



AT A GLANCE

- The HDI Group uses an approved partial internal model and shows a very strong capitalisation.
- The risk kernel for the HDI Group is the Talanx Group – this clearly fulfils its risk strategy objectives.
- Own funds and risk are analysed from a range of perspectives, which differ according to the modelling scope and economic and regulatory issues for the eligibility of own funds. Key figures resulting from this are explained in the report.
- The Group has established a sound and appropriate governance and risk management system that is continuously being improved and complies with high quality requirements and standards.

OVERVIEW OF KEY FIGURES IN DIFFERENT VIEWS

EUR THOUSAND

	Talanx Group (economic)		HDI Group (regulatory)		HDI Group (regulatory, excluding transitional)	
Own funds	Basic own funds (BOF)	19,568,557	Eligible own funds	19,676,129	Eligible own funds excluding transitional	15,546,816
SCR	Economic internal model (full)	7,405,601	Partial internal model (operational risk according to standard formula)	8,346,467	Partial internal model (operational risk according to standard formula)	8,355,784
Ratio	CAR (Talanx)	264%	Solvency II ratio	236%	Solvency II ratio (excluding transitional)	186%

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SUMMARY

This report presents the Solvency and financial condition of the HDI Group and in particular describes the Talanx Group, which forms the determining risk kernel of the HDI Group and is relevant for the capital market. Moreover, further information is available in the reports of the respective subsidiaries.

The HDI Group works with its companies in several different fields relating to primary insurance and reinsurance both in property/casualty insurance and in life insurance. The geographical and sectoral breadth of this structure forms the backbone of our high degree of diversification.

GROUP STRUCTURE

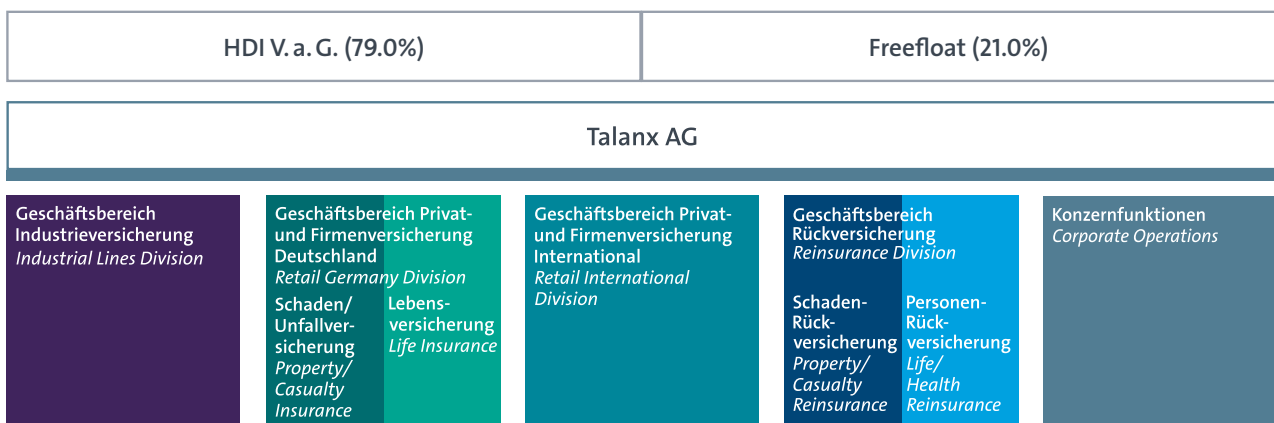
As the ultimate parent company of the HDI Group, HDI V.a.G. owns 79% of the shares of Talanx AG. In its role as an insurance company, it contributes by means of proportional coinsurance amounting to 1‰ to HDI Global SE domestic business. The assets of HDI V.a.G. are predominantly invested with low risk and high liquidity. This means that the risk profile of the HDI Group is essentially defined by the risk profile of Talanx Group. To this extent, the latter forms the risk kernel of the Group.

Talanx AG acts as a finance and management holding, which in turn owns material participations in insurance companies, represented in 40 countries and pursues activities through cooperations in over 150 countries. Our business model consists of taking underwriting and financial risks.

ENTERPRISE RISK MANAGEMENT AND TARGETS IN BRIEF

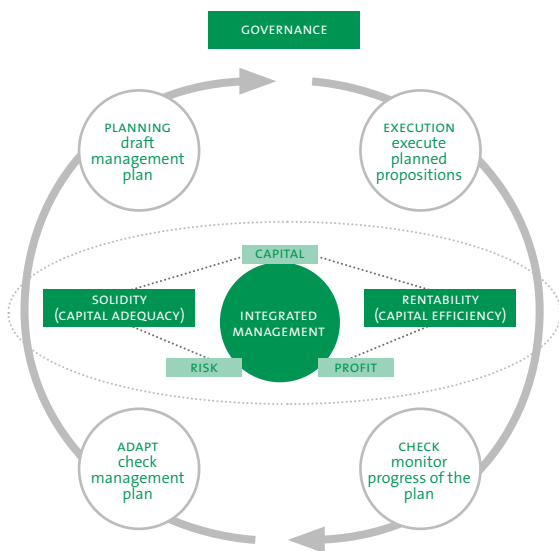
Insurance companies can look back on many years of experience with the application of actuarial methods and procedures for pricing and/or defining their risk exposure. Since the 1990s, these processes have been enhanced, both in terms of their methodology and their content, thanks to the consistent handling of issues relating to value and risk management. This is the purpose of holistic models, so-called Enterprise Risk Management (ERM) models, which make it possible to measure, assess and manage accepted risks, generated income and deployed capital using a consistent benchmark. The synthesis of these components culminates on the management side in a performance concept that forms the basis of our economic decision-making.

GROUP STRUCTURE



As regards this performance concept, Risk Management assumes the tasks and the functions in an economic and regulatory context and therefore represents an explicit part of the value-added chain. The risk management philosophy of the HDI Group uses an adapted, Solvency II-compliant form of the risk management industrial standard (ISO standard 31000), which makes it possible to harmoniously blend the values of our Company (Talanx values) with the technical necessities, the regulatory requirements and the economic circumstances. The heart of the risk management process is TERM, the Talanx Enterprise Risk Model – the internal, holistic risk model of the HDI Group.

PERFORMANCE CONCEPT AND INTEGRATED RISK MANAGEMENT



We regard enterprise risk management as a process and continuously enhance our approaches, adjusting them to any changes in the strategic and economic framework. For this purpose, we also refer to the results of internal and external audits and the internal validation.

For instance Standard & Poor’s evaluates our enterprise risk management system as “strong” in the context of its rating process. We are also one of the few European insurance groups to be granted a reduction in the rating capital requirements due to our internal model (known as the “M factor”).

On the basis of our ERM approach, we annually derive targets for the Group, taking into account the risk-bearing capacity (solidity), the safeguarding of our rating (trustworthiness) and the fulfilment of anticipated expectations in the capital market (profitability).

STRATEGIC TARGETS OF THE TALANX GROUP

Key figures	2016	Target 2017
Gross written premiums	EUR 31.1 billion	Growth > 1%
Net return on investment	3.6%	≥ 3%
Group net income	EUR 907 million	~EUR 800 million
Return on equity	10.4%	> 8.0%
Payout rate	35–45% target range	35–45% target range

The achievement of these targets makes it essential to take risks (market and credit risk, underwriting risk).

CAPITAL CONCEPTS

The Solvency balance sheet presents assets and liabilities according to the Solvency II regulations on a market consistent basis and forms the focal point of the supervisory regulations. A reconciliation between IFRS and Solvency II balance sheet – which we have inserted in section D – acts as an anchor point, permitting a comparison with familiar, published information.

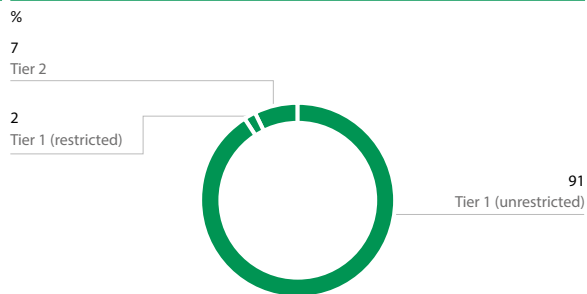
The various capital concepts differ in terms of their economic (recognition of hybrid capital) and regulatory (transitional, availability constraints) content and valuation principles.

The basic own funds of Talanx excluding transitional, together with the related capital requirement, are relevant for the assessment of the risk-bearing capacity, the risk budgeting and Group-wide limits and thresholds.

Eligible own funds form the reference basis for the regulatory capital.

Apart from the volume of own funds, the liquidity of the investments is particularly significant. Using suitable limits, the HDI Group ensures that it possesses generous liquidity.

In supervisory terms, own funds are credited according to different qualities. This is referred to as “tiering”. The following diagram shows that 91% of the own funds of the HDI Group are of the highest quality level. The HDI Group therefore possesses extremely generous and high-quality own funds.

COMPOSITION OF OWN FUNDS

DETERMINING THE RISK USING TERM, CAPITAL ADEQUACY RATIO

In light of the highly differentiated capital concepts according to economic and regulatory criteria, a comparable procedure for risk assessment is the obvious choice.

The HDI Group uses a full internal model for economic purposes, whereas for regulatory purposes it currently uses a partial internal model approved by the supervisory authority, which takes all risks that are quantifiable (under Solvency II) other than the so-called operational risks into account.

With TERM, the modelling and measurement of the risks of the subsidiaries and the Group as a whole are always consistent; in the process, TERM combines event models with corporate models. Event models form the landscape of the risk factors (e.g. certain natural hazards or interest rate risks) of the HDI Group. The corporate models take the event models as the basis for modelling the Solvency balance sheet of the companies under analysis, and therefore permit the consequences of possible adverse events on the Solvency balance sheet to be assessed.

With the help of Monte Carlo simulations, the Solvency balance sheet for each company is forecast and consolidated on a Group-wide basis within TERM. The resulting forecast distributions for the components and the balance of the Solvency balance sheet refer to a one-year period of time.

In this way, we can determine the solvency capital requirement (SCR) for all the quantifiable risks under Solvency II.

The interaction between the SCR and own funds is expressed with the excess cover respectively the capital adequacy ratio (CAR):

$$\text{CAR} = \frac{\text{Own funds}}{\text{SCR (solvency capital requirement)}}$$

IMPORTANT RISK STRATEGY PARAMETERS OF THE HDI GROUP

%	Limit	2016
Solvency II ratio (HDI Group, excluding transitional)	150–200%	186%
CAR (Talanx, economic)	200%	264%
Share of market risk (Talanx)	50%	47%

A minimum CAR of 200% should ensure the necessary capitalisation to comply with an AA rating (S&P). As a result, the Solvency level used by the Company far exceeds the level required by the regulator. Accordingly, the capital requirements of rating agencies stipulate the most demanding ancillary conditions.

Investments and therefore entering into market risks are important components of our business. However, we clearly regard ourselves as an insurance group and so aim to keep the share of market risks in the overall risk permanently under 50%. The share currently amounts to approx. 47%.

DIVERSIFIED RISK PROFILE

The risk profile is a presentation of aggregated risk factors that are subsumed under generic terms, e.g. "underwriting risks". Risk profile charts give an initial impression of the materiality of risks and any existing risk concentrations in the form of bar graphs.

The bar graph below shows the material risk categories of HDI Group, based on the partial internal model. The following risk categories characterise the risk profile of the Group:

- Market and credit risk
- Underwriting risk non-life, particularly including risks from natural catastrophes
- Underwriting risk life

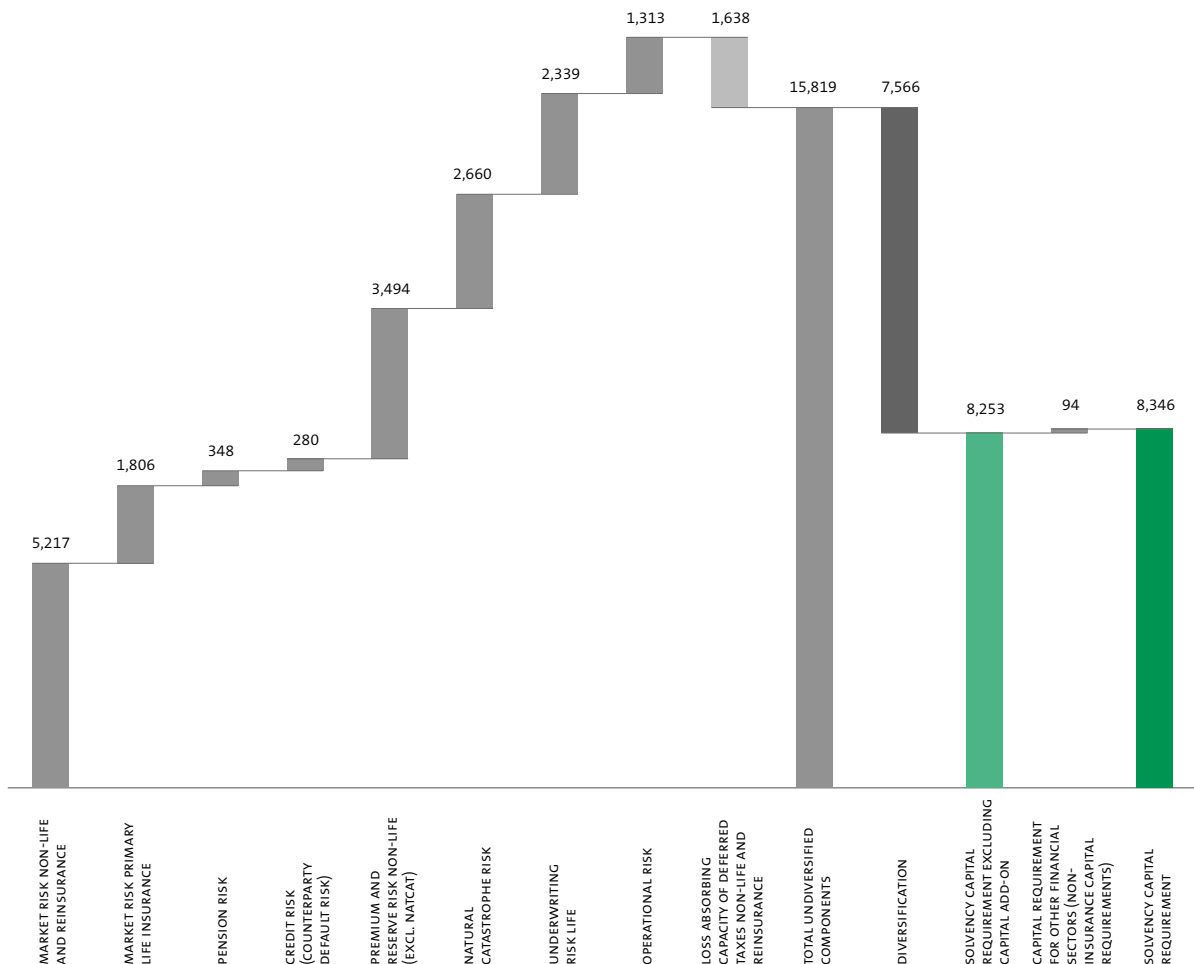
Here, diversification plays a crucial role in determining the overall risk, as we can record a risk reduction through diversification amounting to about 50%, thanks to our geographical and business

diversity. As the dominant risk categories listed above have only a low level of interdependence due to their intrinsic nature, this high degree of diversification is well justified and is based on intrinsic aspects rather than on theoretical modelling considerations.

The ostensible high exposure to operational risk is based on the fact that this risk category is mapped by standard procedures in the partial internal model. The essential reference variables in the standard formula for calculating the operational risk are premiums and reserves. Neither our internal data nor expert assessments give any evidence to justify the disclosed level.

HDI GROUP'S SOLVENCY CAPITAL REQUIREMENT BY RISK CATEGORY (REGULATORY VIEW)

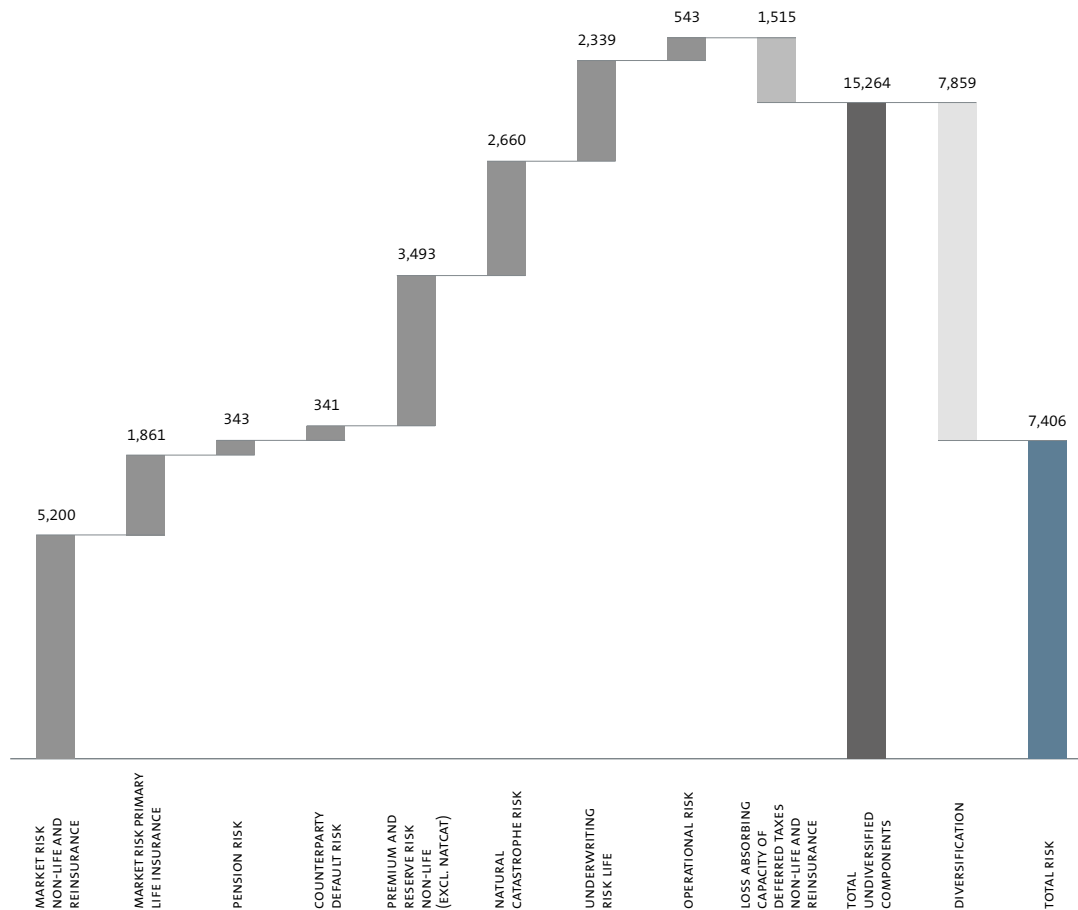
EUR MILLION



The Talanx Group dominates the risk profile of the HDI Group. Risks are analysed primarily from an economic perspective with TERM. The following diagram shows the SCR determined in this way, arranged by risk category.

