

The market value of the equity portfolio is also expected to remain stable in the coming year. Share exposure at balance sheet date essentially consists of an equity mandate with option hedge. Risk capital stress testing (20 % downturn in prices) resulted in a fall in market value of around € 152.7 million (PY: € 164.8 million) at balance sheet date.

In 2022, the real estate market presented a differentiated picture, although developments were dominated by the rising level of market interest rates. The rental market was robust but the capital market for real estate broadly came to a standstill. Accordingly – because of the lack of comparative values (too few transactions) – property valuations are subject to a high degree of uncertainty. Due to that uncertainty, investment in low-risk (short-term) real estate loans continues to appear attractive. The generally shorter and limited term of such loans in comparison to equity investments as well as the entitlement to repayment mitigate the risks of long-term change. Because they occupy a more conservative position in the capital structure, real estate loan investments also offer greater protection against value losses. The portfolio is valued at market prices and highly diversified. The short-term development of property values is fraught with uncertainty due to macroeconomic and political developments. In the long term, real estate continues to be a tangible asset with a stable value. A price fall of 10 % results in a loss in market value of € 46.6 million (PY: € 44.0 million).

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

• Credit risk
Credit 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.

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 %
	2022	2021
AAA	26.3	24.5
AA+	6.5	7.2
AA	10.4	9.2
AA-	8.5	8.7
A+	2.6	5.7
A	7.7	9.4
A-	8.0	9.5
BBB+	10.6	9.7
BBB	7.8	9.4
BBB-	5.0	2.1
Speculative Grade (BB+ to D)	1.7	1.4
Not rated	4.9	3.3

• Liquidity risk

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

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

Operational and other risks

IT risks

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

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

The outbreak of the war in Ukraine has also led to a renewed intensification of the cyber threat situation worldwide. Both the warring parties and their political supporters have faced the threat of cyber attacks. In response, Gothaer has reviewed the effectiveness of existing information and IT security measures and strengthened its overall cyber resilience.

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

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

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

HR risks

The management of HR risks (scarcity, departure, motivation, adaptation and loyalty risks) and the identification and utilization of opportunities are major constituents of Gothaer HR management. Key points of reference are the Ambition25 Group strategy including the strategy module "Team Capacity for Change", 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. Monitoring tools here include the Group Dialogue – last conducted in 2022 – and, where applicable, follow-up surveys on the Group Dialogue. This permits a differentiated analysis of the views of employees and management on matters such as strategy, customer orientation, leadership, cooperation and sustainable commitment.

Scarcity risks in the acquisition of external know-how carriers are primarily addressed by appropriate HR marketing tools. At the same time, an attempt is made to counter the risks by means of internal development programmes. Analysis of candidate management data and verification of Gothaer's attractiveness as an employer are also important instruments for managing scarcity risks. In 2021, Gothaer also commissioned external market research into Gothaer's attractiveness as an employer in the external applicant market. This formed an important basis for the launch of Gothaer's enhanced employer brand, which has already received endorsement in the form of significantly improved key indicators, such as use of the careers website.

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

Regulatory compliance of financial statements

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

Legal risks

Due to mounting legislative requirements and judiciary developments at European and national level, the insurance industry faces major challenges even from a purely administrative perspective. Recent examples include the Supply Chain Sourcing Obligations Act adopted by the German Bundestag in June 2021and, at European level, the Schrems II ruling of the ECJ.

The German Supply Chain Sourcing Obligations Act does not imply that insurance companies are under additional obligations to ensure that their (primary) policyholders respect human rights, because policyholders are not part of the insurance company's supply chain. However, the law needs to be observed for the general procurement of goods and services. It can also be assumed that commercial policyholders need to regard insurance relationships that are of major importance for the services they offer as part of their supply chain. It is already apparent that, in the course of a

Know Your Customer process, commercial policyholders will only conclude an insurance contract in future on condition that respect for human rights is demonstrated in compliance with the law.

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

Apart from the individual case studies described above, a growing challenge is presented by the almost overwhelming number of legislative initiatives – by both the EU and the national legislature – focused mainly on sustainability, data protection and IT security in the broader sense. These initiatives are not confined to clearly defined individual issues; they create regulatory regimes in the areas they address that are not only complex and far-reaching but are often insufficiently coordinated. This makes systematic legal monitoring considerably more difficult.

Nonetheless, 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 ensure that appropriate and sufficiently prompt measures are taken in response to them.

Money laundering

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

Business Continuity Management

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

Summary of the risk situation

Gothaer Allgemeine Versicherung AG is both very well capitalized and highly diversified in terms of products and business segments. 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 2022, Standard & Poor’s confirmed the A rating with stable outlook of Gothaer Allgemeine Versicherung AG. In addition to the high resilience of the Group and good capitalization, the rating agency highlighted the Company's strong competitive position, especially in the small and medium-sized enterprise segment, as well as its diversified product portfolio and broad distribution channel network.

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 2022

Assets

				€ thousand
			2022	2021
A. Intangible assets				
I. Acquired concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets		55,337		57,326
II. Payments in advance		60,832		39,013
			116,168	96,339
B. Investments				
I. Investments in affiliated companies and associates				
1. Shares in affiliated companies	66,028			160,511
2. Loans to affiliated companies	100,000			135,011
3. Investments in associated companies	195,654			172,386
4. Loans to associated companies	19			19
		361,700		467,927
II. Other investments				
1. Shares, investments in unit trust and funds and other non-fixed-interest securities	2,513,545			2,108,706
2. Bearer bonds and other fixed-interest securities	572,398			619,945
3. Mortgages, liens on real property and annuities	420			496
4. Other loans	298,090			418,138
5. Bank deposits	22,350			39,450
6. Miscellaneous investments	2			2
		3,406,805		3,186,737
III. Deposits made in connection with reinsurance business assumed		29,352		27,329
of which from affiliated companies: €29,184 thousand (PY: €26,809 thousand)				
			3,797,857	3,681,993

