

Gothaer Group

Summary of the solvency and financial condition report

31.12.2019

Summary

A. Business activity and operating result

The Gothaer Group is managed - insofar as is legally permissible - as a single company. Gothaer Versicherungs-bank VVaG stands at the pinnacle of the group. Gothaer Finanzholding AG is responsible for the group's financial controlling. Overall, the group consists of various insurance companies, several ancillary service companies, non-controlled participations (NCP), entities from other financial sectors (OFS), as well as other companies. The operative business is largely performed by the following companies:

- Gothaer Allgemeine Versicherung AG
- Gothaer Lebensversicherung AG
- Gothaer Krankenversicherung AG
- Gothaer Pensionskasse AG
- Janitos Versicherung AG

The non-controlled participations include the shareholding in ROLAND Rechtsschutz-Versicherungs-AG, whilst the entities from other financial sectors include Gothaer Pensionskasse AG, two further internal pension funds and Gothaer Asset Management AG, which is entrusted with administration of the investments of the insurer in the Gothaer Group. The group also holds a 67 % share in the German insurance company CG Car-Garantie Versicherungs-AG. The ancillary service companies are group-owned subsidiaries which act as service providers for the German insurance companies. The Gothaer Group's business activities are focussed on the German insurance market. The group also participates in the Eastern European market for composite insurance through the foreign subsidiary in Romania - S.C. Gothaer Asigurări Reasigurări S.A.

The investment in Gothaer Towarzystwo Ubezpieczeń S.A. (Poland) was sold on the 28/02/2019.

B. Governance system

The governance system of the Gothaer Group complies with the legal requirements. The responsibility for the strategic alignment of the group lies with the general board of the ultimate parent company, Gothaer Versicherungs-bank VVaG. The board is also responsible for the functionality and effectiveness of the risk management. The key functions of the internal audit function, independent risk controlling function and compliance function at group level are ensconced in Gothaer Finanzholding AG, whilst the actuarial function of the group is performed by the chair of the actuary committee.

The Gothaer Group performs an annual Own Risk and Solvency Assessment (ORSA) process for the company's own risk and solvency assessment. Ad-hoc ORSA were not conducted in 2019.

C. Risk profile

The Gothaer Group is exposed to various risks. The incurred risk is evaluated using the standard formula. The basis is the consolidated financial statements (the consolidation method per § 261 VAG is applied). Measured by the solvency capital requirement (net after risk mitigation), the following risks are the greatest:

- Spread risk
- Premium and reserve risk (non-life insurance)
- Stock risk

In December 2019, the novel SARS-CoV-2 virus and the disease COVID-19 (corona) were discovered in the Chinese city of Wuhan (Hubei Province). The disease has spread rapidly worldwide. Following on from China and Europe, the USA has now become the epicentre of the outbreak. The Gothaer Group expects the corona crisis to have an impact on all risk carriers, which cannot be conclusively assessed at the present time. Primarily worth mentioning in this regard are the capital market risks, underwriting risks and operational risks. The Gothaer Group will continue to analyse the effects of the corona pandemic within the framework of an Ad-hoc ORSA, and will also examine the effects on the solvency II coverage ratio.

As a result of the corona epidemic, the EIOPA has issued supervisory recommendations regarding the flexibility of reporting (EIOPA-BoS-20/236). BaFin endorsed these recommendations in its communication dated 21/03/2020. One measure is the extension of the deadline for the submission and publication of reports by eight weeks. The Gothaer Group is not making use of this extension.

D. Evaluation for solvency purposes

The Gothaer Group draws up a Solvency II Balance in accordance with § 250 VAG. When generating the Group solvency II Balance, the group companies are considered in the way in which they are drawn up at solo level.

Insurance company	Application of the volatility adjustment	Application of the transitional on technical provisions
Gothaer Versicherungsbank VVaG	✓	
Gothaer Finanzholding AG	✓	
Gothaer Allgemeine Versicherung AG	✓	
Gothaer Lebensversicherung AG	✓	✓
Gothaer Krankenversicherung AG	✓	✓
Janitos Versicherung AG		
S.C. Gothaer Asigurări Reasigurări S.A.		
CG Car-Garantie Versicherungs-AG		
ROLAND Rechtsschutz-Versicherungs-AG		

The technical provisions on the reporting date stood TEUR 28,166,654. The German insurance companies in the Gothaer Group - with the exception of Janitos Versicherung AG, ROLAND Rechtsschutz-Versicherungs-AG and CG Car-Garantie Versicherungs-AG - use the volatility adjustment in accordance with Article 77d of Directive 2009/138/EC, whilst the two personal insurers additionally also use the temporary deduction in accordance with Article 308d of Directive 2009/138/EC on the technical provisions (transitional on technical provisions). If the transitional on technical provisions is not applied, the technical provisions increase by TEUR 1,459,833. If the volatility adjustment is additionally set to zero, the technical provisions increase by a further TEUR 43,053.

E. Capital management

The Gothaer Group satisfies the regulatory capital requirements (SCR) according to Solvency II on the reporting date 31/12/2019. Determination of the capital requirements takes place using the standard formula per § 96 VAG. The volatility adjustment and the transitional on technical provisions are taken into account here, provided these are available at solo level. Even without application of the transitional on technical provisions, the applicable capital requirement is covered by sufficient own funds.

capital requirements incl. volatility adjustment	2019		2018		TEUR
	incl. transitional on technical provisions	without transitional on technical provisions	incl. transitional on technical provisions	without transitional on technical provisions	
Solvency capital requirement	1.485.647	1.630.112	1.348.918	1.434.305	
Own Funds	4.096.832	3.201.153	3.902.746	2.884.107	
Ratio of Eligible own funds to SCR	276%	196%	289%	201%	

All figures in the report are quoted in thousands of euros. The figures have been commercially rounded. Addition of the individual values may therefore lead to rounding differences. Details regarding values in accordance with commercial law are only provided in this report for informational purposes. The annual report is decisive for values in accordance with commercial law.