TALANX GROUP'S SOLVENCY CAPITAL REQUIREMENT BY RISK CATEGORY (ECONOMIC VIEW)

EUR MILLION



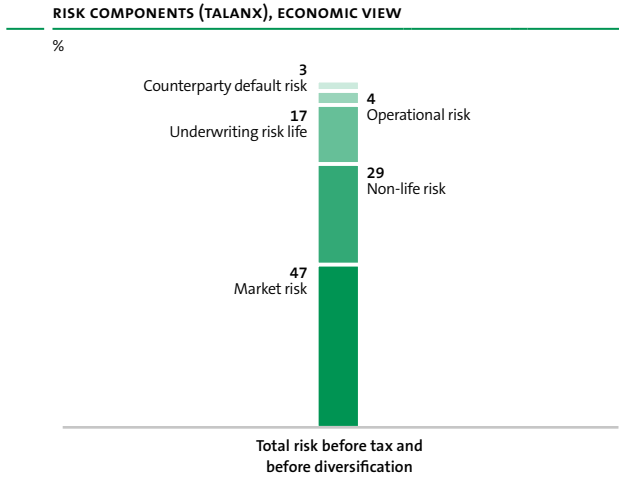
The differences in the risk profiles between the HDI Group and the Talanx Group are based, on the one hand, on the fact that additional risk arises due to HDI V.a.G and, on the other hand, that the Talanx risk profile is shown from an economic perspective (full model), whereas the presentation of the HDI Group is based on a regulatory perspective (partial model). The following differences arise in relation to the different assessment approaches:

- Operational risk: in a regulatory view, we use the standard formula

- Counterparty default risk: from the economic perspective, we analyse the Group internal reinsurance default risk, in order to take Group internal management aspects into account in this area
- A separate disclosure of the institutions for occupational retirement provision (as stipulated by the regulator)

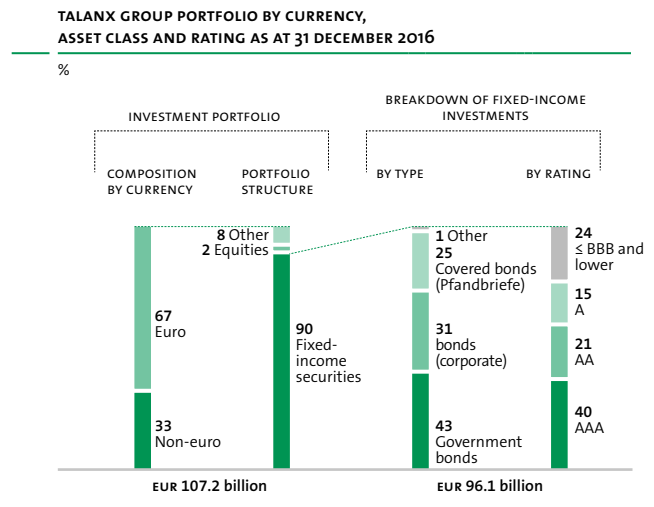
Overall there is a high degree of similarity between the two risk profiles.

With regard to the risk management of the Group, it is advisable from many different viewpoints to use the internal model TERM from an economic perspective for the risk kernel Talanx. In this view, we have particularly defined our target for the risk strategy, that market risk should not exceed 50% of the overall risk. As shown in the following graphic, we are currently reporting a level of 47%.

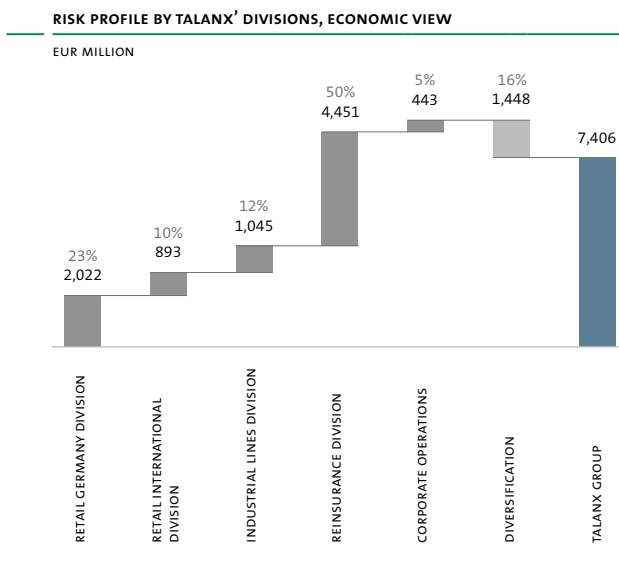


DETAILS OF THE RISK PROFILE

It is clearly evident that market risk constitutes the majority of the overall risk. Exposure to these risks is influenced by the structure of the investment portfolio. The following table shows the portfolio of the Talanx Group according to measurement under IFRS for annual financial statements:



From the Group perspective, our focus is not only on the risk categories; we also analyse the risk profile along our subsidiaries which are represented via the various divisions as management units. The following graphic shows the contribution of our individual divisions to the SCR of the Group:



The portfolio is clearly dominated by fixed-income securities, of which more than 75% hold a rating of at least A. We selectively supplement bonds offering excellent creditworthiness and a long term with high-interest bonds with a short maturity. The majority of our investments are denominated in euro, whereas the US dollar dominates in the non-euro area. We strive to achieve a suitable blend of the euro and foreign currencies.

Our investment strategy leads to a relatively low-risk portfolio overall. The considerable significance of market risk for the risk profile of the Group is therefore also partly due to the volume of the portfolio.

Underwriting risks in life and non-life also help to shape our risk profile, in accordance with our business model. The quantitative share of the other categories is much lower.

The following table shows our exposure to natural catastrophes for particular accumulation scenarios (net loss burden, annual total loss).

ACCUMULATION SCENARIOS, BEFORE TAXES

EUR THOUSAND

	2016	2015
200-year total loss – Atlantic hurricane	1,878,088	1,590,175
200-year total loss – US/Canadian earthquake	1,489,347	1,445,535
200-year total loss – European earthquake	1,034,957	1,069,049
200-year total loss – Japan earthquake	854,449	829,226
200-year total loss – Asia-Pacific earthquake	886,114	821,571
200-year total loss – Central and South-American earthquake	1,014,485	831,462
200-year total loss – European storm (winter storm)	1,134,476	1,206,445

We regularly analyse how sensitive the capital adequacy ratio is in relation to changes in individual risk categories and/or the occurrence of certain events. The following table gives an approximate answer by analysing changes in essential risk factors.

CAPITAL ADEQUACY RATIO (CAR) AND SOLVENCY II RATIOS UNDER STRESSES OF RISK FACTORS

%

	CAR (Talanx, economic)	Solvency-II-Ratio (HDI Group, excluding transitional)
2016		
Basis	264	186
Equity markets –30%	257	183
Equity markets +30%	271	191
Credit spread +100 bp	203	147
Interest –50 bp	249	178
Interest +50 bp	268	191
NatCat event (200-year event)	257	180

The greatest degree of sensitivity concerns changes in the spreads. To a large extent, this is a result of our life business.

Such market developments and the related risks are influenced to a larger degree by external events, such as political uncertainties, than is the case for underwriting risk. In combination with the comparatively high sensitivity to such movements, there is a further argument in favour of limiting the respective share of market risk in the overall risk.

Compared to scientific applications of mathematical-statistical forecast models, the model uncertainties are far greater in an economic context. The HDI Group explicitly takes this factor into account by quantifying the relevant uncertainties as part of a validation process and expert assessments and buffering them with capital. Not only model uncertainties but also strategic risk and emerging risk are taken into account here. In this way, we increase our resistance even to withstand unforeseeable events.

COMPLIANCE WITH THE REGULATORY FRAMEWORK

We comply in full with the requirements of Solvency II, codified in the German Insurance Supervision Act (Versicherungsaufsichtsgesetz – VAG), both in terms of proper management and also with regard to the capital requirements stipulated by the supervisory authority. The capitalisation of the Group, in particular, is far above the level required by the supervisory authority.

The present Solvency and Financial Condition Report was produced in compliance with the BaFin guidance notice on reporting for primary insurers and reinsurers, insurance groups and pension funds, with regard to SFCRs. The supplementary notes from BaFin dated 29 March 2017 will be applied in the 2017 reporting period. Where time and procedural considerations allowed – and the work required was not excessive – account has already been taken of the new guidance from the supervisory authority.

In accordance with regulatory requirements, figures in this report are usually specified in thousand euro. For reasons of legibility and consistency with other publications, individual figures may deviate from this norm. This is indicated in each case.

The use of an internal model by the HDI Group for regulatory purposes assumes an extremely intensive audit by the supervisory authority. With the document dated 19 November 2015, the HDI Group received an unlimited approval to use its partial internal model (TERM).

Even before the supervisory audit process, we underwent corresponding reviews by rating agencies with positive results. As a result, our models have been affirmed by a range of external assessments (supervisory authorities, rating agencies, auditors) and so the level of trust in our internal model has been raised again for third parties.

The Solvency capital requirement and the volume and composition of the regulatory own funds are covered in particular detail in section E of this report.

In the course of the transition to the Solvency II supervision regime, the use of the “Transitional measure on technical provisions” was approved by the supervisory authority for several companies in the HDI Group. We do not take this into account for the analysis of the Solvency II ratio on the Group level or for the corresponding management and external presentation (currently 186%). The Solvency II ratio in the regulatory perspective for the HDI Group stands at 236% when the transitional measure is applied. What is known as the dynamic volatility adjustment is also applied. The HDI Group clearly exceeds the regulatory Solvency capital requirement, even without applying these measures, as shown in the table below. Details on this can be found in section D.2 of this report.

IMPACT OF VOLATILITY ADJUSTMENT (VA) AND TRANSITIONAL (TR)

EUR THOUSAND

	31.12.2016				
	Key figures with volatility adjustment and transitional	Key figures excluding measures			
		Impact of the TR	Including VA and excluding TR	Impact of the VA	Excluding VA and TR
Technical provisions	101,269,074	6,546,421	107,815,494	361,532	108,177,026
Basic own funds (HDI Group)	25,303,662	-4,477,978	20,825,684	-302,531	20,523,153
Eligible own funds regarding SCR	19,676,129	-4,129,313	15,546,816	-127,684	15,419,132
SCR	8,346,467	9,317	8,355,784	2,135,389	10,491,173
Solvency II ratio	236%	-50%-points	186%	-39%-points	147%

DESCRIPTION OF THE SOLVENCY AND FINANCIAL CONDITION

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

AN OVERVIEW OF THE HDI GROUP

The HDI Group is represented by its own companies or branches on all continents. Its retail business focuses on Germany and, outside of Germany, in particular on the growth markets of Central and Eastern Europe (including Turkey) and Latin America. The Group has business relationships with primary insurance and reinsurance customers in around 150 countries in total. The Industrial Lines, Retail Germany and Retail International as well as Reinsurance Divisions and Corporate Operations segment of the HDI Group are each responsible for their own business processes. These tasks, which are shared by several organisational units, help to create value.

The HDI Group works with its companies in several different areas relating to primary insurance and reinsurance both in property/casualty insurance and in life insurance. In the interests of the customers and investors, the Group has tailored its clear and efficient structure into four operating customer segments: The divisions Industrial Lines, Retail Germany with the Property/Casualty Insurance and Life Insurance segments, Retail International and Reinsurance with the Property/Casualty and Life/Health Reinsurance segments. Moreover, the Group is also active in the area of asset management, which is anchored in Corporate Operations.

The ultimate parent undertaking of the Group is HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI V.a.G.), a mutual undertaking of more than 100 years.

Talanx AG acts as a financial and management holding company controlling the Group companies. It ensures that the Group achieves its primary objective – sustainable, profitable growth. Talanx AG controls the activities using capital procurement and allocation, target-setting, performance measurements and suitable incentive systems. At the same time, it is responsible for the optimisation of the capital structure. Talanx AG deploys its own staff departments to implement any measures derived from the strategic targets and for its operating activities. The task of these departments is to continuously develop the HDI Group further through consistent management and monitoring.

The responsible supervisory authority is the

Federal Financial Supervisory Authority (BaFin)
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53117 Bonn
Postfach 1253
53117 Bonn
Germany
Telephone +49 228 4108-0
Fax +49 228 4108-1550

E-Mail: poststelle@bafin.de

De-Mail: poststelle@bafin.de-mail.de

The auditors engaged to audit the HDI Group's consolidated financial statements are KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG), Osterstraße 40, 30159 Hannover, Germany. The auditor responsible for performing the audit is Mr Florian Möller.

He was first responsible for the audit of the annual and consolidated financial statements as at 31 December 2016.

The Solvency balance sheet that is included in the SFCR is subject to the already conducted audit by the auditor in accordance with section 35(2) of the Insurance Supervision Act (VAG).

A detailed list of all the companies in the Group can be found in reporting template S.32.01 ("Undertakings in the scope of the Group", see annex). As the ultimate parent company, HDI V.a.G. does not possess any branches.

The following illustration shows the Group structure as at 31 December 2016.

GROUP STRUCTURE

HDI V. a. G. (79.0%)		Freefloat (21.0%)			
Talanx AG					
Geschäftsbereich Industrieversicherung <i>Industrial Lines Division</i>	Geschäftsbereich Privat- und Firmenversicherung Deutschland <i>Retail Germany Division</i> Schaden/ Unfallver- sicherung <i>Property/ Casualty Insurance</i>	Geschäftsbereich Privat- und Firmenversicherung International <i>Retail International Division</i>	Geschäftsbereich Rückversicherung <i>Reinsurance Division</i> Schaden- Rück- versicherung <i>Property/ Casualty Reinsurance</i>	Personen- Rück- versicherung <i>Life/ Health Reinsurance</i>	Konzernfunktionen <i>Corporate Operations</i>
HDI Global SE	Talanx Deutschland AG	Talanx International AG	Hannover Rück SE	Talanx Asset Management GmbH	
HDI Versicherung AG (Austria)	HDI Versicherung AG	HDI Seguros S.A. (Argentina)	E+S Rückversicherung AG	Amepga Investment GmbH	
HDI Global Seguros S.A. (Brazil)	neue Leben Unfallversicherung AG	HDI Seguros S.A. (Brazil)	Hannover ReTakaful B.S.C. (c) (Bahrain)	Talanx Immobilien Management GmbH	
HDI Global Network AG	PB Versicherung AG	HDI Seguros S.A. (Chile)	Hannover Re (Bermuda) Ltd.	Talanx Service AG	
HDI-Gerling de México Seguros S.A.	TARGO Versicherung AG	HDI Seguros S.A. de C.V. (Mexico)	Hannover Reinsurance Africa Limited	Talanx Systeme AG	
HDI-Gerling Verzekeringen N.V. (Netherlands)	HDI Lebensversicherung AG	HDI Seguros S.A. (Uruguay)	International Insurance Company of Hannover SE	Talanx Reinsurance Broker GmbH	
HDI Global SA Ltd. (South Africa)	HDI Pensionskasse AG	TUIR WARTA S.A. (Poland)	Hannover Life Re of Australasia Ltd	Talanx Reinsurance (Ireland) Plc.	
HDI Global Insurance Company (USA)	neue Leben Lebensversicherung AG	TU na Życie WARTA S.A. (Poland)	Hannover Life Reassurance Bermuda Ltd.		
	PB Lebensversicherung AG	TU na Życie Europa S.A. (Poland)	Hannover Re (Ireland) DAC		
	PB Pensionsfonds AG	TU Europa S.A. (Poland)	Hannover Life Reassurance Africa Limited		
	Talanx Pensionsmanagement AG	OOO Strakhovaya Kompaniya „Civ Life“ (Russia)	Hannover Life Reassurance Company of America		
	TARGO Lebensversicherung AG	OOO Strakhovaya Kompaniya „HDI Strakhovanie“ (Russia)			
		HDI Assicurazioni S.p.A. (Italy)			
		Magyar Posta Biztosító Zrt. (Hungary)			
		Magyar Posta Életbiztosító Zrt. (Hungary)			
		HDI Sigorta A.Ş. (Turkey)			

Main participations only

As at: 31.12.2016

BASIS OF CONSOLIDATION AND RISK KERNEL

The HDI Group determines its eligible own funds and the solvency requirement on the basis of the consolidated financial statements in accordance with section 261 VAG and prepares the Solvency balance sheet in compliance with section 74ff VAG. The companies Ampega Investment GmbH as an asset management company and HDI Pensionskasse AG and PB Pensionsfonds AG as institutions for occupational retirement provisions are incorporated as participating interests in compliance with the regulations and in contrast to the basis of consolidation of the annual financial statements. When determining Group solvency, these companies are taken into account on the basis of their sectoral capital requirements under supervisory law.

A particular feature that characterises the HDI Group is the so-called risk kernel. Considering the Talanx Group as the risk kernel of the HDI Group is advisable in both economic and regulatory terms because HDI V.a.G. does not own any other participating interests apart from the majority participation in Talanx AG. It participates in the business, primarily of HDI Global SE (formerly HDI-Gerling Industrie Versicherung AG), only to an extremely small extent and also only in the form of pro rata co-insurance. The actual risk compensation within the Group and the risk management are carried out within the Talanx Group.

TALANX ENTERPRISE RISK MODEL (TERM)

The particular feature that the risk management is carried out at Talanx Group level is also reflected in the designation of our internal model, TERM (Talanx Enterprise Risk Model). TERM has been designed as a full internal model for the Talanx Group as the risk kernel, and is being expanded for regulatory purposes to cover the HDI Group. In this process, the modelling of the operational risk is carried out on the basis of the standard formula. TERM is therefore a partial internal model for the entire HDI Group from the regulatory point of view.

There are thus two perspectives on TERM: the regulatory perspective relating to the HDI Group and based on a partial internal model, and the economic perspective, relating to the Talanx Group as the risk kernel of the HDI Group, for risk management based on a full internal model.

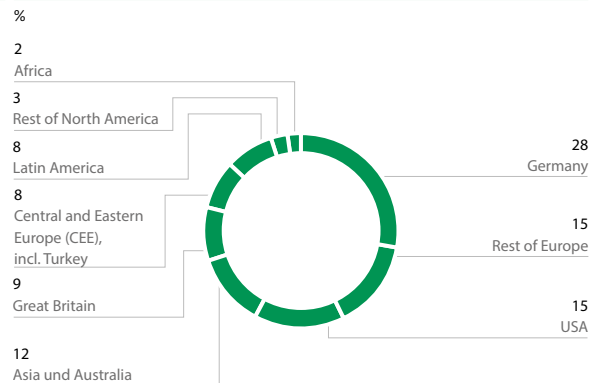
As the HDI Group includes life insurers that are using a transitional measure with regard to the introduction of Solvency II, it is necessary from the regulatory perspective to differentiate between an analysis including and excluding transitionals (see section E.2). Both regulatory perspectives are disclosed in the Solvency and Financial Condition Report. The focus in defining the targets for the risk strategy is fundamentally on the economic perspective and on the

regulatory perspective excluding a transitional. To this extent, these two perspectives influence the presentation in this present report.