				€ thousand
			2022	2021
C. Accounts receivable				
I. Accounts receivable in connection with direct insurance business from:				
1. Policyholders	33,047			29,516
2. Insurance agents	80,843			67,330
		113,890		96,846
II. Accounts receivable in connection with reinsurance business		85,080		68,161
of which from affiliated companies: €1,401 thousand (PY: €3,129 thousand)				
of which from associated companies: €0 thousand (PY: €2,776 thousand)				
III. Other accounts receivable		47,049		67,111
of which from affiliated companies: €9,731 thousand (PY: €19,019 thousand)				
of which from associated companies: €965 thousand (PY: €32 thousand)				
			246,019	232,118
D. Other assets				
I. Tangible assets and inventories		5,502		4,305
II. Current credit balances with banks, checks and cash on hand		24,570		28,348
III. Miscellaneous assets		930		1,015
			31,002	33,668
E. Prepaid expenses				
I. Prepaid interest and rent		12,464		22,999
II. Other prepaid expenses		523		426
			12,987	23,425
F. Excess of plan assets over pension liability			2,395	1,711
Total assets			4,206,428	4,069,255

Shareholders’ equity and liabilities

					€ thousand	
					2022	2021
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	287,909			271,346
		2. less: amounts ceded	22,650			22,946
				265,258		248,400
	II.	Aggregate policy reserve				
		Gross amount		28,800		32,268
	III.	Reserve for outstanding claims				
		1. Gross amount	3,172,191			3,153,339
		2. less: amounts ceded	681,858			751,735
				2,490,333		2,401,604
	IV.	Reserve for performance-related and non-performance-related premium refunds				
		1. Gross amount	4,051			4,315
		2. less: amounts ceded	115			147
				3,936		4,169
	V.	Equalization reserves and similar reserves		363,042		376,438
	VI.	Other underwriting reserves				
		1. Gross amount	8,667			9,157
		2. less: amounts ceded	-9,296			-7,478
				17,963		16,635
					3,169,331	3,079,514

					€ thousand
				2022	2021
D.	**Other accruals**				
	I. Accruals for pensions and similar obligations		539		575
	II. Accruals for taxes		3,350		4,300
	III. Miscellaneous accruals		28,759		34,260
				32,648	39,134
E.	**Deposits held in connection with reinsurance business ceded**			44,476	50,293
F.	**Other liabilities**				
	I. Accounts payable in connection with direct insurance business to				
	1. Policyholders	101,204			106,572
	2. Insurance agents	43,603			31,936
			144,807		138,508
	II. Accounts payable in connection with reinsurance business of which to affiliated companies: €3,728 thousand (PY: €0 thousand)		53,094		41,298
	III. Miscellaneous liabilities of which: for taxes: €20,480 thousand (PY: €19,980 thousand) toward affiliated companies: €105,246 thousand (PY: €75,485 thousand) toward associated companies: €2,339 thousand (PY: 1,703 thousand)		152,648		111,084
				350,549	290,890
Total shareholders' equity and liabilities				**4,206,428**	**4,069,255**

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, 3 March 2023

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, 3 March 2023

zur Mühlen
Trustee

Income Statement
For the Year Ended 31 December 2022

				€ thousand
			2022	2021
I. Underwriting account				
1. Earned premiums net of reinsurance				
a) Gross premiums written	2,156,515			2,021,879
b) Reinsurance premiums ceded	401,381			339,661
		1,755,134		1,682,218
c) Change in gross unearned premiums	-16,563			-10,928
d) Change in gross unearned premiums ceded	296			-1,847
		-16,859		-9,080
			1,738,275	1,673,138
2. Technical interest net of reinsurance			2,021	2,228
3. Other underwriting income net of reinsurance			1,147	2,313
4. Claims expenses net of reinsurance				
a) Claims paid				
aa) Gross amount	1,473,153			1,352,518
bb) Amount ceded	379,667			302,123
		1,093,486		1,050,395
b) Change in reserve for outstanding claims				
aa) Gross amount	13,625			480,077
bb) Amount ceded	-69,936			365,250
		83,561		114,828
			1,177,047	1,165,222
5. Change in other net underwriting reserves				
a) Net aggregate policy reserve		3,468		2,950
b) Other net underwriting reserves		-1,327		-5,200
			2,141	-2,249
6. Expenses for performance-related and non-performance-related premium refunds net of reinsurance			2,355	3,899
7. Underwriting expenses net of reinsurance				
a) Gross underwriting expenses		616,796		582,949
b) less: commissions and profit sharing received on reinsurance business ceded		99,263		82,215
			517,533	500,735
8. Other underwriting expenses net of reinsurance			17,099	15,269
9. Subtotal			29,550	-9,697
10. Change in equalization reserves and similar reserves			13,396	61,379
11. Underwriting result net of reinsurance			42,946	51,682

			2022	2021
				€ thousand
II. Non-underwriting account				
1. Investment income				
a) Income from investments of which from affiliated companies: €26,710 thousand (PY: €24,663 thousand)	32,648			34,355
b) Income from other investments of which from affiliated companies: €6,855 thousand (PY: €6,759 thousand)	58,438			52,881
c) Income from write-ups	3,268			7,792
d) Proceeds from the disposal of investments	20,794			9,849
		115,148		104,877
2. Investment expenses				
a) Cost of portfolio management, interest expenses and other expenses in connection with investments	7,267			6,121
b) Amortization of investments	22,372			19,397
c) Losses from the disposal of investments	7,005			3,797
		36,644		29,316
			78,504	75,562
3. Technical interest			-2,392	-2,566
			76,112	72,996
4. Other income		66,717		62,185
5. Other expenses		107,681		104,297
			-40,964	-42,113
6. Income before taxes			78,094	82,566
7. Taxes on income and tax	1,564			2,281
charged by the controlling company	34,937			37,517
		36,501		39,798
8. Other taxes		88		85
			36,589	39,883
9. Profit transferred on the basis of a profit-transfer or pooling agreement			41,505	42,682
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 20 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, with fair value determined by means of a fund review. Write-ups pursuant to section 253 (6) HGB are performed if the reason for impairment no longer exists. The fair value is determined on the basis of stock market prices or redemption prices.

Investment fund certificates 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.

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.

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), as well as current forward rates. The actual valuation, including optional components, is performed by discounting all anticipated future cash flows while taking into account security-specific spreads and illiquidity premiums.

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

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

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

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

Bank deposits are carried at nominal value.

Deposits with ceding companies are recognized at nominal value.

Accounts receivable in connection with direct insurance business

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

Tangible assets and inventories

Operating and office equipment was capitalized at cost less straight-line depreciation based on an anticipated economic life of 3 to 15 years for the assets. Low-cost assets with a cost value up to € 250 are written down directly.

Surplus from offsetting

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

Other assets

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

Underwriting reserves

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accruals for pensions and similar obligations

For non-insurance-based commitments, pension accruals were calculated by the projected unit credit method on the basis of the 2018 G mortality tables developed by Heubeck-Richttafeln-GmbH. Accruals were discounted at the average rate of interest over the last ten years in line with the Regulation on the Discounting of Provisions (RückAbzinsV), assuming a residual term of 15 years. The difference between valuations at average interest over the last ten years and that over the last seven years is shown in the notes on "Other accruals" in the Notes to the Financial Statements. The effects of the change in the actuarial interest rate are recognized in the interest result.

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

• Actuarial interest		1.79 %
• Wage and salary trend		2.20 %
• Pension progression rate		1.90 %
• 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, which is recognized under miscellaneous accruals, is determined by applying actuarial principles. Calculation is based on the 2018 G mortality tables developed by Heubeck-Richttafeln-GmbH, taking account of a wage and salary trend of 2.20 % and actuarial interest of 0.51 %. Reinsurance contracts are concluded for pre-retirement employment obligations as a safeguard against insolvency. Claims arising from the reinsurance contracts are offset against the reserve for pre-retirement employment obligations in accordance with section 246 (2) HGB.

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

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

Other liabilities

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

Notes to the Balance Sheet

Assets

Changes in assets in the financial year 2022

				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	57,326
		2.	Payments in advance	39,013
		3.	**Subtotal A.**	**96,339**
B	I.		Investments in affiliated companies and associates	
		1.	Shares in affiliated companies	160,511
		2.	Loans to affiliated companies	135,011
		3.	Investments in associated companies	172,386
		4.	Loans to associated companies	19
		5.	**Subtotal B I.**	**467,927**
B	II.		Other investments	
		1.	Shares, investments in unit trusts and funds and other non-fixed-interest securities	2,108,706
		2.	Bearer bonds and other fixed-interest securities	619,945
		3.	Mortgages, liens on real property and annuities	496
		4.	Other loans	
			a) Registered bonds	302,348
			b) Promissory notes and loans	115,788
			c) Loans and advance payments on insurance policies	2
			d) Other miscellaneous loans	0
		5.	Bank deposits	39,450
		6.	Miscellaneous investments	2
		7.	**Subtotal B II.**	**3,186,737**
Total				3,751,003

Additions	Reclassifications	Disposals	Reversals	Amortization	Carrying amounts Financial year
					€ thousand
0	9,235	0	0	11,225	55,337
31,054	-9,235	0	0	0	60,832
31,054	**0**	**0**	**0**	**11,225**	**116,168**
4,011	0	96,211	0	2,283	66,028
155,000	-10,000	180,011	0	0	100,000
35,076	0	6,594	2,092	7,306	195,654
0	0	0	0	0	19
194,086	**-10,000**	**282,816**	**2,092**	**9,589**	**361,700**
436,713	0	21,232	1,176	11,819	2,513,545
181,385	0	227,968	0	964	572,398
0	0	76	0	0	420
1	0	102,437	0	0	199,912
2,307	0	29,919	0	0	88,176
0	0	0	0	0	2
0	10,000	0	0	0	10,000
0	0	17,100	0	0	22,350
0	0	0	0	0	2
620,406	**10,000**	**398,732**	**1,176**	**12,783**	**3,406,805**
845,547	0	681,548	3,268	33,597	3,884,673

Carrying amounts and fair value of investments

			Carrying amounts	Fair values	Valuation reserves
					€ thousand
B.I.	Investments in affiliated companies and associates				
	1.	Shares in affiliated companies	66,028	69,650	3,622
	2.	Loans to affiliated companies	100,000	102,188	2,188
	3.	Investments in associated companies	195,654	233,607	37,953
	4.	Loans to associated companies	19	19	0
B.II.	Other investments				
	1.	Shares, investments in unit trusts and funds and other non-fixed-interest securities	2,513,545	2,234,556	-278,989
	2.	Bearer bonds and other fixed-interest securities	572,398	499,606	-72,792
	3.	Mortgages, liens on real property and annuities	420	411	-9
	4.	Other loans			
		a) Registered bonds	199,912	185,533	-14,380
		b) Promissory notes and loans	88,176	76,599	-11,576
		c) Loans and advance payments on insurance policies	2	2	0
		d) Other miscellaneous loans	10,000	8,031	-1,969
	5.	Bank deposits	22,350	22,350	0
	6.	Miscellaneous investments	2	2	0
B.III.	Deposits in connection with reinsurance business assumed		29,352	29,352	0
Total			3,797,857	3,461,905	-335,951

B. II. 1. and 2. include investment fund certificates, bearer bonds and other fixed-interest securities with a carrying amount of € 2,964,171 thousand that are classified as long-term assets pursuant to section 341b (2) HGB. The fair value of these assets comes to a total € 2,570,830 thousand. Hidden liabilities amounted to € 395,810 thousand.