A.2 UNDERWRITING PERFORMANCE

The HDI Group is widely diversified, both in terms of its operating areas of activity and also in relation to the regions where it operates. During the reporting period, further measures were taken to promote the strategic international position and to strengthen the consolidation in Germany. For instance, the Retail International Division is now operating in five strategic core markets, instead of four: Chile has now been added to the group of Mexico, Brazil, Poland and Turkey. To show this, the following graphic gives a corresponding breakdown of gross premiums written of the HDI Group by region:

GROSS PREMIUMS WRITTEN BY REGION



In addition to Germany, the following list shows the five most important countries in terms of business, by gross premiums written:

- Poland
- United Kingdom
- USA
- Brazil
- Italy

Detailed specifications about the five most important countries and their respective premium income, provisions and expenses can be found in the reporting template S.05.02.01 (see annex – Quantitative Reporting Templates [QRTs]).

The Divisions of the HDI Group are crucial for the management of the company. They are each active in several lines of business in accordance with annex I of the applicable Delegated Regulation (EU) 2015/35.

The specific lines of business are allocated to the Divisions of the HDI Group below.

INDUSTRIAL LINES

- Non-life insurance and reinsurance obligations
 - Fire and other damage to property insurance
 - Motor vehicle liability insurance
 - Other motor insurance
 - General liability insurance
 - Marine, aviation and transport insurance

RETAIL GERMANY

- Non-life insurance and reinsurance obligations
 - Motor vehicle liability insurance
 - Other motor insurance
 - General liability insurance
 - Fire and other damage to property insurance
- Life insurance obligations
 - Insurance with profit participation
 - Index-linked and unit-linked insurance

RETAIL INTERNATIONAL

- Non-life insurance and reinsurance obligations
 - Motor vehicle liability insurance
 - Other motor insurance
 - Fire and other damage to property insurance
- Life insurance obligations
 - Insurance with profit participation

REINSURANCE (WITH THE LIFE/HEALTH AND PROPERTY/ CASUALTY REINSURANCE SEGMENTS)

- Life reinsurance obligations
 - Life reinsurance
- Non-life insurance and reinsurance obligations
 - Fire and other damage to property insurance
 - Motor vehicle liability insurance
 - Other motor insurance
 - General liability insurance
 - Marine, aviation and transport insurance

- Income protection insurance
 - Credit and suretyship insurance
 - Miscellaneous financial loss
 - Workers' compensation insurance
- Non-proportional reinsurance accepted
 - Property
 - Marine, aviation and transport

The following table shows the underwriting performance in the form of the net technical result, as published in the segment reporting in the consolidated financial statements of the HDI Group.

NET TECHNICAL RESULT	
EUR THOUSAND	
	2016
Industrial Lines	72,581
Retail Germany	-1,700,208
Retail International	8,901
Reinsurance	108,876
Corporate Operations	-10,557
Total	-1,520,407

The underwriting result in the HDI Group fell sharply, declining by 10.9% across the Group to EUR -1.5 (-1.4) billion; this was due in particular to policyholders' participation – reported as underwriting expense – in net investment income in the Life segment of the Retail Germany Division; in the other segments, however, the underwriting result improved due, in particular, to there being fewer major losses. At EUR 883 (922) million, the major-loss burden in the Group was down on the previous year and remained well below the major-loss budget of EUR 1,125 million. At EUR 627 (573) million, only the major-loss burden in reinsurance was higher than in the previous year, but also remained below the budget of EUR 825 million. The forest fires in Canada in spring 2016 were the largest single loss, at EUR 128 million. The Group's combined ratio improved compared with the previous year to 95.7 (96.0)%, despite substantial expenses being incurred once more in connection with the restructuring project in the Property/Casualty segment in the Retail Germany Division. Here, the lower loss ratio more than offset the higher expense ratio.

The full overview of all operational lines of business including the respective premium income, provisions and expenses, is shown in the reporting template s.05.01.02 (see annex).

For the presentation in the other sections of the SFCR – especially in section D – the lines of business stipulated under supervisory law are collated in the following categories:

- Non-life (excluding health)
- Life (excluding health and index-linked and unit-linked)
- Health (similar to life)
- Health (similar to non-life)
- Index-linked and unit-linked

This categorisation forms the basis for the description of valuation differences between Solvency II and IFRS. The allocation is shown in detail in the section “Further information”.

A.3 INVESTMENT PERFORMANCE

EXPENDITURE AND INCOME

For the consistent integration into section A, which is based on the expositions in the consolidated financial statements, this approach is currently also applied to section A.3 of the present report. For the subsequent period, it is planned to supplement the presentation based on the asset classes of the Solvency II balance sheet.

EXPENDITURE AND INCOME

EUR MILLION

	2016
Ordinary investment income	3,307
of which current income from interest	2,752
of which gain/loss on investments in associates	25
Realised net gains on disposal of investments	770
Write-downs/reversals of write-downs of investments	-167
Unrealised net gains from investments	51
Other investment expenses	-252
Income from assets under own management	3,709
Net interest income from funds withheld and contract deposits	314
Net income from investment contracts	5
Total	4,028

Net investment income for the year under review was EUR 4,028 million. Current interest income amounted to EUR 2.8 billion and still accounted for the majority of investment income. The annualised net return on investment remained almost constant at 3.5%.

Ordinary investment income at year-end totalled EUR 3,307 million. Falling interest rates on the capital markets led to an average coupon in the fixed-income securities portfolio of 3.2%. Derivative financial instruments (including forward purchases) were used to hedge reinvestment risk, in particular in the case of life insurers in our Retail Germany segment.

Overall, total realised net gains on the disposal of investments were at EUR 770 million. The positive net gains resulted from regular portfolio turnover in all segments, as well as from the requirement to realise unrealised gains in order to finance the additional interest reserve for life insurance and occupational pension plans required by the HGB. In addition, the private equity portfolio was adjusted through the sale of older commitments.

The impairments totalled EUR 167 million net of reversals of write-downs. EUR 63 million of this amount was attributable to the area of equities due to lower prices, partly because of the Brexit decision. Across the Group as a whole, impairments of fixed-income securities declined to EUR 13 million. Moreover, depreciation on technical property, plant and equipment from infrastructure investments in the amount of EUR 25 million was disclosed. These impairments were offset in the past financial year by reversals of impairment losses amounting to EUR 14 million. This includes EUR 10 million for real estate and EUR 4 million for fixed-income securities.

The unrealised net gain stood at EUR 51 million. This figure includes the unrealised gain from ModCo derivatives in the Life/Health Reinsurance segment in the amount of EUR 1 million, which was recognised with a negative contribution of EUR 26 million in “Unrealised net gains/losses” in the prior year.

Net interest income from funds withheld and contract deposits totalled EUR 314 million.

DETAILS ABOUT SECURITISATIONS

In accordance with Solvency II, the HDI Group held a portfolio of securitisations worth EUR 1,495,577 thousand as at the reference date of 31 December 2016 according to the asset classification under the Complimentary Identification Code (CIC).

A.4 PERFORMANCE OF OTHER ACTIVITIES

OTHER INCOME/EXPENSES

Other income/expenses show which other essential income and expenses arose during the reporting period. For this purpose, the following table shows the other income/expenses as disclosed in the consolidated financial statements of the HDI Group.

Insurance contracts that satisfy the test of a significant risk transfer to the reinsurer as required by IFRS 4 but fail to meet the test of risk transfer required by US GAAP are recognised using the deposit accounting method and eliminated from the technical account. The compensation paid for risk assumption under these contracts is recognised in profit or loss (in "Other income/expenses").

"Other income/expenses" do not in general include the personnel expenses incurred by our insurance companies, to the extent that these expenses are attributed to the functions by means of cost object accounting and allocated to investment expenses, claims and claims expenses, and acquisition costs and administrative expenses. This also applies to depreciation and amortisation of, and impairment losses on, intangible and other assets at our insurance companies.

COMPOSITION OF OTHER INCOME/EXPENSES

EUR THOUSAND

	2016
Other income	
Foreign exchange gains	599,913
Income from services, rents and commissions	251,828
Recoveries on receivables previously written off	28,206
Income from contracts recognised in accordance with the deposit accounting method	106,072
Income from the sale of property, plant and equipment	—
Income from the reversal of other non-technical provisions	66,408
Interest income	61,628
Miscellaneous income	111,841
Total	1,226,275
Other expenses	
Foreign exchange losses	552,880
Other interest expenses	101,547
Depreciation, amortisation and impairment losses	94,321
Expenses for the company as a whole	268,797
Personnel expenses	48,332
Expenses for services and commissions	132,604
Expenses from contracts recognised in accordance with the deposit accounting method	35,246
Other taxes	70,211
Additions to restructuring provisions	52,266
Miscellaneous other expenses	91,042
Total	1,447,246
Other income/expenses	-221,350

LEASING

Lease agreements in the HDI Group represent either financial obligations or claims that have previously not been recognised in the consolidated financial statements, or only partly, according to the applicable regulations.

Due to this particular characteristic, these obligations or claims are shown below separately under financing leasing and operating leasing. Similarly, the report distinguishes between the roles adopted in these lease agreements as the lessee and the lessor.

Pursuant to the accounting standard (IAS 17), a lease is defined as an agreement in which the lessor transfers the right of use of an asset to the lessee for an agreed period of time in return for a payment or a series of payments. Such agreements are referred to as financing leasing and operating leasing according to the agreed distribution of opportunities and risks between the contractual parties (lessor/lessee) in relation to the lease asset. The contractual parties of a

lease are referred to as the lessor and the lessee. The lessee is the party to which the right of use of the asset is granted by the lessor.

In general, a financing lease exists when all the opportunities (e.g. value increase) and risks (e.g. value reduction) that are linked to the ownership of the lease asset can be allocated to the lessee, i.e. insofar as the lease agreement has a predominantly financing character. The expenses incurred by the lessee therefore correspond mainly to expenses for the use and financing of the lease asset.

A lease is referred to as an operating lease when it is not a financing lease, i.e. the opportunities (e.g. value increase) and risks (e.g. value reduction) that are linked to the ownership of the lease asset remain with the lessor. The expenses incurred by the lessee therefore correspond mainly to expenses for the time-limited use of the lease asset.

LESSEE

The majority of leasing obligations in the Group can be classified as operating lease agreements. Financing leasing has a secondary significance overall. In addition, most of the concluded agreements involve lease obligations relating to real estate.

The following table shows the lease obligations in the reporting period and the future obligations arising from leases.

HDI GROUP AS LESSEE		
EUR THOUSAND		
	2016	Subsequent years
Operating leasing	78,083	450,328
Financing leasing	2,638	4,191
Total	80,721	454,520

In the leases where HDI Group companies are acting as the lessee, all the necessary conditions are shown, especially the amount of the lease payments, the starting date and the duration of the agreement, any possible provisions regarding a collateral payment and conditions for its return, any possible extensions and the nature of the asset.

LESSOR

The total amount from activities as the lessor in 2016 amounted to EUR 166,395 thousand and totalled EUR 785,283 thousand in the following years. This income can mainly be allocated to rental activities related to real estate.

HDI GROUP AS LESSOR		
EUR THOUSAND		
	2016	Subsequent years
Operating leasing	166,395	785,283
Financing leasing	—	—
Total	166,395	785,283

The above-mentioned income from lease transactions resulted principally from property companies renting out properties in the Property/Casualty Reinsurance segment as well as from primary insurance companies renting out properties in Germany (mainly in the Retail Germany Division – Life).

In the leases where HDI Group companies as contractual partners are acting as lessor, all the necessary conditions are shown, especially the amount of the lease payments, the starting date and the duration of the agreement, any possible provisions regarding a collateral payment and conditions for its return, any possible extensions and the nature of the asset.

At present, there are no financing lease agreements.

A.5 ANY OTHER INFORMATION

INTRA-GROUP TRANSACTIONS

The companies in the HDI Group have business relations with each other. These are referred to as “intra-group transactions”. They include all the transactions where a Group company takes over the performance of an obligation directly or indirectly from another Group company. These are deemed to be intra-group transactions regardless of whether the transaction is contractually documented and whether the transaction is based on actual financial flows. Risk management considers transactions of this type for three reasons: they may impact (1) the risk profile, (2) the net assets, financial position and results of operations and (3) the system of governance.

As they are registered, the intra-group transactions are divided into the following four groups:

- Equity-type transactions, debt and asset transfer
- Derivatives
- Internal reinsurance – due to reinsurance relations between subsidiaries in the primary insurance segment and our reinsurance companies, this item is the most significant
- Cost sharing, contingent liabilities, off-balance-sheet items and other intra-group transactions

The key factor for Group-wide data acquisition is a threshold coordinated with the supervisory authority. At present, this threshold is 5% of the lowest solo SCR of the Group companies involved in a particular transaction. In order to put the internal reporting regulations into operation, the relevant lowest solo SCR for six sub-groups is determined and assigned internal thresholds that are rounded down. This ensures that all the relevant transactions are reported to the Group Risk Management department in a yearly cycle.

In total, internal relations with a value of EUR 7,327 million were eliminated on the asset side and EUR 7,344 million on the liability side during the consolidation between the divisions, as disclosed in the annual financial statements.

MATERIAL BUSINESS INCIDENTS OR OTHER EVENTS

As explained in section A.1, the Talanx Group represents the risk kernel of the HDI Group. There were no business incidents during 2016 that would have altered this structure.

In the interests of greater clarity, all the material business incidents or other events in the reporting period which had a considerable impact on the entire Group are listed below under the designation Talanx Group.

During the reporting period, the Talanx Group made investments in infrastructure projects: among others, it participated in the “Courts Bundle PPP” project in Ireland in February and also financed a public-private partnership project for medical care centres, also in Ireland, in June. Another infrastructure project in August was the financing of two solar parks in Brandenburg, Germany. This commitment to infrastructure projects is part of a diversified investment strategy to continue generating adequate net returns on investment in the persistent low-interest phase.

Moreover, the Talanx Group is modernising its retail business in Germany in particular with the help of automation and digitalisation. This is being accompanied by job cuts in this division. Savings in the amount of EUR 240 million by 2021 are also planned, offset by investments in the modernisation of the IT and portfolio management systems in the amount of EUR 400 million. The Talanx Group is progressing well with this new strategy, and the aim is to achieve a sustainable EBIT contribution in this division of at least EUR 240 million per annum as from 2021, whereby the plan is to generate 50% of the Group's EBIT after non-controlling interests from primary insurance.

The Group is consistently pursuing its innovation and digitalisation strategy by cooperating with the Plug and Play innovation platform and the start-up accelerator Startupbootcamp. Both of these projects possess programmes that are specifically tailored to suit insurance companies. In order to promote the digitalisation of asset management systems, the leading fintech developer, FinLeap, and Talanx Asset Management GmbH with its expertise as one of the large German asset managers have founded the white-label platform, Elinvar – it offers integrated solutions for independent asset managers and private banks (subject to the approval of BaFin as a fully licensed supplier).

The Group published a sustainability report for the first time in 2016, documenting its responsibility to ensure the sustainable orientation of its business. The report, which is published annually, and the materiality analysis are produced in accordance with the international guidelines of the GRI G4 Global Reporting Initiative. The Talanx Group has also set itself targets for sustainability management: among other areas, an ESG screening of the investments is under preparation.

In light of its business development, the Talanx Group improved its consolidated net income in the 2016 financial year by 23.6% to EUR 907 (734) million and so exceeded its profit forecast significantly. The premium income stood at EUR 31.1 (31.8) billion, and so remained largely stable when adjusted for currency effects. The two main contributors to this positive performance were the major-loss burden – which was lower than expected and down on the previous year – and one-off tax effects. The continued portfolio optimisation in the Industrial Lines Division, the progress in improving the efficiency and profitability in the German retail business and the consistent implementation of the internationalisation strategy bore fruit, which was also reflected in the operating profit. In light of the overall positive performance in all the divisions, Talanx increased the outlook for the consolidated net income in 2017 to around EUR 800 million in February.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

STRUCTURE OF THE BUSINESS ORGANISATION

The Group ultimate parent undertaking is HDI Haftpflichtverband der Deutschen Industrie V. a. G. (HDI V. a. G.), a mutual insurance undertaking that can look back on more than a hundred years of history. With its various member companies and organisations and the advisory councils incorporated into HDI Global SE, HDI V. a. G. serves as an interface between business and industry on the one hand, and the operational insurance business conducted by the HDI Group on the other.

As the permanent absolute strategic majority shareholder of the publicly listed finance and management holding Talanx AG, HDI V. a. G. pursues an independent business policy which is designed to safeguard the company, increase its value and ensure the implementation of a long-term strategy at the Talanx Group that takes into account the interests of all stakeholders. HDI V. a. G. continually retains earnings in order to accumulate funds sufficient to ensure it can participate in any capital increase and thus safeguard the independence of Talanx AG in future as well.

The Group adapted its structure as at 30 June 2016 due to a change in its management: accordingly, it divided its business activities into "Insurance" – with six, where previously there had been five, reportable segments – and "Corporate Operations", as the seventh segment.

In primary insurance, we act with the three divisions which span the various lines of business: Industrial Lines, Retail Germany – with the Property/Casualty Insurance and Life Insurance segments – and Retail International. One member of the Board of Management is responsible for each of these divisions. Industrial Lines operates worldwide; insofar as possible, it is independent of third companies and is therefore able to lead international consortia through its own companies. Companies offering insurance to retail clients and small and medium-sized companies in Germany are consolidated in the Retail Germany Division. The Retail International Division focusses primarily on the strategic core markets of Latin America, as well as Central and Eastern Europe including Turkey.

The Property/Casualty Reinsurance and Life/Health Reinsurance segments make up the Reinsurance Division; they are operated by Hannover Rück SE. Continental Europe and North America are the target markets for Property/Casualty Reinsurance, which also operates various lines of business in global reinsurance and specialty lines worldwide. Life/Health Reinsurance is divided into financial solutions and risk solutions, which includes longevity solutions, mortality and morbidity.

The Corporate Operations segment includes HDI V. a. G. and Talanx AG, which primarily perform strategic duties and do not have any business activities of their own. The segment also includes the in-house service companies, as well as Talanx Reinsurance Broker, Talanx Reinsurance (Ireland) Plc. and services in the area of finances; Talanx Asset Management GmbH, Ampega Investment GmbH and Talanx Immobilien Management GmbH are primarily concerned with managing the Group's investments.

TASKS AND RESPONSIBILITIES

BOARD OF MANAGEMENT, SUPERVISORY BOARD AND ANNUAL GENERAL MEETING

HDI V. a. G. views good corporate governance as the responsible management and control of the Company with a focus on sustainable value creation. In particular, we aim to further promote the trust placed in us by our business partners and our employees, and the public at large. We also attach great importance to the efficiency of the work performed by the Board of Management and the Supervisory Board, to good cooperation between these bodies and with the employees of the group of companies, and to open and transparent corporate communication. It is our aspiration to always apply the highest ethical and legal standards both in strategic considerations as well as in day-to-day operations.