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

Total investments included for purposes of payment of surplus bonuses

In the case of accident insurance with premium refunds, investments carried at a cost of € 56,126 thousand with a fair value of € 52,236 thousand are included for purposes of payment of surplus bonuses. As of 31 December 2022, the difference between cost and fair value came to € -3,889 thousand.

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

			€ thousand
		Carrying amount	Fair value
B.II.1.	Shares, investments in unit trusts and funds and other non-fixed-interest securities	2,192,838	1,871,707
B.II.2.	Bearer bonds and other fixed-interest securities	481,327	406,648
B.II.3.	Mortgages, liens on real property and annuities	420	411
B.II.4.a)	Registered bonds	154,911	139,965
B.II.4.b)	Promissory notes and loans	86,315	74,578
B.II.4.d)	Other miscellaneous loans	10,000	8,031

In the case of investments in unit trusts and funds with an annuity component or of a mixed nature, bearer bonds and other fixed-income securities, mortgage, land charge and annuity debt claims, registered bonds, promissory notes and loans as well as other loans, 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			17,563	16,835
	Forward currency sales	19,490	TUSD		749
	Forward currency purchases	2,830	TUSD		-21
	Micro valuation unit	**16,660**	**TUSD**	**17,563**	**17,563**
B. I. 3.	Investments in associated companies			41,917	69,379
	Forward currency sales	89,260	TUSD		3,881
	Forward currency purchases	15,680	TUSD		-135
	Portfolio valuation unit	**73,580**	**TUSD**	**41,917**	**73,125**
B. I. 3.	Investments in associated companies			20,689	27,205
	Forward currency sales	10,170	TGBP		132
	Forward currency purchases	610	TGBP		-8
	Portfolio valuation unit	**9,560**	**TGBP**	**20,689**	**27,329**
B. II. 2.	Bearer bonds			30,566	25,749
	Forward currency sales	31,000	TUSD		1,341
	Portfolio valuation unit	**31,000**	**TUSD**	**30,566**	**27,090**

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	150,819	150,819	0	5,713	daily
Pension fund	661,454	518,122	-143,332	9,188	daily or within one month
Property fund	95,750	119,795	24,045	12,654	daily or within max. six months
Other	1,472,966	1,307,826	-165,140	0	daily

The property funds shown here 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

		2022	2021
		€ thousand	
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	2022	2021
Accident	308,691	316,527
Liability	1,182,032	1,181,160
Motor liability	561,855	566,593
Other motor	55,864	57,797
Fire and property	1,070,647	1,038,602
Of which:		
Fire	195,738	163,760
Comprehensive householders	42,104	43,882
Comprehensive homeowners	352,059	337,488
Other property	480,747	493,472
Marine and aviation	110,520	96,713
Other insurance	246,323	259,371
Direct insurance business	3,535,933	3,516,762
Reinsurance business assumed	328,726	330,101
Total	**3,864,660**	**3,846,863**

Of which gross reserves for outstanding claims

		€ thousand
	2022	2021
Accident	256,941	258,210
Liability	1,037,001	1,039,234
Motor liability	519,096	526,148
Other motor	38,815	30,509
Fire and property	793,023	780,031
Of which:		
Fire	159,670	137,288
Comprehensive householders	18,189	19,770
Comprehensive homeowners	225,806	204,687
Other property	389,357	418,286
Marine and aviation	100,760	80,648
Other insurance	219,964	233,325
Direct insurance business	2,965,599	2,948,105
Reinsurance business assumed	206,592	205,234
Total	3,172,191	3,153,339

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 € 8,871 thousand (PY: € 7,749 thousand).

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

		€ thousand
Performance-related	2022	2021
Opening balance	959	1,045
Withdrawals	183	455
Additions	277	368
Final balance	1,053	959

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

- € 149 thousand (PY: € 112 thousand) for current surplus bonuses that have already been fixed but not yet distributed
- € 35 thousand (PY: € 43 thousand) for terminal bonuses that have already been fixed but not yet distributed
- € 0 thousand (PY: € 5 thousand) for amounts that have already been fixed but not yet distributed for participation in valuation reserves

The terminal bonus fund amounts to € 109 thousand (PY: € 138 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 2023 on the basis of contractual provisions. Where rates have changed against 2022, the prior-year rates are shown in brackets:

- **Old policies**

Interest on bonus	8.50 %	(5.00 %)	on the eligible aggregate policy reserve of basic insurance
	0.00 %		on the eligible aggregate policy reserve of bonus insurance
Basic bonus	6.00 %		on the annual return premium
Terminal bonus	8.00 %		on total eligible return premiums

- **New policies**

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

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

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

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

Policies with rates BRE1, BRK1, BRS1, BRT1

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

Policies with rates BRE2, BRK2, BRS2, BRT2

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

Increase in policy reserve for interest rate risk (Zinszusatzreserve)

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

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

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

Participation in valuation reserves

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

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

Eligible policies

All accident insurance with premium return policies are eligible.

Time of irrevocable allocation of valuation reserves

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

Determination of valuation reserves available for distribution

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

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

Allocation of valuation reserves upon maturity of policies

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

Allocation of valuation reserves available for distribution upon maturity of policies

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

Distribution factor of a policy

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

Distribution of valuation reserves upon maturity of policies

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

Equalization reserves and similar reserves

		€ thousand
	2022	2021
Accident	0	3,272
Liability	86,125	83,863
Motor liability	37,823	35,141
Other motor	14,354	24,679
Fire and property	141,724	133,397
Of which:		
Fire	24,258	15,813
Comprehensive householders	0	0
Comprehensive homeowners	71,116	83,133
Other property	46,349	34,451
Marine and aviation	1,357	8,155
Other insurance	3,180	4,773
Direct insurance business	284,563	293,281
Reinsurance business assumed	78,479	83,157
Total	363,042	376,438

Other accruals

The difference between valuing pension accruals and similar obligations at average interest over the past ten years and over the past seven years is € 34 thousand (PY: € 51 thousand).