HDI V. a. G. has three governing bodies: the Board of Management, the Supervisory Board and the Annual General Meeting. The duties and powers of these bodies are defined by law, the Company's Articles of Association and the Rules of Procedure for the Board of Management and the Supervisory Board.

BOARD OF MANAGEMENT

The Board of Management is directly responsible for managing the Company and defines its goals and corporate strategy. Article 7(1) of the Articles of Association sets out that the Board of Management shall comprise at least two persons. Beyond that, the Supervisory Board determines the number of members. As at 31 December 2016, the Board of Management of HDI V. a. G. comprised three persons; a fourth member was added on 1 January 2017.

The activities of the Board of Management are governed by the Rules of Procedure adopted by the Supervisory Board. These define the areas of responsibility of the individual members of the Board of Management. Each member of the Board is individually responsible for the area(s) assigned to them, subject to the resolutions that need to be passed by the full Board of Management. In addition, the Rules of Procedure set out the decision matters reserved for the full Board of Management and the required voting majorities. The full Board of Management resolves on all cases in which a resolution by the full Board of Management is required by law, the Articles of Association or the Rules of Procedure. The Board of Management meets at least once a month.

It reports regularly, promptly and comprehensively to the Supervisory Board on business developments, the Company's financial position and results of operations, planning and goal achievement, and on current opportunities and risks. The Supervisory Board has set out the Board of Management's information and reporting obligations in more detail in a binding information policy document. Documents on which a decision must be made, and particularly the separate financial statements, the consolidated financial statements and the auditors' reports, are forwarded to the members of the Supervisory Board without delay after they have been prepared.

Certain decisions on the part of the Board of Management of particular importance require the approval of the Supervisory Board. Some of these approval requirements are prescribed by law, while others are set out in the Rules of Procedure of the Board of Management. Amongst others, the following actions and transactions require the Supervisory Board's prior approval:

- adoption of strategic principles and targets for the Company and the Group
- adoption of the annual planning for the Company and the Group
- any decision to exit the industrial insurance business
- the signing, amendment and termination of intercompany agreements
- the acquisition and disposal of parts of undertakings in excess of a certain size

SUPERVISORY BOARD

The Supervisory Board advises and supervises the management of the Company. It is also responsible, in particular, for the appointment and contracts of service of members of the Board of Management and for the review of the annual financial statements. The Chairman of the Supervisory Board is in constant contact with the Chairman of the Board of Management to discuss the Company's strategy, business developments and risk management. The Supervisory Board adopted by-laws governing its work that, among other things, deal with membership in the Supervisory Board and its internal order, as well as rules for committees formed by the Board. The Supervisory Board comprises six members; these members are elected by the Annual General Meeting.

The Supervisory Board holds ordinary meetings regularly, and at least once per quarter. Extraordinary meetings are convened as required. The Personnel Committee also holds regular meetings.

The Supervisory Board is quorate when at least half of the total number of members of which the Supervisory Board is required to be composed take part in the resolution. All decisions are passed by a simple majority, unless another majority is prescribed by law. If a vote results in a tie, the Chairman casts the deciding vote.

The Supervisory Board formed a Personnel Committee. Additional committees can be set up as needed. The Personnel Committee prepares resolutions by the Supervisory Board relating to members of the Board of Management and passes resolutions in lieu of the Supervisory Board on the content, signature, amendment and termination of service contracts with members of the Board of Management, with the exception of remuneration issues and their implementation. It is responsible for extending loans to the group of individuals cited in sections 89 and 115 of the German Stock Corporation Act (AktG), as well as to representatives of the member groups, for the authorisation for members of the Board of Management to carry out other activities under section 88 AktG and for the approval of contracts with Supervisory Board members under section 114 AktG. It exercises the powers set out in section 112 of the AktG on behalf of the Supervisory Board and ensures long-term succession planning together with the Board of Management.

ANNUAL GENERAL MEETING

The members exercise their rights in the Annual General Meeting. The voting rights in the Annual General Meeting are determined based on the share of the total premiums of members of HDI V.a.G. from directly written business in the financial year just ended.

The Annual General Meeting elects the Supervisory Board members of the shareholders and decides on the approval of the actions of the Board of Management and of the Supervisory Board. It decides on the utilisation of the net profit for the year, on capital measures and the approval of business contracts; furthermore, it decides on the remuneration of the Supervisory Board and on amendments to the Company's Articles of Association. The Annual General Meeting, in which the Board of Management and the Supervisory Board report on the financial year just ended, takes place every year. An extraordinary Annual General Meeting can be convened to address special circumstances.

KEY FUNCTIONS

Insurance supervision law requires all insurance and reinsurance companies to have in place an effective system that ensures "solid and prudent business management". The following four key functions have therefore been established at the HDI Group: the Independent Risk Controlling function (risk management function), the Compliance function, the Internal Audit function and the Actuarial

function. In support of this process, the boards of management of HDI V.a.G. and Talanx AG produced and adopted a policy guideline that defines the guiding principles, tasks, processes and reporting obligations for each key function.

Individuals who manage a key function are subject to certain requirements (as are members of the Board of Management and the Supervisory Board) with regard to their professional qualifications (fit) and personal reliability (proper). More detailed information on this topic can be found in section B.2.

INDEPENDENT RISK CONTROLLING FUNCTION

The Independent Risk Controlling function (risk management function) notifies the Board of Management of all risks that can be classified as possibly material in nature and also supports the Board of Management with the performance of its tasks as they relate to the Board's general responsibility for risk management at the Company. To this end, the Risk Controlling function continually identifies and evaluates – based on the risk strategy – any risks that can be classified as potentially relevant, defines risk limits for approval by the Board of Management and aggregates the identified risks for reporting purposes. Furthermore, it must report to the Board of Management on other specific risks, either on its own initiative or on request. The Risk Controlling function is also responsible for the further development and application of the Internal Group Model.

Additional information on the Independent Risk Controlling function can be found in section B.3.

COMPLIANCE FUNCTION

The Compliance function works to ensure that employees and members of executive bodies at Group companies comply with applicable laws and regulations and internal stipulations. It also monitors such compliance. This function is an integral component of the Group's governance system and internal control system. The Compliance function is headed by the Chief Compliance Officer of the Group. Every year, the Compliance function creates a compliance plan that provides a description of all the tasks and activities planned for the financial year.

Additional information on the Compliance function can be found in section B.4.

INTERNAL AUDIT FUNCTION

The Internal Audit function analyses and assesses all activities and processes carried out within the governance system. Through these procedures and the provision of advice, the Internal Audit function helps ensure that executive management can effectively perform its monitoring role. The activities of Group Auditing are based on a comprehensive, risk-oriented audit plan, which it updates annually. As an executive department, Group Auditing is detached from the day-to-day work process and is autonomous and organisationally independent. The process independence of Group Auditing is guaranteed by the fact that no line duties are functionally assigned to it. A written regulation on the tasks, powers and responsibilities of

Group Auditing exists in the form of a "Company Ordinance for Group Auditing".

Additional information on the Internal Audit function can be found in section B.5.

ACTUARIAL FUNCTION

The Actuarial function at the HDI Group coordinates activities involving the valuation of technical provisions for the purposes of Solvency II and also monitors the process for calculating the technical provisions. This includes setting technically consistent minimum standards for methods, models and data quality at the Group level. The Actuarial function also informs and advises the Board of Management from the perspective of the whole Group concerning the reserve situation, underwriting and acceptance policy and the adequacy of reinsurance agreements. In addition, the Actuarial function supports the Risk Controlling function in its tasks, in particular in matters concerning the internal model and the Own Risk and Solvency Assessment (ORSA). It also provides its actuarial expertise.

Additional information on the Actuarial function can be found in section B.6.

SIGNIFICANT CHANGES IN THE BUSINESS ORGANISATION

No significant changes occurred in the business organisation during the year under review, with the exception of the adjustment to the Group's structure as described above.

INFORMATION ON REMUNERATION POLICY AND REMUNERATION PRACTICES

The Remuneration Guidelines of the HDI Group define the general framework for remuneration policy and the various features of the remuneration structure, rules and procedures. The guidelines apply to the HDI Group in Germany and abroad and also cover the boards of management and supervisory boards of HDI V.a.G. and Talanx AG, as well as the managers of the key functions throughout the Group.

REMUNERATION POLICY

The remuneration policy is geared towards the goal of sustainably enhancing the value of the Group. The remuneration rules and procedures in the Group are designed to be competitive and in conformity with the market. Remuneration structures incorporate the development of business at the Group and the division in question, while also taking into account aspects relating to sustainability and the competitive environment. The remuneration system is aligned with the business and risk management strategy, the internal organisational structure, the risk profile and the Group and divisional objectives at

the HDI Group. The remuneration structures are generally designed to prevent unreasonable risk-taking. The careful selection of target criteria for the variable remuneration system, and the limits placed on the level of the variable remuneration component, both ensure that no inappropriate performance incentives exist that might lead executives to take incalculable risks. A certain part of the variable remuneration component is normally deferred for a certain period of time in order to ensure that the level of remuneration is also linked to the sustainability of business achievements.

The Group companies in Germany and abroad are responsible for implementing remuneration policy and ensuring the adequacy of remuneration rules and procedures. More specifically, the supervisory boards of Group companies set the remuneration levels for executive management, while the latter defines remuneration levels for employees supported by the human resources departments.

REMUNERATION STRUCTURE AND REMUNERATION PRACTICES

Remuneration for management and the key functions

Remuneration for the members of the Board of Management, the managers of key functions and senior executives generally comprises the following components:

- Annual fixed remuneration: The fixed remuneration component is primarily based on the scope of tasks performed by a manager, the degree of responsibility they exercise, and their professional experience.
- Variable remuneration: The variable remuneration component is designed in manner that supports sustainable business development in different earnings scenarios and in a changing business environment. The amount of variable remuneration paid is linked to the achievement of specific Group or divisional targets, as well as individual performance.
- Retirement provision: In the case of retirement provisions, commitments are generally made that are based on the defined contribution model. In some cases, Board of Management members are also granted an annual pension payment that is calculated as a percentage of the member's last fixed remuneration component eligible for pension that they received prior to leaving the Board of Management (defined benefit). In some cases, pension stipulations vary throughout the Group and are also aligned with local market conditions.
- Other non performance-related fringe benefits (e.g. insurance, company cars): Fringe benefits vary throughout the Group and are also aligned with local market conditions.

Annual remuneration consists of a fixed and variable component, whereby the latter comprises for Board of Management members a performance-related annual cash payment, a "bonus bank" with payment after three years, and share awards, which are based on

the share price. In the case of managers of key functions and senior executives, the variable component consists only of the cash payment and share awards.

The composition of the variable remuneration component and the proportional relationship between the fixed and variable component vary in line with the degree of responsibility exercised by senior executives and Board of Management members in their respective functions. In general, the greater the extent to which the business results of the Group or a division can be influenced, the higher will be the proportion of the variable component and the weighting of the performance-related portion deferred over the medium and long term. The amount of variable remuneration is linked to the achievement of the respective annual or multi-year targets at the Group or a division, as well as the achievement of individual targets by the manager, whereby this amount is defined within the framework of a systematic goal agreement process. This process, which is repeated each year, results in a clear understanding of what is expected in terms of furthering sustainable business development. Goal agreements measure quantitative, financial and operating results. Also taken into consideration here are specially formulated behavioural incentives and the development of qualitative measures and initiatives that promote sustainable development at the Group.

The provisions contained in Board of Management members' contracts of service include regulations governing early termination of the contracts which allow for payment of a "transitional allowance" under certain circumstances; this is calculated on the basis of the percentage of fixed remuneration reached by the members in respect of their pensions. A vesting period of eight years generally applies. Parts of other income from self-employment or employment are offset against the transitional allowance up to the age of 65.

Remuneration of the Supervisory Board

Members of the supervisory boards of HDI V.a.G. and Talanx AG receive, in addition to reimbursement of their expenses, annual fixed remuneration. The members of the Supervisory Board of Talanx AG also receive performance-related variable remuneration, which is linked to the company's long-term success. In addition, each member of the Supervisory Board of Talanx AG receives a set amount of variable remuneration for each full million euros by which the average Group net income for the last three financial years, after non-controlling interests, exceeds the minimum return in accordance with section 113(3) of the AktG. There is a ceiling on the amount of variable remuneration that can be paid out. Calculating the performance-related remuneration component on the basis of average Group net income for the last three financial years ensures that variable remuneration is aligned with the Company's sustainable development. In recognition of the substantial amount of additional work they need to carry out, the basic remuneration for the chairman and deputies of the Supervisory Board is higher than that for ordinary members of that body.

Members of the committees of the supervisory boards of HDI V.a.G. and Talanx AG also receive a fixed remuneration component. In addition to reimbursement of their expenses, members of the Supervisory Board receive an attendance allowance for each meeting of the Supervisory Board or of Supervisory Board committees in which they take part.

B.2 FIT AND PROPER REQUIREMENTS

The German Insurance Supervision Act stipulates that all individuals who actually run the Company or perform key tasks are subject to special requirements with regard to their professional qualifications and personal reliability.

These requirements are described in detail in the version of the "Group Framework Guideline for Meeting the Fit & Proper Requirements" that was valid during the reporting period and which was originally adopted by the boards of management of HDI V.a.G. and Talanx AG in August 2014. The objective of this document is to define a binding framework for fulfilling the requirements related to the professional qualifications and personal reliability (Fit & Proper requirements) of individuals who actually manage relevant Group companies and units, or head key functions. The "Group Framework Guideline for Meeting the Fit & Proper Requirements" is regularly reviewed and also updated if necessary.

The need for such reviews and updates is in part a result of the publication of the "BaFin Memoranda on Professional Suitability and Reliability" on 23 November 2016. Since that time, BaFin has explicitly distinguished between the requirements for senior executives, members of administrative or supervisory bodies and individuals who manage or work in key functions. In addition to updating the Fit & Proper guidelines, which describe the requirements for both senior executives and managers of the key functions, we produced a special paper for the Supervisory Board during the year under review, and this paper was examined and discussed by the boards of management of HDI V.a.G. and Talanx AG in February 2017. The measures described in this paper will be implemented in 2017 at all Group companies subject to supervision by BaFin.

The following remarks are based on the guidelines adopted in 2014, in the version valid during the reporting period in 2016.

DESCRIPTION OF THE FIT AND PROPER REQUIREMENTS

The term "fitness" (professional qualifications) refers to the possession of qualifications suitable to the position in question, as well as the knowledge and experience required to ensure solid and prudent management and proper execution of the tasks associated with the position. The suitability of qualifications is assessed in accordance with the principle of proportionality, whereby this assessment takes into account the specific risks faced by the company in question and the type and scope of its business operations.

Personal reliability does not have to be positively demonstrated. Instead, it is considered as given if no facts are known that would indicate otherwise. Unreliability is assumed if, in line with general life experience, an individual's personal circumstances justify the opinion that these circumstances might limit their ability to perform their function properly and prudently.

Individuals belonging to the group of persons who perform key tasks as defined by the Insurance Supervision Act are as follows:

- (1) Individuals who actually manage the Company:
 - Board of Management members
 - General managers
- (2) Individuals who perform other key tasks:
 - Members of the Supervisory Board
 - Individuals responsible for one of the key functions (Compliance, Auditing, Risk Controlling, Actuarial)
 - Primary authorised representatives at EU/European Economic Area branches
 - Claim settlement representatives

Given the different roles played by individuals who actually manage the Company and those who perform other key tasks, professional qualifications must be displayed in a variety of areas:

- Education/professional training
- Practical knowledge
- Management experience
- Language skills
- Specialised knowledge
- Knowledge related to the key function in question
- Collective requirements
- Required specialised knowledge in the field in question

A Group guideline defines general requirements in situations where key tasks are outsourced. The company that outsources such tasks must take measures to ensure that staff at the service provider that is now responsible for the tasks have sufficient professional qualifications and are personally reliable. The outsourcing company is required by supervisory authorities to appoint an outsourcing officer who in certain cases would be considered by a supervisory authority as having a disclosure obligation in their capacity as the individual responsible for the key function in question. This outsourcing officer monitors events and is responsible for ensuring the proper execution of all activities associated with the outsourcing of the key task.

PROCEDURE FOR EVALUATING FITNESS AND PROPRIETY

All requirements, responsibilities and reporting processes as regards interaction with supervisory authorities correspond to the current standard processes based on the “BaFin Memoranda on Professional Suitability and Reliability”.

In accordance with the “Group Framework Guideline for Meeting the Fit & Proper Requirements”, a detailed cv must be provided prior to any appointments to positions in which an individual will actually run the Company or else perform some other key function. In addition, a demand profile must be defined in which all required forms of proof of qualifications are listed and described. A special check list has been created in order to ensure uniformity here.

The demand profile comprises proof of the ability to meet the following minimum requirements:

- (1) Description of the position with key tasks
 - General description of requirements
 - Level of decision-making power and authority to issue directives
 - Degree of personal responsibility
- (2) Professional qualifications (general)
 - Level of education/training (commercial or industry-specific training, university degree or attainment of professional standards – e.g. in auditing or actuarial services)
 - Knowledge and understanding of the Company's strategy
 - Knowledge of the governance system
 - Knowledge of foreign languages – of English at least and if possible another foreign language as well

(3) Professional qualifications (depending on the position in question):

- Sector expertise
- Knowledge and understanding of the business model
- Ability to interpret financial and actuarial figures
- Knowledge and understanding of the regulatory framework the Company is subject to
- Expertise in personnel management and selecting employees

Demand profiles are regularly reviewed by the responsible organisational units in order to ensure continual conformance with all relevant requirements. Repeated assessments of reliability in the form of certificates of good conduct are not required here.

A review of conformity with the demand profile is conducted in the event that fundamental changes occur with regard to the parameters the profile is based on:

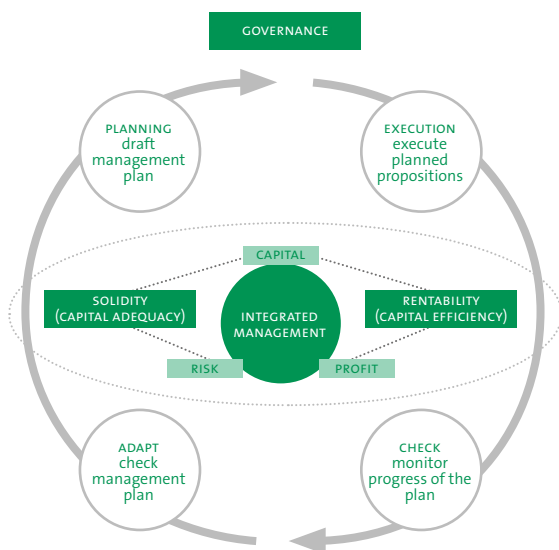
- (1) Parameters relating to the person who is responsible for key tasks:
 - New knowledge obtained regarding the integrity of the person who is responsible for key tasks (e.g. pending criminal proceedings, suspicion of embezzlement/money laundering, or of financing terrorism)
 - Changes in the personality of the manager that would inhibit their ability to properly represent the Company in public (e.g. improper conduct in public)
 - New knowledge obtained regarding the professional qualifications of the person who is responsible for key tasks
 - New knowledge about the manager that raises doubts about their ability to perform tasks reliably and prudently.
- (2) Parameters relating to the position:
 - Changes to the position's scope of responsibility (expansion of responsibilities)
 - Changes to the professional qualification requirements for the position (e.g. changes to supervisory law stipulations on the required professional qualifications for individuals responsible for key tasks)
 - Persons responsible for key tasks are required to notify the process-owning organisational unit of all relevant changes.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

STRUCTURE OF THE RISK MANAGEMENT SYSTEM

A risk management system represents the sum of all measures in place for identification, analysis, evaluation, communication, monitoring and controlling of risks and opportunities within a company. The HDI Group established and implemented its risk management system along the lines of an enterprise risk management system (ERM) – i.e. a holistic system that also includes performance measurements and the systematic development of courses of action where necessary.