		€ thousand
	2022	2021
III. Miscellaneous accruals for:		
Pre-retirement employment	1,870	1,093
Social plans/severance payments	483	1,299
Bonuses	13,340	16,252
Leave/Time credits	2,799	3,314
Other HR reserves	13	478
Sales and competition activities	4,002	1,493
Financial statement expenses	671	627
Outstanding invoices	1,884	2,513
Legal disputes	466	330
Anticipated losses	995	2,184
Other	2,235	4,676
Total	28,759	34,260

Offsetting of assets and liabilities

In the case of reinsurance contracts concluded for pre-retirement employment obligations, receivables totalling € 5,381 thousand (PY: € 5,960 thousand) were offset against corresponding Other accruals of € 4,856 thousand (PY: € 5,342 thousand). The fair value of the plan assets offset is equal to value at cost.

The settlement value of obligations from working time accounts recognized in miscellaneous accruals – € 126 thousand (PY: € 56 thousand) – was offset against the € 121 thousand (PY: € 56 thousand) fair value of investment fund certificates held in trust as security. The cost of the investment fund certificates totals € 126 thousand (PY: € 56 thousand).

Notes to the Income Statement

Gross premiums written

€ thousand	2022	2021
Accident	136,641	137,727
Liability	397,331	368,385
Motor liability	243,492	242,783
Other motor	166,289	164,856
Fire and property	796,379	717,102
Of which:		
Fire	119,951	106,344
Comprehensive householders	84,022	83,902
Comprehensive homeowners	249,731	224,879
Other property	342,675	301,977
Marine and aviation	76,968	69,996
Other insurance	163,905	140,503
Direct insurance business	1,981,005	1,841,352
Reinsurance business assumed	175,510	180,527
Total	**2,156,515**	**2,021,879**

Gross premiums earned

€ thousand	2022	2021
Accident	136,874	137,476
Liability	395,775	367,780
Motor liability	243,470	242,775
Other motor	166,279	164,739
Fire and property	785,995	712,769
Of which:		
Fire	118,803	105,619
Comprehensive householders	84,155	84,562
Comprehensive homeowners	244,666	221,968
Other property	338,372	300,620
Marine and aviation	76,179	69,730
Other insurance	161,792	138,697
Direct insurance business	1,966,365	1,833,965
Reinsurance business assumed	173,587	176,986
Total	**2,139,952**	**2,010,951**

Net premiums earned

		€ thousand
	2022	2021
Accident	135,751	136,333
Liability	337,581	317,004
Motor liability	210,480	209,669
Other motor	136,147	138,281
Fire and property	595,530	545,737
Of which:		
Fire	64,576	59,368
Comprehensive householders	83,771	83,438
Comprehensive homeowners	205,633	185,609
Other property	241,550	217,322
Marine and aviation	72,231	66,101
Other insurance	93,711	93,949
Direct insurance business	1,581,432	1,507,074
Reinsurance business assumed	156,843	166,063
Total	1,738,275	1,673,138

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 0.25 %, 0.9 %, 1.25 %, 1.75 %, 2.25 % or, as the case may be, 2.75 % of the arithmetic average of the balance of the reserve at the beginning and end of the period.

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

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

Gross claims expenses

€ thousand	2022	2021
Accident	58,806	64,546
Liability	189,600	190,373
Motor liability	168,505	166,542
Other motor	153,559	143,652
Fire and property	627,212	859,388
Of which:		
Fire	95,794	109,255
Comprehensive householders	31,293	51,650
Comprehensive homeowners	265,549	300,210
Other property	234,576	398,273
Marine and aviation	64,490	54,053
Other insurance	126,987	238,642
Direct insurance business	1,389,160	1,717,197
Reinsurance business assumed	97,618	115,398
Total	1,486,777	1,832,595

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 6.6 % (PY: 8.2 %) of the reserve at the beginning of the period.

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

€ thousand	2022	2021
Performance-related	277	368
Non-performance-related	2,012	3,490
Direct insurance business	2,290	3,858
Reinsurance business assumed	65	41
Total	2,355	3,899

Gross underwriting expenses

	2022	2021
	€ thousand	
Accident	49,532	44,000
Liability	133,970	125,950
Motor liability	42,991	43,251
Other motor	29,967	29,902
Fire and property	238,763	228,948
Of which:		
Fire	32,884	28,870
Comprehensive householders	31,604	29,181
Comprehensive homeowners	77,649	71,598
Other property	96,626	99,300
Marine and aviation	24,150	21,277
Other insurance	48,900	38,640
Direct insurance business	568,274	531,968
Reinsurance business assumed	48,523	50,981
Total	616,796	582,949

Gross underwriting expenses include acquisition expenses of € 318,282 thousand (PY: € 293,343 thousand) and administrative expenses of € 298,514 thousand (PY: € 289,606 thousand).

Net for reinsurance business (- = credit to reinsurers)

	2022	2021
	€ thousand	
Accident	-261	520
Liability	-24,317	-17,228
Motor liability	-5,218	-9,061
Other motor	-5,246	3,630
Fire and property	67,760	307,167
Marine and aviation	84	-1,070
Other insurance	-12,369	126,166
Direct insurance business	20,433	410,125
Reinsurance business assumed	-13,115	1,648
Total	7,317	411,774

Underwriting result net of reinsurance

		€ thousand
	2022	2021
Accident	36,101	52,137
Liability	46,317	29,423
Motor liability	24,439	50,851
Other motor	-12,148	-11,020
Fire and property	-39,288	-53,956
Of which:		
Fire	-24,930	-1,110
Comprehensive householders	21,978	18,881
Comprehensive homeowners	-46,950	-42,372
Other property	10,613	-29,355
Marine and aviation	-7,168	-4,740
Other insurance	-24,151	-13,568
Direct insurance business	24,102	49,128
Reinsurance business assumed	18,844	2,554
Total	42,946	51,682

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

		PIF
	2022	2021
Accident	642,389	655,229
Liability	1,600,648	1,621,797
Motor liability	862,110	859,574
Other motor	679,698	674,753
Fire and property	1,847,141	1,846,960
Of which:		
Fire	106,390	108,654
Comprehensive householders	666,684	692,010
Comprehensive homeowners	397,080	390,813
Other property	676,987	655,483
Marine and aviation	29,791	28,295
Other insurance	643,624	635,442
Total	6,305,401	6,322,050

Investment expenses

Amortization of investments includes non-scheduled depreciation of € 22,367 thousand (PY: € 19,376 thousand) in accordance with section 277 (3) HGB.