PERFORMANCE CONCEPT AND INTEGRATED RISK MANAGEMENT



The basic concepts of risk, capital and income are not viewed here as absolute variables but instead as relative variables that can depend on the stakeholder in question.

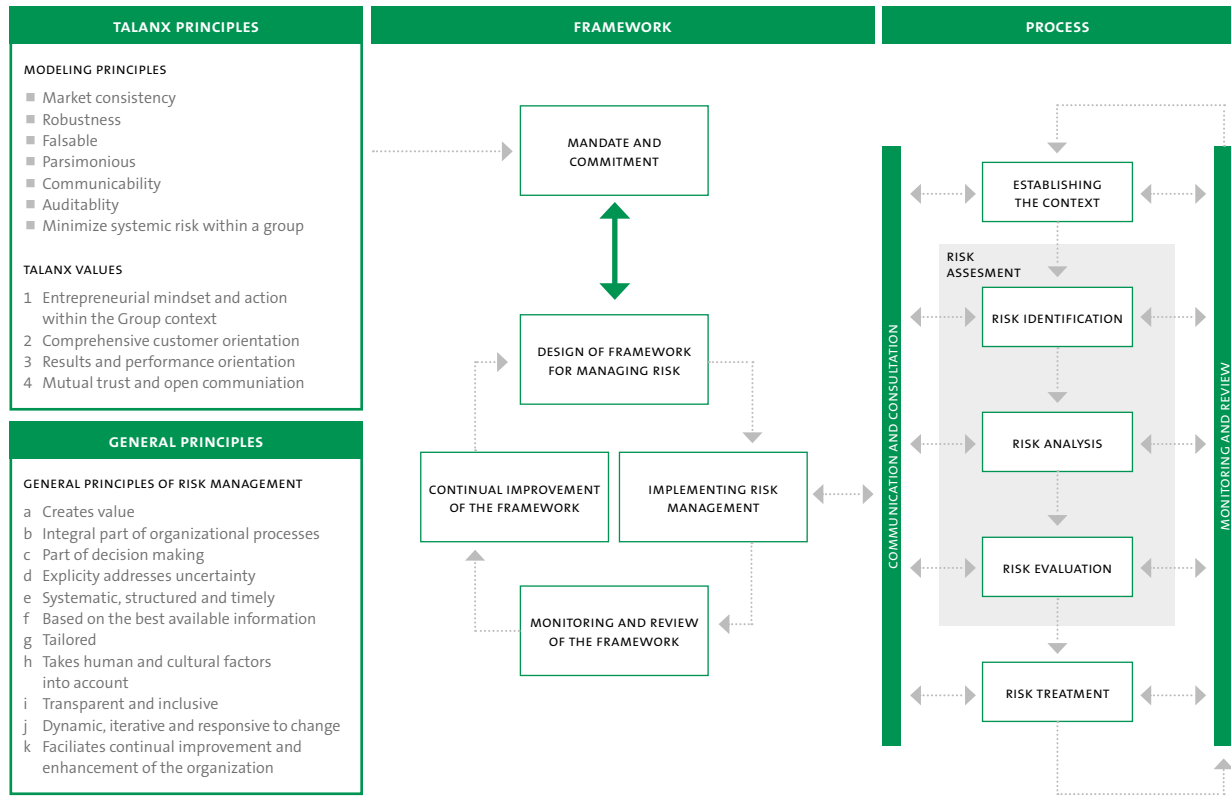
In this manner, a concept of risk is used that refers back to positive or negative deviations between the results of actions and predefined goals. Risk is therefore to be seen as uncertainty associated with events and their consequences.

The following graphic shows the basic components of the risk management system at the HDI Group. These include procedural components and guidelines that define processes and suitable process controls. The implementation of an ERM involves the application of corporate and risk management philosophies that define the cornerstones of the risk culture.

This is followed by general principles that summarise risk management experiences in the manner of best practices. The chart below is strongly based on the ISO 31000 standard for risk management and offers an overview of the basic structure of the risk management system. The explicit design is very rich in details, as evidenced, for example, by a 34,000-page document drawn up as part of the process for internal model approval. In this sense, only basic structures are presented, which, however, are in conformance with Solvency II.

The supervisory authority extensively analysed our risk management system during the pre-application phase for the approval of our internal model. The approval issued on 19 November 2015 attested to the adequacy of our internal model and thus to the fact that our risk management system meets Solvency II requirements.

GROUP RISK MANAGEMENT SYSTEM – BASED ON THE ISO 31000 STANDARD



The ability to understand data and figures of HDI Group requires an understanding of the role of stakeholders and their influence on the quantitative measurement of the above-mentioned basic concepts (risk, capital and income), as the figures associated with each differ significantly from one another.

Within the framework of its risk management system, the HDI Group takes into consideration the following stakeholders:

1. The Board of Management and Supervisory Board (economic management of the Company, ensuring the achievement of the objectives of various stakeholders)
2. Policyholders (at the least: fulfilment of regulatory solvency requirements)
3. Shareholders (increasing the value of the company; dividend payout rates)
4. Rating agencies (specific level of capital for bondholders)
5. Supervisory and regulatory authorities (consumer protection, systemic-risk controlling)

DIFFERENT VIEWS OF RISK AND CAPITAL

Stakeholders	Risk	Capital	Cover
Shareholders, Board of Management and Supervisory Board	Economic internal model (full)	Basic own funds excluding transitional	264%
Board of Management and Supervisory Board	Partial internal model	Eligible own funds excluding transitional	186%
Rating agencies, bond holders	Economic internal model (full, confidence level, 99.97%)	Basic own funds excluding transitional	148%
Supervisory authority, policy holders, bond holders	Partial internal model	Eligible own funds including transitional	236%

Using our internal model as a basis, we derive in accordance with risk-bearing capacity a limit and threshold system that is adequate for assessing risks in both an independent and complete manner. This applies to risk categories and subsidiaries. In line with this limit and threshold system, a risk budget is defined for the HDI Group and its divisions. This risk budget describes a contingent risk potential that reflects the Board of Management's risk appetite as derived from the Company's targets. The risk budget also takes into account the risk-bearing capacity of the divisions, whereby the latter are viewed as a secondary condition in the risk budgeting process.

IMPLEMENTATION OF THE RISK MANAGEMENT SYSTEM WITHIN THE GROUP

In order to ensure consistent Group-wide implementation of the risk management system, the Group's Risk Controlling function integrates the corresponding risk management units at the divisions/subsidiaries by means of Group guidelines on the one hand, and on the other hand through the incorporation and active participation of subsidiaries in risk management-relevant bodies and/or decision-making and escalation processes that have been established throughout the Group.

The following table describes the roles of key responsible individuals in the risk management process, as well as important bodies from the perspective of the Group. The role of the Group CRO enables the Company to meet the regulatory requirements associated with this key function (Independent Risk Controlling function). In addition, the organisational structure and the escalation processes are in conformance with Solvency II.

RISK MANAGEMENT SYSTEM

Managers and organisational units	Key roles in the Risk Management System
Supervisory Board	<ul style="list-style-type: none"> ■ Advises and oversees the Board of Management in its management of the Company, including with respect to risk strategy and risk management
Board of Management	<ul style="list-style-type: none"> ■ Overall responsibility for risk management ■ Defines the risk strategy, incl. limit and threshold values ■ Responsibility for proper functioning of risk management ■ Approval of model changes ■ Approval of essential Group guidelines
Executive Risk Committee (ERC)	<ul style="list-style-type: none"> ■ Manages, coordinates and prioritises Group-wide risk issues ■ Adjusts limits within fixed materiality thresholds ■ Approves guidelines and other frameworks in accordance with Group frameworks for the governance of the Group's internal model to the extent that they do not require the approval of the Board of Management as a whole ■ Performs preliminary examination at cross-segment level of issues that must be submitted to the full Board of Management
Risk Committee	<ul style="list-style-type: none"> ■ Risk monitoring and coordinating body, charged with the following key tasks: <ul style="list-style-type: none"> ■ Critical examination and analysis of the risk position of the Group as a whole, with a particular focus on the risk budget approved by the Board of Management and on the risk strategy ■ Monitoring of management measures within the Group with respect to risks that could threaten the Group's continued existence
Chief Risk Officer	<ul style="list-style-type: none"> ■ Responsible for holistic monitoring across divisions (systematic identification and assessment, control/monitoring and reporting) of all risks that are material from a Group perspective ■ Chairman of the Risk Committee ■ Involvement of the CRO in essential decisions taken by the Board of Management"
Central Risk Management of the Group	<ul style="list-style-type: none"> ■ Group-wide risk monitoring function ■ Methodological expertise, including the following: <ul style="list-style-type: none"> ■ Development of processes/procedures for risk assessment, control and analysis ■ Risk limitation and reporting ■ Overarching risk monitoring and quantification of the necessary risk capital ■ Validation of the Group model
Local Risk Management	<ul style="list-style-type: none"> ■ Risk monitoring function in the divisions ■ Observance of the centrally defined guidelines, methods and procedures, limit systems, and thresholds that serve as the framework for local implementation, monitoring and reporting

Key stipulations regarding the design and structure of risk management at the HDI Group are defined in binding internal guidelines and specific regulations. In accordance with the principle of “centralised strategic management and decentralised divisional responsibility”, this framework is amended and further specified in line with requirements at the divisional and subsidiary level. The figure below shows the regulation hierarchy of the risk management system:

The key components of the risk management framework also include risk budgeting and the definition of limits and thresholds.

HIERARCHY OF REGULATIONS FOR RISK MANAGEMENT SYSTEM



RISK MANAGEMENT PROCESS AND COMMUNICATION

Strictly speaking, the risk management process relates to the processes in the schematic depiction of the risk management system. We identify risks throughout the Group using key indicators and various risk surveys. Qualitative risks are collected systematically using a Group-wide risk capture system. Risks spanning multiple divisions, such as compliance risks, are addressed by involving the key function areas or experts concerned. Product-related risk identification is carried out as early as part of the so-called New Product Process. This ensures we have completely understood the risks we enter into when purchasing or selling financial instruments and have adequately measured such risks in a qualitative or quantitative manner.

An overall examination of risks is also conducted within the framework of the modelling and validation of our internal model. The latter is particularly important for ensuring an adequate presentation of diversification effects.

The risk analysis and risk measurement are carried out for regulatory solvency purposes on the basis of our internal model. We also utilise a series of supplementary models that we especially apply in the process for operational management of specific risk categories. In contrast to our internal model TERM, model runs here are generally more frequent (e.g. weekly) and much more granular in terms of the depiction of the underlying financial instruments.

The risk assessment includes a holistic appraisal of the information obtained through the risk analysis as a means of ensuring that the Board of Management can make risk-informed decisions. The term "risk-informed" refers to a balanced appraisal of the model results that takes into consideration expert opinions on the limits and weaknesses that are inherent in every model. In line with our ISO-based risk management philosophy, we define the inherent model uncertainties associated with the use of any model.

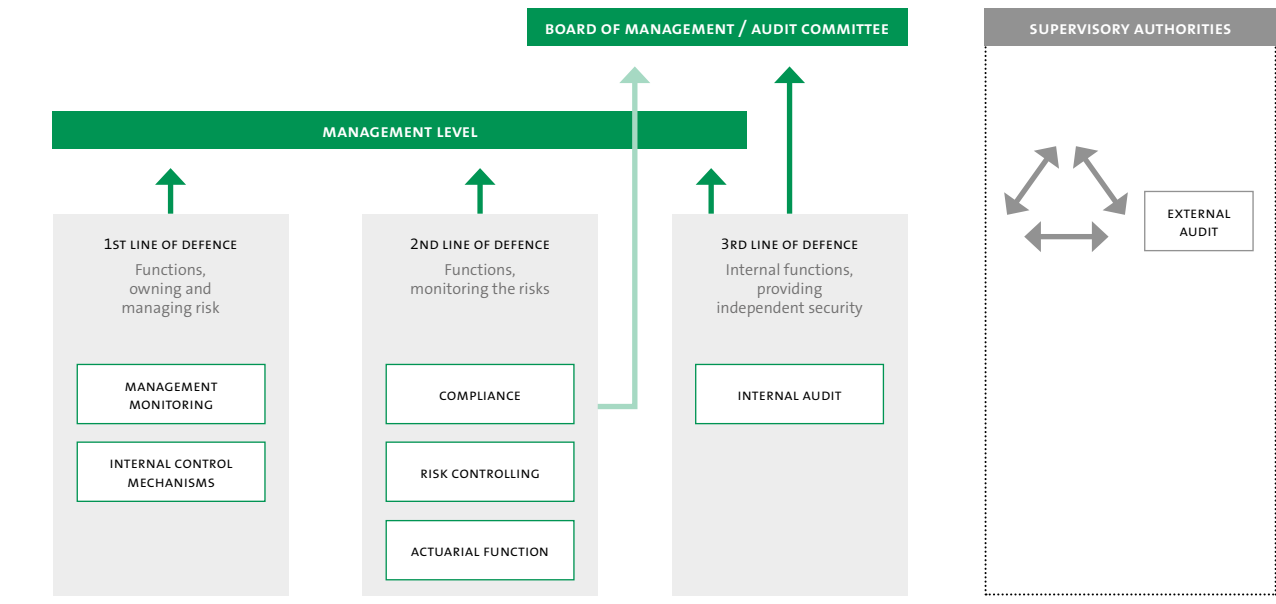
The Board of Management is provided with the results of our operating risk models on a monthly basis, and with the results of

our internal model on a quarterly basis. In line with our risk profile, this information is presented by division, company or risk taker, as well as by risk category. The limit and threshold system relates to risk categories in our internal model and the limitation of segments. Along with the fundamental objective of adequate capitalisation and balanced risk taking, the immunisation of the Group as a whole against financial contagion risks is also a key objective. More specifically, the goal here is to make the core of the HDI Group as robust and resilient as possible when facing adverse developments.

Both our risk management system and our internal model TERM received positive evaluations from rating agencies and our external auditor even before they were granted regulatory approval. S&P assessed the Talanx risk management system as "strong" and issued a so-called M-Factor that expresses the credibility of our internal model as viewed by S&P.

The effectiveness of our models has thus been confirmed by several external studies (conducted by supervisory authorities, rating agencies, auditors), which increases the comfort zone the internal model offers from the point of view of third parties. The three lines of defence in the internal control system have therefore been supplemented by the additional security offered by the assessments of the supervisory authority and external auditors.

CONCEPT OF THE THREE LINES OF DEFENCE IN THE CONTEXT OF REGULATION AND EXTERNAL AUDITORS

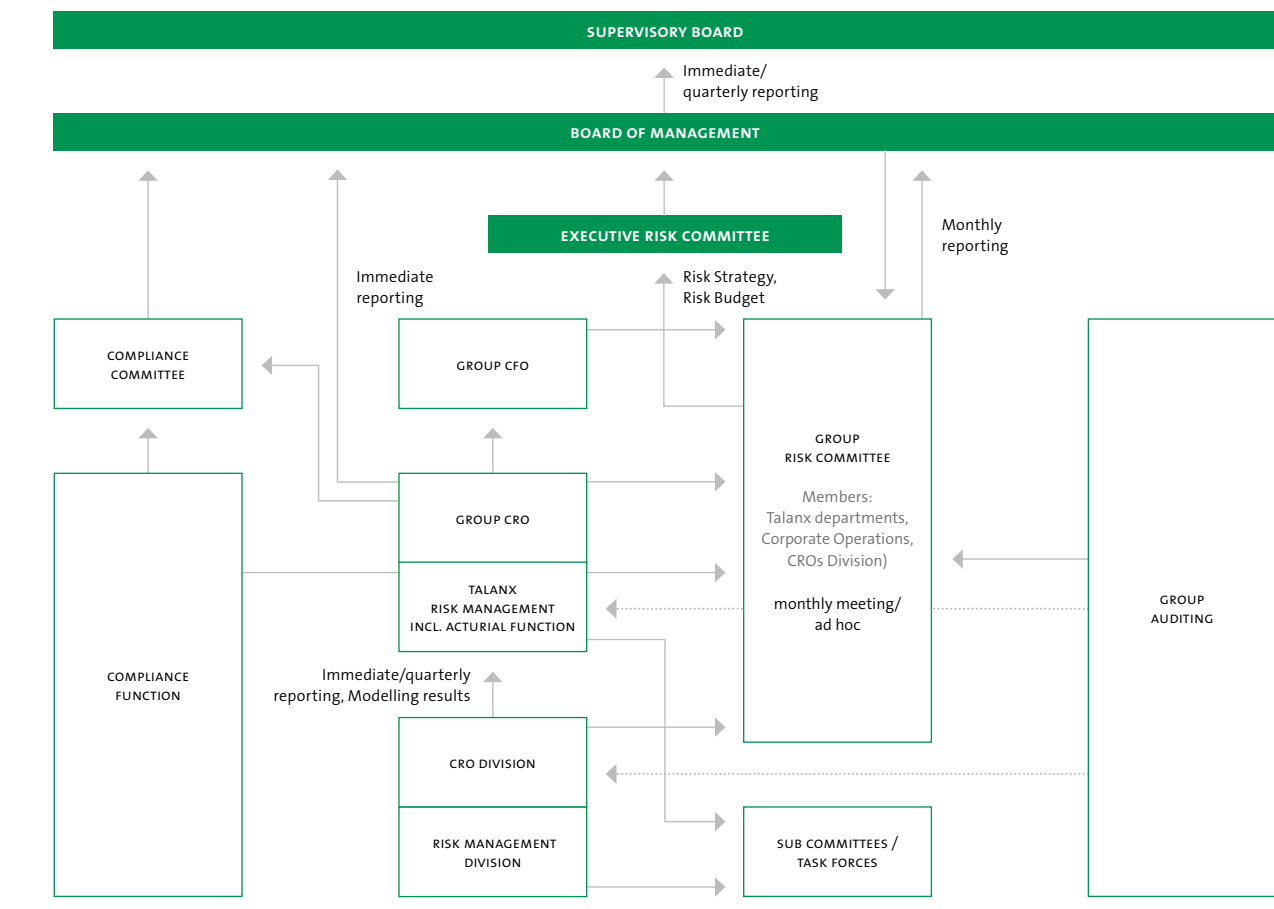


The external auditors include the financial auditor, who under Solvency II must also provide an audit opinion regarding the solvency balance sheet, and the supervisory authority, which in a pre-application phase lasting several years examined the risk management system with regard to its compliance with Solvency II requirements.

With the introduction of Solvency II, the supervisory authority also introduced the role of the key functions. The key function for risk

management is the independent Risk Controlling function. The tasks associated with this function have been carried out for the last ten years at the HDI Group by the Chief Risk Officer, who reports to the Chief Financial Officer and exercises a variety of powers in this capacity. In particular, the HDI Board of Management obtains the opinion of the CRO before making important decisions. The following chart shows the interaction between the four key functions in terms of information flows, especially those concerning risk management.

FUNCTIONAL ORGANISATIONAL CHART OF THE RISK MANAGEMENT ORGANISATION



RISK REPORTING

The purpose of our risk reporting is to provide the Board of Management and the Supervisory Board with systematic and timely information about risks and their potential effects, to strengthen the risk culture and to ensure smooth internal communication about all material risks as a basis for effective decision-making.

The backbone of the reporting cascade (as free of redundancies as possible) is formed by the Solvency and Financial Condition Report (SFCR), Regular Supervisory Reporting (RSR) and the Own Risk and Solvency Assessment (ORSA). These core reports are produced annually.

It is clear that each of these different reports accommodates different information needs of various stakeholders. At the same time, the report cascade is based on a consistent information framework, which means that the reports are consistent in their presentations.

By their nature, all of the reports focus on aspects of risk strategy. We also utilise a range of short-notice reporting formats in order to provide up-to-date information on the latest developments (e.g. concerning the capital market, major losses). In this manner, the complementary reporting formats enable risks and events to be analysed and addressed in a timely manner.

Rules governing the content and frequency (e.g. unscheduled reports) of reporting are contained in corresponding guidelines. Both documentation and the reporting process are subject to reviews by the Internal Audit function and the supervisory authority.

OWN RISK AND SOLVENCY ASSESSMENT (ORSA)

We conduct an Own Risk and Solvency Assessment (ORSA) every year. This report provides a 360° overview of the risk and solvency situation at the Company. The forward-looking perspective plays a key role here, as it combines economic five-year planning with the latest model results and associated planning measures. The anticipatory section of the ORSA involves a multi-year evaluation

of potential future risks. Using various scenarios of future macro-economic developments and our business planning, a five-year forecast is produced for the development of our own funds and their components, our solvency capital requirement and the resulting capital adequacy ratios. This forecast is embedded in the Group's medium-term planning process.

In addition to the medium-term planning aspect, we also use the results of the risk assessment to derive risk budgets and define limits and thresholds. These are set in a manner that ensures that a capital adequacy ratio at the target level can still be expected for the Group even in situations marked by full utilisation. Our approach with regard to risks analysed in a purely qualitative manner provides, in certain cases and on the basis of expert opinions, for an additional capital buffer that reduces the risk budget available for allocation to the divisions. The knowledge gained from risk management processes thus has a direct impact on the further development of the risk framework and the context for future process runs.

The ORSA also analyses all stakeholders to create a sequence of secondary conditions in order to achieve a consistent cascading of targets. The results of the S&P capital model play a special role here.

A report on the results of the ORSA (including the forward-looking perspective) is produced at least once a year. This report, as well as the key methods and assumptions used for its observations, is extensively discussed and challenged by the full Board of Management. If the knowledge gained leads to the conclusion that action should be taken, the process owner in question will be notified and the implementation of the associated measures will be monitored. The Board of Management approves the final report on the ORSA.

B.4 INTERNAL CONTROL SYSTEM

DESCRIPTION OF THE INTERNAL CONTROL SYSTEM

We view the internal control system (ICS) as an integral component of enterprise management. The ICS is designed to help the HDI Group achieve its business goals and targets efficiently, even as it remains compliant with all regulations and takes measures to reduce risks or avoid them completely.

The ICS consolidates all process-integrated and process-independent monitoring measures (internal controls and organised safeguarding measures) whose purpose is to ensure that the organisation and its processes function properly. The ICS is employed in a consistent manner at all levels throughout the Group. It focuses on process risks and the control measures used to monitor them. A Group framework guideline forms the basis for a consistent Group-wide ICS.

The procedures and measures utilised in the ICS have the following goals:

- Compliance with legal stipulations and other external regulations, contracts and internal regulations
- Proper conduct of business activities
- Safeguarding of assets
- Ensuring proper and reliable financial reporting
- Preventing and uncovering asset misappropriations
- Focus on, and careful consideration of, important risks
- Ensuring the effectiveness and efficiency of risk monitoring and avoidance measures in business processes
- Ensuring the validity of information on assets, finances, income and risks.

The "Three Lines of Defence" forms the organisational basis for the Group's control and monitoring system:

- The first line of defence is formed by the operating specialist units/departments and their responsibility for identifying, assessing, monitoring and controlling risks at the operational level. These units and departments are thus responsible for ensuring an adequate ICS in their respective organisations.

- The second line of defence comprises functions that ensure an adequate ICS at the superordinate controlling level and advise the operating specialist units/departments. These functions include the Group Risk Committee, the Risk Controlling, Compliance and Actuarial functions, and the Group officers responsible for data protection, prevention of money laundering investigations etc.
- The third line of defence is the Internal Audit function in its capacity as an independent and objective centrally organised function in the Group. Within the framework of the auditing activities it conducts, the Internal Audit function monitors the effectiveness and efficiency of the internal control system, the risk management system and other key functions.

As an additional safeguard, the supervisory authority and external auditors supplement the three lines of defence of the internal control system.

THE COMPLIANCE FUNCTION

HDI V. a. G. has outsourced the Group Compliance function to Talanx AG. The Chairman of the Board of Management of HDI V. a. G. was appointed outsourcing officer and is thus responsible for monitoring the Group Compliance function. BaFin has been notified of the Chairman's responsibility for this function. The group's primary insurers in Germany, as well as some other companies, have outsourced their compliance functions at the individual company level to Talanx AG as well. Without exception, all of these companies have also appointed outsourcing officers for the compliance functions and provided the required notifications to the supervisory authority.

The Compliance function is part of the second line of defence. In order to ensure sustained compliance with all relevant legal, regulatory and internal stipulations and requirements, the Compliance function implements appropriate monitoring measures through its interfaces with Auditing, specialist departments responsible for certain compliance issues, compliance officers from abroad and the other three key functions.

A code of conduct serves as the linchpin for internal Group compliance regulations. It contains the key principles and rules for ensuring that all Group employees act in a legally compliant and responsible manner. It also sets out the high ethical and legal standards on which the Group's global operations are based. The code of conduct is available on the website. All Group employees must ensure that they comply with the code and the laws, guidelines and instructions governing their individual areas of work.

The code is supplemented by a set of more concrete compliance guidelines, which give employees in Germany and abroad guidance on how to behave correctly and appropriately in their business dealings. In particular, the compliance guidelines contain detailed regulations that apply to the following core compliance issues:

- Prevention of corruption
- Antitrust law compliance
- Sales and product compliance
- Financial sanctions/embargoes
- Anti-money laundering and prevention of terrorism financing
- Investment compliance
- Capital market compliance

The compliance guidelines are reviewed regularly to ensure they remain up to date, and are then amended if necessary. The Compliance function announces such changes throughout the entire Group whenever they are made. The responsible managers must then update all work procedures affected by the changes to the guidelines.

Another element in ensuring Group-wide compliance is a whistleblower system that can be contacted from anywhere in the world via the Internet, and which employees and third parties can use to report significant breaches of the law and the rules contained in the code of conduct. Complaints can be made anonymously if desired. This enables the Compliance function to take action, limit any damage and avoid further harm.

The Compliance function produces an annual compliance report that describes the current legal and regulatory framework, the various compliance-related activities under way at the Group, and key issues relevant to compliance.

B.5 INTERNAL AUDIT FUNCTION

HDI V.a.G. has outsourced to Talanx AG the Internal Audit function that is required at the Group level pursuant to section 275(1) sentence 1 of the Insurance Supervision Act (VAG) in conjunction with section 30(1) VAG. The Internal Audit function operates as an independent corporate department (Group Auditing) at Talanx. The Chairman of the Board of Management of HDI V.a.G. was appointed outsourcing officer for the Internal Audit function of the Group and is therefore responsible for monitoring it. BaFin has been notified of the Chairman's responsibility in this regard. The Group's primary insurers in Germany (and some companies in the rest of the EU) have outsourced the internal audit functions to Talanx AG as well. Without exception, all of these companies have also appointed outsourcing officers for the auditing functions and provided notifications to the supervisory authorities.

Monitoring activities by the Internal Audit function focus on ensuring the sustained protection of business assets against losses of all kinds, the promotion of the Company's business and operating policy – including the risk strategy and the business organisation established for it – and the continued existence of the Company. To this end, the Group Auditing department autonomously, independently and objectively analyses all essential business divisions, processes, procedures and systems in a risk-oriented manner in accordance with the principles of security, propriety and economy.

These audit activities are based on an audit plan created by Group Auditing and approved by the Board of Management of the Company. Within the framework of this plan, the Internal Audit function conducts its activities without any external instructions whatsoever and reports its results and recommendations directly to the Board of Management. The sole task of the Group Auditing department is to perform audit activities, which guarantees that it remains independent from the activities it monitors, and therefore remains objective as well. An additional measure for ensuring objectivity is the waiting period requirement that applies to all employees who transfer to Group Auditing from operating units and departments.

In order to ensure it can properly perform the tasks assigned to it, the Internal Audit function has been given the complete, unrestricted and active and passive right to information. The active right to information refers to the fact that the Internal Audit function has access to all divisions, documents, assets and relevant contact partners. The passive right to information means that Group Auditing is automatically incorporated into all information flows at the Company that are of relevance to its work.

Group Auditing may conduct unscheduled special audits on short notice if it believes such audits are necessary to address non-conformances that have come to its attention. The audit planning process is designed to be comprehensive and risk-focused in order to ensure that Group Auditing can carry out its monitoring function in all relevant areas of the Company in a systematic, efficient and targeted manner. Factors considered to have an impact on risk, and which are therefore taken into account in audits, include:

- The inherent risk represented by the items covered by the audit
- The results of the most recent audits
- Legal and organisational changes that relate to the items covered by the audit
- Knowledge gained through participation in meetings of corporate bodies and in regularly scheduled meetings with staff from other governance functions.

A report is written for each audit. The reports ensure that the Board of Management and the department, unit or division audited receive the most important information on the audit results. The reports also set deadlines for all required measures and assign managers to supervise their implementation. The implementation process is monitored, whereby the Board of Management delegates responsibility for monitoring to the Internal Audit function.

The Internal Audit function reporting system also includes quarterly and annual reports that provide recipients (including the Board of Management, the Supervisory Board, the Risk Controlling function and the annual external auditor) with information on the effectiveness of the Internal Audit function and the results of its audits. The Internal Audit function is required to report findings of a particularly serious nature to the responsible Board of Management member immediately. Depending on the degree of risk involved, the Independent Risk Controlling function and/or the Compliance function may have to be informed as well.

The effectiveness of Group Auditing is ensured by internal quality assurance measures and assessments by external auditors.

B.6 ACTUARIAL FUNCTION

HDI V.a.G. has outsourced to Talanx AG the Actuarial function that is also required at the Group level pursuant to section 275(1) sentence 1 of the Insurance Supervision Act (VAG) in conjunction with section 31(1) VAG. Talanx AG has based the function in an independent area; whilst organisationally part of Risk Controlling, the function operates independently and reports directly to the Board of Management. At HDI V.a.G., the Chief Financial Officer is responsible for acting as outsourcing officer for the Actuarial function; the supervisory authorities have been notified of the outsourcing officer's internal responsibility for the function. At the divisional level, there are separate areas to which the German companies belonging to the divisions have outsourced the Actuarial function at the level of the individual companies. In order to create clear responsibilities in the Retail International Division, an Actuarial function has been voluntarily established at Talanx International AG, and an employee has been appointed as the person with internal responsibility for this key function. A Group committee has been formed to coordinate the activity of the actuarial Group and individual functions.

The Board of Management has adopted a framework guideline on the organisation of the Actuarial function, which among other things documents the various roles and responsibilities of the Group and individual functions.

These core tasks for the Actuarial function at the HDI Group can be grouped according to the following thematic blocks:

COORDINATION TASKS

The Actuarial function coordinates activities having to do with the valuation of technical provisions for the purposes of Solvency II. This includes, in particular, setting technically consistent minimum standards for methods, models and data quality at the Group level. The Group also obtains external expert opinions when valuing the technical provisions. The process is coordinated by the Actuarial function.

ADVISORY TASKS

The Group's Actuarial function informs and advises the Board of Management from the perspective of the whole Group concerning the reserve situation, underwriting and acceptance policy and the adequacy of the reinsurance agreements.

MONITORING TASKS

The Actuarial function monitors the entire process of calculating the technical provisions, ensures compliance with the Solvency II requirements for valuing provisions, identifies potential deviations and ensures that they are remedied.

SUPPORT TASKS

In addition, the Actuarial function supports the Risk Controlling function in its tasks, in particular in matters concerning the internal model and the Own Risk and Solvency Assessment (ORSA). It also provides its actuarial expertise.

B.7 OUTSOURCING

Various service functions within the HDI Group are bundled at several central service companies. Along with Talanx AG, which also operates as a holding company, the most important of these companies include Talanx Service AG, Talanx Systeme AG, Talanx Asset Management GmbH and Talanx Immobilien GmbH. At Talanx Deutschland AG, HDI Kundenservice AG in particular acts as the central service provider. In some cases, key functions or so-called important functions have also been outsourced to the service providers mentioned.

For example, Talanx AG provides services to all domestic primary insurers in the key functions for Compliance and Auditing that are required by insurance law and also provides services to HDI V.a.G., for example in the Risk Controlling (Group level). The objective of this concentration of services at a central service provider was to ensure standardised services that can be offered at a high level of quality and as economically as possible throughout the entire Group. The consolidation of the key functions for Auditing and Compliance (Group) at one company enables a high degree of professionalism and therefore ensures optimal execution of all activities associated with the functions.

HDI Kundenservice AG provides services for the Actuarial and Risk Controlling key functions to insurance companies that form part of Talanx Deutschland AG. Here as well, the main reason for the centralisation was to establish standardised services that can be offered at a high level of quality and as economically as possible through the placement of qualified employees at one company.

HDI Global SE provides services for the Actuarial (individual companies) and Risk Controlling (individual companies) key functions to HDI V.a.G. and HDI Global Network AG. HDI V.a.G. writes primary insurance business only in a co-insurance relationship with HDI Global SE. HDI Global Network AG functions as a “platform” for the international insurance business at HDI Global SE. In view of the extensive similarity of the content of business at HDI V.a.G. and HDI Global Network AG with the operations in corresponding units at HDI Global SE, it makes sense to transfer the tasks to HDI Global SE in order to maximise efficiency and professionalism.

Talanx Asset Management GmbH is responsible for managing the Group companies’ investments, while Talanx Immobilien Management GmbH is responsible for all real estate assets. The complete consolidation of Group-wide asset management expertise enables the highly professional and efficient provision of investment services.

The key central service provider at the Group for all areas relating to information technology is Hannover-based Talanx Systeme AG, which provides IT services to the Retail Germany and Industrial Lines Divisions and to the Group functions (Talanx AG, Talanx Service AG, Ampega Investment AG, Talanx Asset Management GmbH, Talanx Immobilien GmbH and Talanx Reinsurance Broker GmbH). The consolidation of IT services at one company makes services more professional and makes it possible to provide Talanx Group companies with even more reliable, effective and efficient support with innovative IT services in line with their requirements.

Another important centralised service provider within the Group is Talanx Service AG, which, among other things, provides the complete range of accounting and collections/disbursements services to virtually all domestic Group companies in Germany. The main reason behind the outsourcing here was also the objective of being able to provide standardised services throughout the Group that can be offered at a high level of quality, and to exploit existing synergies in order to do this more economically than would be possible at a single company.

Any service provider considered for an outsourcing contract is subject to an adequate review (due diligence) during the preparations for an outsourcing decision, which means always before any such decision is made. This review process is meant to clarify whether the service provider in question is suitable for the outsourcing assignment.

The following criteria in particular are therefore examined:

- Financial strength of the service provider
- Technical capability of the service provider
- Personnel capacity of the service provider (to enable the successful execution of the outsourcing assignment)
- Employee qualifications and reliability
- Control mechanisms and contingency planning
- Potential or existing conflicts of interest at the service provider that could limit its ability to successfully execute the outsourcing assignment

The review process should regularly include at least one and if necessary several inspections of the business premises of the service provider(s) being considered for the outsourcing assignment. The on-site inspection(s) should be supplemented by the submission to the service provider of a reasonable request for information, explanations and documents that would enable an assessment of the above-mentioned criteria in particular, and which the service provider should be able to provide without undue hardship. Objective sources, including credit reports and rating agencies, should also be used for the review in a suitable scope and in accordance with the principle of proportionality. Reviews of Group-internal service providers prior to outsourcing can generally be carried out in a less detailed manner (but in line with the principle of proportionality and the Group risk management processes in effect at the Talanx Group) than would be the case with an external service provider. However, potential conflicts of interest and concentration risks must always be examined.

The services that have been transferred to the central service providers are linked with the internal control and/or risk management system of the client in question. Within the framework of outsourcing preparations, an analysis is conducted with the help of the responsible risk management department in order to determine whether and how the business operations of the outsourcing company can be maintained even if a service provider becomes unable to meet its obligations, or if the service in question has to be reintegrated or transferred to another provider following the (scheduled or unscheduled) termination of a service contract. The companies evaluate the risks associated with centralisation both prior to the final outsourcing decision and during an ongoing outsourcing process. This risk analysis is used to derive adequacy and specific monitoring and controlling processes in line with the identified risks and draw up a set of requirements for the outsourcing contract in question.

Monitoring committees have been set up to assess the quality of the services provided by the service companies. Both service providers and the Group companies that have commissioned them have representatives on these committees. Along with evaluating the quality of the services provided, the committees also enable an expedient exchange of information at the commercial level and agreement on a common understanding of the details of the services, as well as a discussion of relevant issues.

If no monitoring committees have been set up for outsourcing from HDI V.a.G. to Talanx AG and HDI Global SE, the service providers in question are monitored directly by the Board of Management member responsible for the task the service provider now performs, whereby this Board of Management member can draw upon the expertise of various units at Talanx AG in order to effectively execute this monitoring function and validate the activities of the service provider.