Other income

Other income includes € 2 thousand (PY: € 0 thousand) resulting from the discounting of reserves and € 191 thousand (PY: € 91 thousand) from currency translations.

Other expenses

Other expenses include € 616 thousand (PY: € 3,074 thousand) resulting from compounding of reserves and € 476 thousand (PY: € 373 thousand) from currency translations.

Offsetting of income and expenses

In line with the offsetting of retirement pension commitments and the corresponding plan assets, related expenses of € 2,578 thousand (PY: € 2,282 thousand) were offset against related income of € 2,503 thousand (PY: € 2,353 thousand) as stipulated in section 246 (2) HGB.

Other disclosures

List of holdings

€ thousand

Name	Registered address		Equity Interest in %	Share-holders' equity	Year result
Aberdeen Asia Pacific II, L.P.	George Town	KY	5.4	108,680	17,307
Accession Mezzanine Capital III L.P.	St. Helier	JE	3.7	45,037	11,793
Achmea B.V.	Zeist	NL	0.6	10,624,000	467,000
Behrman Capital PEP L.P.	Wilmington	US	1.0	58,924	258,783
Behrman Capital IV, L.P.	Wilmington	US	4.9	64,438	62,806
Curzon Capital Partners IV L.P.	London	GB	4.9	228,276	51,821
EMF NEIF I (A) L.P.	London	GB	8.5	36,060	-4,023
EPISO IV, L.P.	London	GB	1.5	1,495,498	216,027
Falcon Strategic Partners V (Cayman), L.P.	George Town	KY	12.4	112,007	20,025
FirstMark Capital II, L.P.	Wilmington	US	13.3	716,232	279,926
FirstMark Capital III L.P.	Wilmington	US	3.4	1,073,008	711,324
GDV Dienstleistungs-GmbH	Hamburg	DE	1.1	29,653	983
GG-Grundfonds Vermittlungs GmbH	Cologne	DE	100.0	-16,741	-12
Gothaer Erste Kapitalbeteili-gungsgesellschaft mbH	Cologne	DE	20.4	13,207	2,056
HC Property Heureka I Alpha S.à.r.l.	Luxemburg	LU	5.3	25,529	754
HC Property Heureka II Beta S.à.r.l.	Luxemburg	LU	5.3	20,376	915
HC Property Heureka III Gamma S.à.r.l.	Luxemburg	LU	5.3	13,164	817
HC Property Heureka IV Delta S.à.r.l.	Luxemburg	LU	5.3	13,259	819
Janitos Versicherung AG	Heidelberg	DE	100.0	19,677	1,924
KILOS Beteiligungs GmbH & Co. Vermietungs-KG	Pöcking	DE	93.1	56,487	2,074
New York Life Capital Partners IV, L.P.	New York	US	3.7	14,470	1,514
PE Holding USD GmbH	Cologne	DE	40.0	121,740	-2,840
PineBridge Secondary Partners III L.P.	Wilmington	US	4.9	149,048	31,432
PineBridge Secondary Partners IV Feeder, SLP	Luxemburg	LU	4.2	354,564	78,717
Praesidian Capital Bridge Fund, L.P.	Wilmington	US	8.0	18,030	4,938
Praesidian Capital Opportunity Fund III-A, L.P.	Wilmington	US	13.1	13,956	-2,764

Name	Registered address		Equity Interest in %	Share-holders' equity	Year result
					€ thousand
SilkRoad Asia Value Parallel Fund, SICAV-SIF	Luxemburg	LU	6.2	371,095	60,160
WAI S.C.A., SICAV- FIS / Private Equity Secondary 2008	Luxemburg	LU	4.5	22,816	785

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

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

Commissions and other remuneration of insurance agents, personnel expenses

		2022	2021
			€ thousand
1.	Commissions of insurance agents within the meaning of section 92 HGB in connection with direct insurance business	401,023	369,092
2.	Other remuneration of insurance agents within the meaning of section 92 HGB	521	419
3.	Wages and salaries	124,089	122,768
4.	Social security contributions and employee benefits	21,733	21,144
5.	Post retirement benefits	11,239	8,512
6.	**Total expenses**	558,606	521,934

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.

Remuneration paid to Management totalled € 1,565 thousand. Retirement benefits, survivors' benefits and other remuneration for former members of Management amounted to € 750 thousand. Provisions for pension benefits for this group of individuals total € 10,950 thousand.

Remuneration paid to the Supervisory Board came to € 457 thousand; remuneration for the Advisory Board totalled € 15 thousand.

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 1,816 (PY: 1,798) employees in the financial year. Of these, 1,283 (PY: 1,276) were employed in-house and 385 (PY: 380) in the field. In addition, the Company had an average of 148 (PY: 142) trainees in the course of the year.

Contingent liabilities and other financial commitments

In compliance with section 28 (1) EGHGB, accruals of € 1,373 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 € 71,418 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 € 30,705 thousand (including € 7,167 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 € 355 thousand.

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

Deferred taxes

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

Group membership

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

Events of special significance

No events of special significance occurred after the conclusion of the financial year 2022.