B.8 ANY OTHER INFORMATION

In accordance with the internal guideline for regularly assessing the adequacy of the business organisation of HDI V.a.G., the Talanx Group and the individual Group companies, which was adopted by the Board of Management in 2016, a periodic and structured evaluation of the adequacy of the business organisation as required by section 23 of the Insurance Supervision Act (VAG) in conjunction with section 275(1) sentence 1 VAG is conducted in addition to the audits of business organisational units (including audits of other key functions) that are normally carried out by the Internal Audit function in its capacity as an independent key function.

The organisational units responsible for preparing Board of Management decisions initially perform differentiated self-assessments. The self-assessments are exchanged among the heads of the various organisational units and discussed, after which the Board of Management is informed of the results of the discussions and receives a recommendation for its own evaluation.

The adequacy assessment is a decision of material importance for the management of the company, which is why the executive management body as a whole rather than a specific management function is responsible for it.

For the purposes of obtaining approval for the internal model to be employed at the Group and various individual companies, the details concerning the business organisation at the Group and various individual companies were extensively discussed with the responsible supervisory authority in 2015 (and in 2016 as well) prior to the entry into force of the new VAG on 1 January 2016, because fulfilment of the Solvency requirement was needed for the approval of the Group's Internal Model. These discussions were designed to ensure the model would later be approved by the authority. The associated continual analysis of the adequacy of the business organisation by the Board of Management was taken into account in the selection of the focus areas for evaluations in 2016.

One such area involved the adequate implementation of the new outsourcing stipulations that entered into force on 1 January 2016. Among other things, the evaluation resulted in adjustments being made in 2016 to existing internal guidelines for the Group and individual companies in order to ensure their conformance with the new legal stipulations. In addition, outsourcing officers were appointed for the key functions at outsourcing insurance companies and insurance holding companies, and the BaFin was notified of the outsourcing officers' responsibility in accordance with section 47(1) VAG. After an examination of the Group's internal sample outsourcing contracts, the contract formats for the outsourcing of key functions were amended as needed, in particular to ensure that the contracts reflected the freedom from instructions inherent in the agreements.

Another (generally positively assessed) area of focus in the evaluation of the business organisation with regard to financial year 2016 involved the question as to whether the required internal guidelines exist for all relevant fields, whether these have been implemented for the relevant processes and whether they remain up to date, assuming they did not first enter into force in 2016. The analysis to determine whether all guidelines were up to date examined conformance with both current laws (i.e. guideline correctly reflects current legislation) and current conditions (i.e. guideline addresses the current structures at the Company).

The opinion of the BaFin supervisory authority on the Minimum Requirements for the Business Organisation, which was consulted by the authority near the end of the year was not yet published in 2016 and could therefore not be taken into consideration in the evaluation for the financial year ended. Any required adjustments will be made in 2017. Open issues in 2016 included the idea of making additions to the general framework requirements for the dual control principle (addressed only in passing in the existing ICS) in an existing or new guideline, as well as the adoption of the nearly completed Disclosure Policy and (requiring approval) adjustments to the Internal Guideline for the Model Change Policy. Also still not addressed at the end of 2016 was the adoption of (largely agreed upon) amendments to existing documents regarding the rules of procedure of the Internal Audit function.

The directors of the various relevant organisational areas who are responsible for preparing Board of Management decisions recommended to the Board of Management that it assess the business organisation of the Group as adequate given the Group's risk profile. With regard to topics separate from those in the focus areas, it is the view of the directors that no logical and compelling reason could be identified to doubt the adequacy of the business organisation.

On the basis of this report and the recommendation of the organisational units, and following extensive discussions in its meeting on 25 January 2017, the Board of Management has come to the conclusion that the business organisation of the Group is to be considered adequate overall, taking the Group's risk profile into account. In terms of topics separate from those in the focus areas described above, the Board of Management has not discovered any indications that would cause it to doubt the adequacy of the remainder of the business organisation.

Independently of the periodic evaluations of the adequacy of the business organisation, the Board of Management adopted in its meeting on 13 June 2016 what in its view are sufficient measures for improving the organisational structure of the Business Continuity Management system (contingency planning) and is now receiving reports on the progress of implementation. In addition, independently of the process for the adequacy evaluation, reporting interfaces between the key functions at Hannover Rück and the parent company were defined more precisely throughout 2016 for the purpose of improving the Group's risk management system.

The Board of Management attached to its opinion of the adequacy of the Group's business organisation the following (as yet incomplete) partial requirements for the evaluation for financial year 2017: In 2017, the question must be addressed as to whether positive evaluations also apply to branches of the Group's German insurance companies abroad. The evaluation of the adequacy of the business organisation for 2017 should also determine whether the existing internal Group guidelines that apply to the business organisation are being properly adopted and actually implemented at the level of the individual companies. The planning for the areas of focus will be decided upon throughout the course of financial year 2017.

All other relevant and essential information on the business organisation of the HDI Group that is required to be reported is already contained in this Section B.

C. RISK PROFILE

The risk profile of the HDI Group can be characterised by various different aspects, particularly in terms of the respective stakeholder, the time horizon, the confidence level and the analysed risk sources: Risk categories and participations in risk takers.

The quantifiable risks are defined and calculated on the basis of the changes in the basic own funds, which are determined as the balances of the Solvency balance sheet over the period of one year stipulated by the supervisory authority. The assets in the Solvency balance sheet consist primarily of investments, whereas the liability side is mainly composed of liabilities due to future payment obligations to policyholders arising from the insurance business. These two items essentially shape the risk profile, namely underwriting risk and market risk.

With regard to the investment side, market risk is split according to the various asset classes. In terms of the underwriting activities, risk is subdivided into life and non-life premium and reserve risk.

As explained in the introduction, Talanx AG represents the risk kernel of the HDI Group, so the details refer to this extent to the risk profile of Talanx AG.

The following components essentially determine the risk profile:

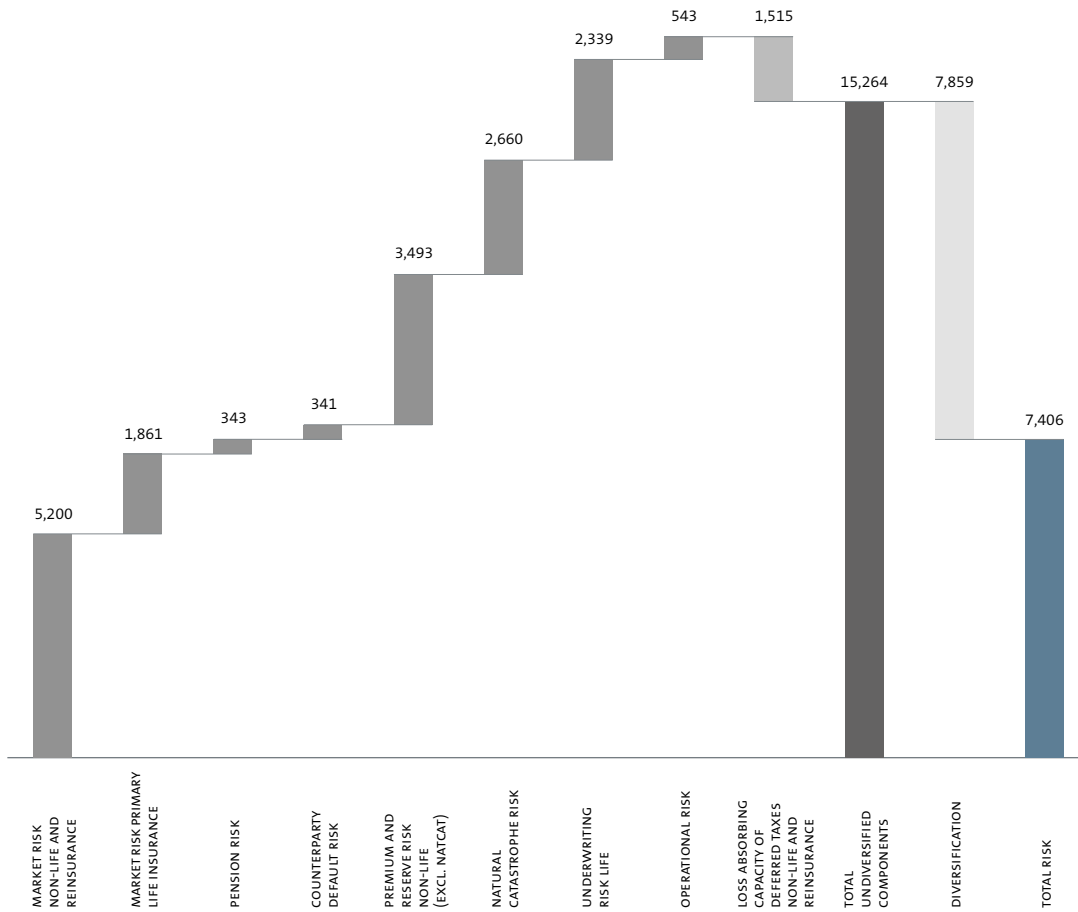
- Market and credit risk
- Underwriting risk non-life, particularly including risks from natural hazards
- Underwriting risk life
- Diversification

Various risk factors are allocated to the risk categories in TERM. This makes it possible to forecast changes over time both in individual risk categories and also their joint behaviour. This joint behaviour plays a key role in shaping the diversification.

The following graphics of the risk profiles give an initial impression of the materiality of the risks and any existing risk concentrations.

TALANX GROUP'S SOLVENCY CAPITAL REQUIREMENT BY RISK CATEGORY (ECONOMIC VIEW)

EUR MILLION



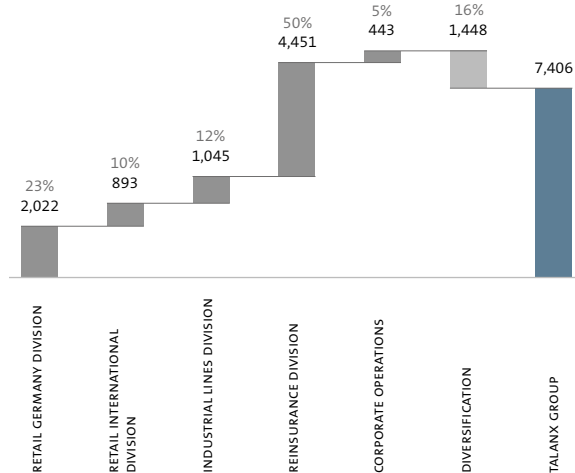
The diagram shows the particular importance of diversification for assessing the overall risk. This is due to our geographical diversity and the diversity of our business. As a result, we can report a risk reduction of about 50% through diversification. As the dominant

risk categories listed above intrinsically have only a low level of interdependence, this high degree of diversification is well-founded and is based on intrinsic aspects rather than on model theoretical considerations.

From the Group perspective, our focus is not only on the risk categories; we also analyse the risk profile along our subsidiaries which are represented via the various divisions as management units. The following diagram gives an overview. In this presentation, the nature of the diversification is different from the previous graphic, as the diversification in the individual divisions is already taken into account in the risk categories of the respective division.

RISK PROFILE BY TALANX' DIVISIONS, ECONOMIC VIEW

EUR MILLION



The limit and threshold system is used to restrict and manage risks throughout the various risk categories and the various divisions. The main purpose here is to achieve the targets of the risk strategy (e.g. risk-bearing capacity).

C.1 UNDERWRITING RISK

The underwriting risk refers to the danger of an unexpected, disadvantageous change in the value of insurance liabilities in the Solvency balance sheet. The causes for such a deviation may be random chance, error or a change in the assumptions underlying the calculation (e.g. biometrics, loss amounts, payout duration or costs for loss adjustment).

The **exposure** to such risks is essentially characterised by the level of the technical provisions and by the type of the underlying insurance business (primary life insurance, property/casualty primary insurance, reinsurance). The exposure is therefore spread across the whole Group, particularly in geographical and division-specific terms.

We **analyse** the underwriting risk with TERM, as described in section E.4. With regard to **material risks**, we differentiate between the following:

- Underwriting risk non-life, including:
 - Premium risk and reserve risk (excl. NatCat)
 - Natural catastrophe risk
- Underwriting risk life

In this context, we see a possible **risk concentration** in the area of natural catastrophes in particular. We take this into account in several ways, including with standardised Group-wide scenarios in the model and with corresponding limits and thresholds. In addition, we also make specifications for other global events such as pandemics, in order to map any corresponding concentration effects.

In addition to loss analyses, actuarial modelling, selective underwriting, technical audits, regular monitoring of the loss progression and limits and thresholds for managing, restricting and monitoring the risk, appropriate reinsurance cover represents an essential technique for **reducing risk**.

In the course of our risk analyses, we regularly determine the **sensitivity** of the capitalisation ratios in relation to a 200-year maximum annual loss arising from natural catastrophes. Following the analyses carried out as of 31 December 2016, such an individual event¹⁾ reduced both the CAR (Talanx) and the Solvency II ratio excluding transitional (HDI Group) by 7 and 6 percentage points, respectively.

Supplementary information about the individual underwriting risks is provided below.

UNDERWRITING RISK NON-LIFE

RESERVE RISK

The reserve risk refers to unexpected, disadvantageous changes in the value of the insurance liabilities, which have an effect on the amount of the loss run-off. The cause for such an unexpected change may in particular be the loss amount, the payout duration or costs for loss adjustment. Any loss events that occurred before the reporting date are taken into account in the reserve risk.

In order to manage the risk, the companies take into account not only the claims information provided by their clients but also insights from their own claims investigations and experience.

Additionally, to reduce the risk of under-reserving, the level of reserves is reviewed regularly, including by external actuaries, and external reserving reports are commissioned.

PREMIUM RISK

Premium risk refers to unexpected, disadvantageous changes in the value of the insurance liabilities arising from fluctuations in relation to the occurrence, frequency and severity of the insured events. In contrast to reserve risk, premium risk takes into account any loss events (excluding natural catastrophes) that may take place after the reporting date. In the context of premium risk, expected premium income is compared to future loss events.

NATURAL CATASTROPHE RISK

In a similar way to premium risk, natural catastrophe risk deals with future loss events. Such risk is handled separately due to the possibility of an extremely high impact of the loss events due to natural catastrophes. A standardised global event set has been developed to support the analysis of such natural-hazard events (extreme scenarios and accumulations).

Licensed scientific simulation models are used to estimate the material catastrophe risks; they are supplemented by the experience of the various specialist departments.

Based on the figures calculated most recently, the estimates of the Group's net burden (annual total loss) under the following accumulation scenarios of natural hazards are as follows:

ACCUMULATION SCENARIOS, BEFORE TAXES		
EUR THOUSAND		
	2016	2015
200-year total loss – Atlantic hurricane	1,878,088	1,590,175
200-year total loss – US/Canadian earthquake	1,489,347	1,445,535
200-year total loss – European earthquake	1,034,957	1,069,049
200-year total loss – Japan earthquake	854,449	829,226
200-year total loss – Asia-Pacific earthquake	886,114	821,571
200-year total loss – Central and South-American earthquake	1,014,485	831,462
200-year total loss – European storm (winter storm)	1,134,476	1,206,445

Other accumulation scenarios are also regularly tested. Carefully and individually selected reinsurance cover is taken out to protect against peak exposures from such risks. This enables the Group to effectively limit large individual losses and the impact of accumulation events and thus make them possible to plan for.

In order to restrict **concentration risks**, the maximum permissible natural disaster risk is limited by hazard regions on a Group and divisional level. The risk modelling and business planning interact closely to achieve this.

¹⁾ European storm (individual event) with a magnitude of approx. EUR 606,278 thousand.

The expectations with regard to loss burdens are expressed in the context of business planning partly through the large-loss budget. The following table shows the large losses (losses over EUR 10 million gross in primary insurance or reinsurance) in 2016 and the large-loss budget for the Talanx Group:

LARGE LOSSES AND LARGE LOSS BUDGET 2016

EUR THOUSAND, NET

		Primary insurance	Reinsurance	Talanx Group
Earthquake, Taiwan	6 Feb.	6,066	19,200	25,266
Hailstorm, Texas, USA	10 – 16 Apr.	8,508	8,442	16,949
Earthquake, Japan	14 Apr.	5,420	20,340	25,760
Earthquake, Ecuador	16 – 17 Apr.	1,439	58,282	59,721
Forest fires, Canada	30 Apr. – 5 May	—	127,921	127,921
Storm “Elvira”, Central Europe	27 May – 2 Jun.	17,757	11,931	29,688
Storm/flood, China	1 Jun. – 31 Jul.	566	13,250	13,816
Storms “Marine”, “Neele”, “Oliane”, Germany	22 – 25 Jun.	15,372	9,181	24,553
Hail, Canada	30 Jul.	—	9,053	9,053
Typhoon “Meranti”, Taiwan, China	13 – 14 Sep.	—	12,159	12,159
Hurricane “Matthew”, Caribbean, USA	2 – 8 Oct.	4,934	70,340	75,274
Earthquake, New Zealand	13 Nov.	684	56,349	57,033
Total natural catastrophes		60,747	416,447	477,194
Transport		21,525	66,548	88,073
Fire/property		169,203	97,260	266,463
Aviation		—	11,092	11,092
Credit		—	35,214	35,214
Other		5,169	—	5,169
Total other large losses		195,897	210,113	406,010
Total large losses		256,644	626,560	883,204
Large-loss budget		300,000	825,000	1,125,000

The occurring losses remained clearly below the large-loss budget.

UNDERWRITING RISK LIFE

In life insurance, the insurance policy commits the insurer to pay either a lump sum or a regularly recurring benefit. The premium is calculated in classic life insurance on the basis of an actuarial interest rate and a number of biometric factors such as the age of the insured at policy inception, the policy period and the size of the sum insured. The main insured events are the death of the insured person or maturity of the policy (survival).

Typical risks in life insurance and life reinsurance are associated with the fact that policies grant and/or reinsure guaranteed long-term benefits. Whereas the premium for a given benefit is fixed at the inception of the life insurance policy for the entire policy period, the underlying parameters and biometric assumptions, i.e. the assumptions relating to the insured person, such as mortality or life expectancy, the exercise rate of the repurchase option and the expenses, may change. The impact of the possible deviations from the underlying actuarial assumptions in the calculation of the own funds, with the exception of the interest rate that is allocated to the market risk, is referred to as underwriting risk and measured with TERM, as described in section E.4.

The Group's underwriting risk life is strongly influenced by the biometric risks in the Life/Health Reinsurance segment. The following comments therefore particularly apply to the Reinsurance Division.

The aim is to balance out the biometric risks arising from mortality and longevity, in particular. Furthermore, this area is exposed to lapse risks, as the payment flows resulting from the reinsurance contracts also depend on the policyholders' lapse behaviour. As the acquisition costs of the cedants are sometimes pre-financed, counterparty default risks are also of material significance. Reserves are determined on the basis of secured biometric actuarial assumptions and taking any reports from the cedants into account. The used biometric actuarial assumptions and lapse assumptions are reviewed continuously regarding their appropriateness and adjusted if necessary. This is performed using the Company's internal expe-

The following diagram shows an outline of our investments in fixed-income securities from issuers based in countries with a rating lower than A–.