Cologne, 8 March 2023

Board of Management

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

Independent Auditors' Report

Gothaer Allgemeine Versicherung AG, Cologne

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the annual financial statements of Gothaer Allgemeine Versicherung AG, Cologne, which comprise the balance sheet as at 31 December 2022, the income statement for the financial year from 1 January 2022 to 31 December 2022 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, for the financial year from 1 January 2022 to 31 December 2022. In accordance with German requirements, we have not audited the content of the corporate governance statement pursuant to section 289f (4) of the German Commercial Code (HGB) (Gender diversity disclosures), which is included in the „Gender diversity“ section of the management report.

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

- the accompanying annual 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 2022 as well as the results of its operations from 1 January 2022 to 31 December 2022 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 annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the corporate governance statement referred to above.

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

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual 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 ANNUAL 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 annual financial statements and management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January 2022 to 31 December 2022. These matters were considered in the context of our audit of the annual 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.

We identified the following as key audit matters that need to be addressed in our report:

1. valuation of investments in unit trusts or funds recognized as fixed assets

2. valuation of partial loss reserves for known and unknown claims included in the gross reserve for outstanding claims

VALUATION OF INVESTMENTS IN UNIT TRUSTS OR FUNDS RECOGNIZED AS FIXED ASSETS

The issue

The annual financial statements of Gothaer Allgemeine Versicherung AG as at 31 December 2022 show shares, investments in unit trusts or funds and other non-fixed-interest securities totalling € 2,513.5 million. This includes net hidden liabilities of € 279.0 million and materially affects the net assets and earnings of the Company.

In accordance with section 341b (2) HGB, the Company has largely designated shares in investment funds – which make up the major part of the balance sheet item shares, investments in unit trusts or funds and other non-fixed-interest securities – as being held to serve business operations on a permanent basis. These shares in investment funds are valued in accordance with the valuation rules applicable to fixed assets. They are recognized in the balance sheet at cost. In accordance with section 253 (3) HGB, depreciation is recognised only in the case of permanent impairment. Write-ups pursuant to section 253 (5) HGB are performed if the reason for impairment no longer exists. Fair value is determined by means of a fund review.

The valuation methods used to determine fair value are influenced by discretionary decisions and assumptions made by the legal representatives. For the annual financial statements, there is a fundamental risk that the lower fair value of the shares in investment funds at balance sheet date is lower than their book value and that any necessary write-downs to the lower fair value are not performed. As a result – and due to the significance of the amount for the annual financial statements – the valuation of shares in investment funds recognized as fixed assets was a key audit matter.

The information provided by Gothaer Allgemeine Versicherung AG on the recognition and valuation of shares in investment funds is contained in the "Investments" subsection of "Accounting and Valuation Policies" in the Notes to the Financial Statements. Risk disclosures are found under "Investment risks" in the "Opportunities and risks of the Company" section of the management report.

Audit response

To audit the valuation of shares in investment funds recognized as fixed assets, we performed the following key audit procedures in a risk-oriented approach:

First of all, we satisfied ourselves on the basis of the liquidity plans presented that the Company has the ability to hold the shares in investment funds recognized as fixed assets on a permanent basis.

We then gained an understanding of the processes used to determine the fair value of the shares in investment funds. Based on this, we performed an audit of the design and operation of the key internal controls embedded in the valuation process to ensure that fair values are determined and processed correctly.

We also performed an assessment of the methods used to determine the conformity and consistency of the fair values. At the same time, we assessed the application of the rules announced by the IDW Insurance Committee.

Furthermore, we verified the entry of the fund data by the capital management company in the investment subledger and subsequently in the calculation document. In the next step, we checked that the calculation logic was correctly implemented in the calculation document and satisfied ourselves of the mathematical accuracy for randomly selected shares in investment funds.

VALUATION OF THE PARTIAL LOSS RESERVES FOR KNOWN AND UNKNOWN CLAIMS INCLUDED IN THE GROSS RESERVE FOR OUTSTANDING CLAIMS

The issue

The annual financial statements of Gothaer Allgemeine Versicherung AG as at 31 December 2022 show a gross reserve for outstanding claims of € 3,172.2 million. This was 75.4 % of the balance sheet total and materially affects the net assets of the Company.

The reserve for outstanding claims is subdivided into various partial loss reserves. A substantial part of the gross reserve for outstanding claims is formed by the reserves for known and unknown claims.

For known claims, i.e. claims that occurred and were reported by balance sheet date, the anticipated claims expenditure is estimated according to the individual valuation principle. For unknown claims, an IBNR reserve is formed, based on empirical values. The risk for the annual financial statements is primarily that the outstanding claim payments anticipated for known claims are improperly estimated and that the level of claims expected for unknown claims that have already occurred is incorrectly assessed. This could result in an over- or undervaluation of the reserve for outstanding claims.

The methods used to determine the partial loss reserves for known and unknown claims as well as the detailed calculation parameters applied are influenced by discretionary decisions and assumptions made by the legal representatives. As a result – and due to the significance of the size of the outstanding claims reserve for the annual financial statements as at 31 December 2022 – the measurement of the partial loss reserves for known and unknown claims was a key audit matter.

The information provided by Gothaer Allgemeine Versicherung AG on the valuation of the reserve for outstanding claims is contained in the "Underwriting reserves" sub-section of "Accounting and Valuation Policies" in the Notes to the Financial Statements. Risk disclosures are found under "Underwriting risks" in the "Opportunities and risks of the Company" section of the management report.

Audit response

To audit the valuation of the partial loss reserves for known and unknown claims, we performed the following key audit procedures in a risk-oriented approach:

First of all, we gained an understanding of the processes used to determine the gross partial loss reserves for known and unknown claims. Based on this, we performed an audit of the design and operation of the key internal controls embedded in the claims settlement process to ensure that the required reserves are complete and correct.

To verify the valuation of the partial loss reserve for unknown claims, we retraced the Company's calculation for selected risk-oriented lines and classes of insurance to establish the volume of unknown IBNR claims. In particular, we assessed the parameters used on the basis of historical experience and current developments. With regard to known claims not yet settled at balance sheet date, we performed substantive testing on risk-oriented and random samples of claims to verify the correctness of the claim file management and the appropriateness of the reserve that was formed. At the same time, we examined the records to verify the estimates of probable loss for various lines and classes of insurance.

In addition, we analysed the actual development of the prior-year reserve for outstanding claims on the basis of the run-off results.

We checked the plausibility of the development of the outstanding claims reserve on the basis of key figure and time series analyses.

We also performed our own actuarial reserve calculations for selected segments, which were chosen specifically on the basis of risk considerations. In each case, we estimated the total claims expenditure (gross) in order to verify the adequacy of the reserves for outstanding claims and the level of security achieved.

The audit was performed with the help of our own specialists with knowledge of actuarial mathematics.

OTHER INFORMATION

The legal representatives and/or the supervisory board are responsible for other information. Other information comprises:

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

- the other parts of the annual report, with the exception of the audited annual financial statements and management report as well as our auditor's report.

Our audit opinions on the annual 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 annual financial statements, 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 ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

The legal representatives are responsible for the preparation of annual 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 annual financial statements that are free from material misstatement as a result of malicious acts (i.e. manipulation of accounts and damage to assets) or errors.

In preparing the annual 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 annual 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 annual 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 annual financial statements and management report of the Company.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement as a result of malicious acts or errors 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 annual 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 annual 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 malicious acts or errors 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 annual financial statements and management report due to malicious acts or errors, 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. The risk of a material misstatement due to malicious acts going undetected is higher than the risk of material misstatement due to error because malicious acts 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 annual 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 annual 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 entire presentation, structure and content of the annual financial statements, including the disclosures, and assess whether the annual 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 annual 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 significant 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, where relevant, the actions taken or safeguards implemented to address threats to that independence.

From the matters discussed with those charged with governance, we identify the matters that were of most significance in the audit of the annual 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.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor at the General Meeting on 8 April 2022. We were appointed by the Supervisory Board on 8 November 2022. We have acted as auditor for Gothaer Allgemeine Versicherung AG since the financial year 2022.

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 annual financial statements or management report:

- audit of the solvency overview

- special audit of "MGA business"

- audit review of the annual financial statements prepared by a controlled company

- other advisory services for a controlled company

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Elke Stümper.

Cologne, 29 March 2023

BDO AG
Wirtschaftsprüfungsgesellschaft

Volkmer	Stümper
Wirtschaftsprüfer	Wirtschaftsprüferin

Report of the Supervisory Board

Due to the personnel changes announced for 2023 at the auditing company appointed to audit the financial statements at 31 December 2022, a selection process in accordance with Article 16 of EU Regulation 537/2014 was initiated at the end of 2022 for the appointment of a new auditor for the financial year 2023.

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

In line with the stipulations of the Federal Financial Supervisory Authority, the members of the Supervisory Board conducted a self-appraisal, assessing their knowledge of investment, underwriting accounting and auditing. This appraisal will form the basis for an education and training programme drawn up by the Board each year identifying the topics in which the Board as a whole or individual members of it wish to deepen their knowledge. Two training events were held for Board members on underwriting, investment and accounting.

The issues addressed by the Board regularly included the development of the Company’s new business, portfolios and earnings as well as investment strategy and the effect thereof on the financial statements. A focus was also placed on competition, product design, marketing and the development of sales, costs and earnings. The Board also kept a particularly keen eye on the solvency situation under the current Solvency II regime. In addition, Management reported regularly to the 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 Board also received an explanation of the Company's sustainability strategy and was apprised of both the measures already taken and those planned. In addition to the increasing orientation of the investment strategy to sustainability criteria and investment in renewable energy and natural capital, these include the development of sustainable insurance products as well as support for corporate clients transitioning to sustainability and pursuing sustainability goals in their own operations, for example to reduce carbon emissions or promote diversity. 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". The primary focus here was on the implementation strategies and programmes required for market development, to ensure that products, processes and structures are attuned to the needs of an organization that is – both internally and externally – increasingly digital. The Board also received reports on the impacts of rising interest rates and inflation. In light of the war in Ukraine, it was informed about the economic consequences of different conflict and resolution scenarios and their effects on the Company. In connection with this, reporting also covered the development of cyber policy business and the risk exposure connected with it.

Another area of reporting was the underwriting impact of the knock-on effects of windstorm "Bernd" in 2021 and other extraordinary natural loss events in the year under review. This included the effects on availability and conditions of outward reinsurance. Furthermore, reports focused on the development of claims expenses exposed to types of expense subject to rates of inflation that may be higher than the rise in the general cost of living index. In this context, the effect of inflation on loss reserves was also assessed.

Gothaer Allgemeine Versicherung AG was able to maintain its financial strength largely by consistently achieving profit-oriented growth in a difficult economic environment. In 2022, the rating agency Standard & Poor's confirmed the Company's A rating with stable outlook.

The Supervisory Board discharged its statutory duty to examine HR issues relating to Management. Mr Schoeller's Management Board mandate was extended.

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

The topics addressed in the Investment Committee meetings and the 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 Stock Corporation Act (AktG) monitored the accounting process and verified the effectiveness of the internal control system, risk management system, compliance organization and internal auditing system. There were no objections. The key performance indicators in the financial statements were discussed in detail with Management and auditors, also taking benchmarks of comparable companies into account. The Audit Committee therefore proposed to the Supervisory Board that the financial statements for the financial year 2022 should be formally adopted in accordance with section 172 AktG.

The financial statements and accompanying management report presented for the financial year 2022 were audited by the auditor, BDO 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.

Examination of the financial statements and management report by the Supervisory Board gave no cause for objections.

The Board endorses the 2022 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 under difficult economic conditions.

Cologne, 29 March 2023

The Supervisory Board

Prof. Dr. Werner Görg	Peter-Josef Schützeichel	Carl Graf von Hardenberg
Dr. Judith Kerschbaumer	Dr. Dirk Niedermeyer	Dr. Christine Prauschke
Gesine Rades	Simone Robens	Thorsten Schlack
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