EXPOSURE TO BONDS OF COUNTRIES WITH A RATING OF LESS THAN A–

EUR MILLION

	Rating	Government bonds	Semi-government bonds	Financial bonds	Corporate bonds	Covered bonds	Other	Total
31.12.2016								
Italy	BBB	2,188	—	644	627	388	—	3,847
Spain	BBB+	775	427	266	448	299	—	2,215
Brazil	BB	262	—	101	307	—	8	678
Mexico	BBB+	110	5	40	286	—	—	441
Hungary	BBB–	404	—	3	10	8	—	425
Russia	BB+	168	12	77	185	—	—	442
South Africa	BBB–	156	10	14	47	—	6	233
Portugal	BB+	41	—	7	61	12	—	121
Turkey	BB+	18	—	32	23	3	—	76
Other BBB+		32	—	65	80	3	—	180
Other BBB		80	36	51	49	—	—	216
Other <BBB		165	29	71	154	3	337	759
Total		4,399	519	1,371	2,277	716	351	9,633

The proportion of this portfolio in relation to the total investments of the Group is less than 10%. Within this category, there is a certain concentration on Italy (particularly regarding government bonds that are held primarily by the Italian subsidiaries) and Spain.

The current capital market environment presents numerous challenges. They primarily consist of the expansive monetary policy pursued by the European Central Bank and the resulting field of tension for German government bonds. At the same time, political and economic instability coupled with increasing regulatory pressure are causing uncertainty.

In order to be able to generate appropriate investment income despite the persistent, global low-interest phase, we are increasingly relying on alternative investments, especially infrastructure investments. Using a professional, targeted selection process, we ensure a good balance between yield, long-term earnings and risk. Although this asset class is becoming increasingly important, its share remains small.

Our investment strategy therefore results in a relatively low-risk portfolio overall. In light of the volume of the portfolio, market risks are still highly significant for the risk profile of the Group.

We **analyse** the market risk with **TERM**, as described in section E.4. The term **material** risk refers particularly to interest rate risk and

credit risk relating to investments. However, market risk also includes equity, real-estate and currency risk.

We map the **risk concentration** in a model which contains not only the pure effect of the concentration of issuers, but also the impact of the correlation of economic and geographical interactions between issuers.

In order to **reduce** market risk, we rely on a corresponding investment policy, the application of the principles of commercial prudence and on appropriate risk management mechanisms, especially our limit and threshold system.

GOALS OF THE INVESTMENT POLICY

In the interests of policyholders and with a view to accommodating future capital market requirements, our investment policy is essentially guided by the following goals:

- optimising the return on investment while at the same time preserving a high level of security
- ensuring that liquidity requirements are satisfied at all times
- risk diversification (mixing and spreading) to reduce concentration risks

PRUDENT PERSON PRINCIPLE

The investments are made according to the prudent person principle. This means that the necessary care is always taken in all processes used to develop, accept, implement and monitor the investment strategy. The indispensable expertise of the assigned employees for carrying out prudent asset management is fully guaranteed.

In particular, the application of the prudent person principle means that the Group invest exclusively in assets and instruments where we can identify, analyse, monitor, manage and control the risks to a sufficient degree. The crucial criteria for investment decisions are the security, quality, liquidity and profitability of the entire portfolio, as well as an appropriate level of mixing and spreading. Investments that are held to cover technical provisions are invested in such a way that they correspond to the interests of the policyholders and eligible parties in terms of their nature and maturity. Should possible conflicts of interest arise in this area, it is guaranteed that the investment is made in the interests of the policyholders and eligible parties.

Moreover, in managing market risk, we do not exclusively rely on external rating assessments, but validate and reflect them with our own, internal appraisals. The deployed risk indicators and the limit system support continuous management and monitoring. They are designed in such a way that all essential risks relating to the asset portfolio can be monitored and managed.

Any concentrations among the assets and any dependencies on issuers or on specific corporate groups are avoided as far as possible. Insofar as innovative investments are acquired for the first time or unusual investment situations arise in other ways in relation to the analysis of assets in the field of investment, defined processes exist stipulating the decision-making conduct for assessing whether the Group is able to make and to manage such an investment. We also apply the necessary prudence in relation to investments in derivatives, structured products and assets that are not approved for trading on a regulated market, and maintain such assets at an appropriate, risk-adequate level.

The Risk Controlling department at Talanx Asset Management GmbH and the CFOs of the individual companies monitor the ratios and limits set out in internal guidelines. Any significant modification of the investment guidelines and/or investment policy requires the approval of the Board of Management of the company concerned and must be brought to the attention of its Supervisory Board.

The market risk is primarily limited by a system of limits and thresholds and by investment guidelines, and is continuously monitored.

SCR budgets are allocated for the category of market risk on the Group and divisional level. They are further operationalised with suitable operational management metrics. In addition, structural limits are set to apply restrictions, such as to the contribution of individual issuers to the counterparty risk. The utilisation of these limits is also monitored by the Group Risk Management and regularly reported to the Board of Management.

Interest rate risk and credit risk relating to the investments represent the essential market risks.

INTEREST RATE RISK

Our portfolio of fixed-income securities in general is exposed to interest rate risk. Declining market yields lead to increases and rising market yields to decreases in the market price of the fixed-income securities portfolio. The decrease in the interest level may also lead to lower investment income, especially when reinvestments are made over a relatively long period of time at a lower interest level.

The Group insurance companies are therefore exposed to interest rate risk in two ways. Life insurance policies in particular have very long terms in some cases. Due to the limited supply of long-term fixed-income securities on the capital market, it is only possible in some cases to cover the interest liabilities under the policies at matching maturities. As a result, fixed interest rates on the assets side may regularly have a shorter term than those on the liabilities side (duration or asset-liability mismatch). This gives rise to an interest rate risk, which may have a negative impact on the Group companies concerned and therefore on the entire Group if interest rates remain low or fall further.

Guarantees of the minimum interest rate (guaranteed interest rate) may be included in the products of primary life insurers. This entails a potential risk if current interest rates are significantly lower than the discount rate used to calculate the insurance benefits. In this case, the interest income that is generated may not be sufficient to cover the interest cost.

If the currently low interest rate level – caused in part by the economic and sovereign-debt crisis in the euro currency zone and the related low-interest policies – persists or falls even lower, the already considerable reinvestment risk for life insurance companies with classic guarantee products will be heightened further and further. If this happens, it will become increasingly difficult to generate the guaranteed return. The Group mitigates this interest guarantee risk primarily through regular analysis of its assets and liabilities, by constantly monitoring its investment portfolios and the capital markets, and by taking appropriate measures. Interest rate hedging instruments such as forward purchases are also used to a certain extent. We also extend the duration on the assets side, adding moderate volumes of higher-yield securities including from selected peripheral euro states.

In addition, however, a quick and considerable hike in the interest rates would entail risk for existing, traditional life insurance companies, resulting from provisions for guaranteed repurchase values in the event of the premature termination of insurance contracts. For instance, in certain scenarios with increasing interest rates, the fair value of the investment could be lower than the guaranteed repurchase value.

For newly developed products with significantly curtailed guarantees (modern classic), we took account of the impact of individual products on cover for the solvency capital requirement when developing the products and achieved a positive influence on the risk profile in favour of higher cover.

During modelling, we only allocate the share of the risk that relates to changes in the EIOPA yield curve to the interest rate risk. The remainder of the interest rate risk is considered to be spread changes and so ultimately a change in the creditworthiness assessment, and we allocate it to the credit risks described below.

CREDIT RISK RELATING TO INVESTMENTS

The term “credit risk” in this sense includes the following sub-risks: spread, migration and default risk, as well as correlation and concentration risk. While the spread risk and migration and default risks can be quantified on the individual asset level, correlation and concentration effects can only be observed in a specific portfolio context. The term “correlation risk” refers to the economic link between various issuers, whereas “concentration risk” designates the dependence of several securities from an issuer.

These risks are primarily restricted by the system of limits and thresholds, and are continuously monitored. To this end, limits are set at portfolio, issuer/counterparty and in some cases asset class

level, ensuring a broad mix and spread in the portfolio. Exceeding these limits triggers predefined escalation processes. The issuer's creditworthiness is the key criterion when deciding whether to invest. Creditworthiness is assessed on the basis of the Group's own credit risk analyses, which are supplemented by ratings from external agencies such as Standard & Poor's, Moody's, Fitch or, in individual cases, from a different rating agency. An early warning system based on market information (in particular on credit spreads and equity prices) has been put in place to spot initial signs of crisis at companies early on and to identify potential migration risks.

SENSITIVITY TO MARKET RISK

Due to the great significance of market risk for the risk profile of the Group, we carry out various sensitivity analyses in this field, in order to analyse the impact of larger market movements on the SCR and own funds.

The following graphic shows the results of the **sensitivity analyses** for the impact of changes in the most important drivers, in the underlying risk-free interest rate and the spreads, and also in the fluctuations on the equity markets on the rates in the economic perspective and in the regulatory view excluding the transitional.

CAPITAL ADEQUACY RATIO (CAR) AND SOLVENCY II RATIOS UNDER STRESSES OF RISK FACTORS

	CAR (Talanx, economic)	Solvency II ratio (HDI Group, excluding transitional)
2016		
Basis	264	186
Equity markets –30%	257	183
Equity markets +30%	271	191
Credit spread +100 bp	203	147
Interest –50 bp	249	178
Interest +50 bp	268	191

The biggest sensitivity concerns spreads. This is largely due to our life business.

Section c.3 Credit risk contains the description of the default risk that is not already contained in the market risk (e.g. reinsurance default risk).

C.3 CREDIT RISK

Credit risk within the meaning of the reporting structure stipulated by the regulator takes possible losses into account that arise from an unexpected default or a deterioration in the creditworthiness of counterparties and debtors (counterparty default risk), insofar as they are not already included in the market risk. In section E.2. and in the reporting template S.25.02.22 (annex), the category is designated as “Credit risk (counterparty default risk)” by agreement with the supervisory authorities.

The **exposure** is based on the scope of the cooperation with any corresponding counterparties. For the HDI Group and its subsidiaries, the counterparty default risk with regard to reinsurers is **material**. This also includes the risk of the default of retrocessionaires from Hannover Re. We **analyse** this risk with **TERM**, as described in section E.4. The share of the risk in the solvency capital requirement is comparatively low both for the Group and for our divisions. In the context of our risk management processes, however, we pay close attention to this as we see a high level of interaction with other risk categories. The default of an essential reinsurer, coupled for example with a corresponding occurrence of a major loss, can have relatively severe effects on the situation of the affected subsidiaries. Standardised scenarios for reinsurance defaults are specified Group-wide in the model for mapping **concentration** risks.

Group-wide directives and guidelines have been implemented to **reduce** the risk of default on accounts receivable from reinsurers and retrocessionaires. Reinsurance partners are carefully selected by security committees made up of experts and their creditworthiness is continually monitored. A rating information system accessible throughout the Group ensures the consistent and uniform use of rating information as at a specific reporting date. To limit concentrations, an upper limit is set for each reinsurance group's share of the loss reserves. To avoid or limit default risk on reinsurance business, cession limits are stipulated for individual reinsurance partners and if necessary suitable measures taken to collateralise any receivables or other contractual obligations these reinsurance partners may have.

In primary insurance and in particular at the Group's own reinsurance broker Talanx Reinsurance Broker GmbH, contractual reinsurance cessions are managed in accordance with operational security and placement guidelines. In addition to traditional retrocession in Property/Casualty Reinsurance, Hannover Rück SE also transfers risks to the capital market.

The reinsurance recoverables on technical provisions are secured in part by collateral received, such as deposits and letters of credit. We are also a reinsurer for most of our retrocessionaires (particularly in the Property/Casualty Reinsurance segment), meaning that there is usually some potential for offsetting defaults against our own liabilities.

Within the unsecured portion, over 80% of our reinsurance partners/retrocessionaires are rated A or above. The large proportion of reinsurers with a good rating reflects our efforts to avoid default risk in this area.

C.4 LIQUIDITY RISK

We define liquidity risk as the risk of being unable to convert investments and other assets into cash when they are needed to meet our financial obligations as they fall due. The **exposure** here is dependent on the level of the liabilities. For example, it may not be possible to sell holdings (or at least not without a delay) or to close out open positions (or only at a discount) due to market illiquidity. The **analysis** of this risk is also based heavily on qualitative analyses. We regard the risk in its entirety as relevant. A risk **concentration** is not evident.

As a rule, the Group generates significant liquidity positions on an ongoing basis because premium income normally accrues well before claims are paid and other benefits rendered.

Liquidity risk on the Group level is **reduced** through regular liquidity planning and by continuously matching the maturities of our investments to our financial obligations. A liquid asset structure ensures that the Group is able to make the necessary payments at all times. Planning for underwriting payment obligations is based, among other things, on the expected due dates, after allowance for the run-off pattern of reserves.

The operational insurance companies are also responsible for managing liquidity risk. To do this, they use appropriate systems that reflect the specific features of the Group's different business models. This gives us maximum flexibility in overall liquidity management.

Specific minimum limits are in place at individual Group companies for holdings of highly liquid securities, as well as maximum limits for holdings of low-liquidity securities. Minimum limits in particular are based on the timeframe for technical payment obligations. For example, owing to the shorter terms of their underwriting payment obligations, the Group's property/casualty insurers generally have higher minimum limits for holdings of highly liquid securities than life insurers, for which the durations of underwriting payment obligations are usually longer. If risk limits are exceeded, this is immediately reported to the CFOs and to Portfolio Management.

To cushion any short-term liquidity requirements that occur in the Group, Talanx AG holds a minimum level of liquidity, which is placed in money market investments with selected credit institutes. A further component of liquidity management is the availability of a sufficiently large credit line.

Moreover, Talanx AG secures the Group's access to long-term and, if required, also short-term external financing sources. This access is contingent on various factors, such as the general capital market conditions and the Group's own credit rating. Talanx AG's financing options take the form of equity and external funding. Equity (IFRS) can be generated by issuing additional registered shares. External funding is procured by issuing senior and subordinated bonds with different terms.

As the permanent, strategic majority shareholder, HDI V.a.G. receives the majority of the distributed Talanx Group net income, which is used, for example, to form a liquidity buffer to further reduce the liquidity risk of the Group.

The liquidity of both the primary insurance group and also of Hannover Re is classed by Standard & Poor's as "Exceptional".

We therefore expect to be able to also comply with relatively large, unexpected payout requirements on time.²⁾

²⁾ We explicitly do not use the indicator "Total expected profits included in future premiums (EPIFP)" for our liquidity controlling. The mathematical amount can be found in the annex (reporting template s.23.01, Item R0790 – Total expected profits included in future premiums [EPIFP]).

C.5 OPERATIONAL RISK

The German Insurance Supervision Act (VAG) defines operational risk as follows: "the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events."

On the one hand, this very general definition covering all aspects of development and process organisation raises expectations that a Group-wide, standardised risk management process for this risk category will entail a range of challenges. On the other hand, precisely this point poses an opportunity as this process features numerous interfaces with the participants along the individual lines of defence and therefore is extremely important for implementing a positive risk culture.

All the processes were recorded, described and given control and measurement points within the internal control system in order to identify the operational risk entailed in the process organisation. There are numerous interactions during the review of the systems and checks between the Audit and Compliance departments, the external auditors, the supervisory authorities and the Risk Management. In many aspects, the operational risk proves to be a residual risk that remains even after the application of numerous process and control techniques. As a learning system, the HDI Group adapts its processes on the basis of the occurred operational risk and so counteracts any possible repetition.

Operational risks inevitably relate to our business – indeed, the **exposure** depends on our business activities – and it cannot be avoided entirely.

The **material** sub-categories of operational risk and the respective **reduction** measures are described below.

Risk **concentration** may arise from the shared use of service providers, processes and systems by several subsidiaries (e.g. in the IT landscape for German primary insurance companies).

We perceive operational risks in the area of business continuity and IT service continuity, that is, the risk that business operations could be threatened or disturbed by natural hazards or hazards caused by persons. We counter this risk with preventive measures, such as status monitoring of central IT systems, redundant designs, etc. In addition, instruments for handling crisis situations have been set up (e.g. emergency plans, crisis management team on Group level).

The operational risks also include the loss risk that may arise from the possible unsuitability or failure of internal processes or inadequate data quality. An effective internal control system, as described in section B, is an important instrument for reducing such risks. We have also established Group-wide standards for process management that are enhanced continuously. In this context, potential sources of errors in the processes are identified regularly and corresponding checks are set up. Within the area of operational risk, legal, tax and compliance risks are highly significant for the Group. This also explicitly includes risk of legal change. Our subsidiaries operate in various legal fields and supervisory regimes, so the Group needs to comply with a large number of regulatory requirements. There are also additional requirements that apply specifically to groups. A number of central functions of the Group, particularly the Compliance function and the Legal and Tax department, monitor the risk situation closely and advise both subsidiaries and specialist departments accordingly.

The risk of possible deliberate infringements of laws or internal regulations by our own employees (internal fraud cases) and/or by third parties (external fraud cases) in order to obtain a personal advantage is also a component of operational risk. We also counter this risk, particularly with measures by the internal control system (ICS). In suspected cases, special checks may also be carried out, for example, by the Audit department.

Operational risks may also arise in the area of Human Resources, for example due to a shortage of the qualified experts and managers needed to run an increasingly complex business with a strong client focus and to implement important projects. The Group therefore attaches great importance to training and continuous professional development. Personalised development plans and appropriate skills enhancement opportunities enable staff to keep abreast of the latest market requirements. In addition, state-of-the-art management tools and – where permissible under collective wage agreements – appropriate incentive schemes (both monetary and non-monetary) foster strong employee motivation.

Information and IT security risk refers to risks that could potentially endanger the completeness, confidentiality or availability of information or IT systems. In order to do justice to the increasing significance of such risk, we have set up Group-wide information security guidelines and regularly implement communications measures to increase security awareness. Our internal IT service provider, Talanx Systeme AG, is certified to ISO 27001 – Information Security; external partners are obliged to comply with high standards.

We also classify outsourcing risks under operational risk: this refers to the risk that arises from the outsourcing of functions or (re-) insurance activities, either directly or through further outsourcing, which could otherwise be performed by the Company itself. These risks are integrated into the risk management processes and the ICS of the Group. In addition, there are also specific regulations for the management of outsourcing, as described in section B. An essential proportion of the outsourcing relations entered into by subsidiaries remains within the Group.

The **analysis** of operational risks is carried out in the economic perspective on the basis of scenarios that are created using expert surveys. For the regulatory perspective, we use procedures that are based on the Solvency II standard formula. The approaches essentially differ both structurally in terms of diversification assumptions and also in terms of the risk sources and/or the estimations of possible losses. At present, we recognise an operational risk in the amount of EUR 1.3 billion based on the standard formula, whereas EUR 531 million were calculated using the internal model. Our loss databases do not provide sufficient empirical evidence for such a high SCR share in the regulatory perspective arising from this risk category.

The standard formula quantifies operational risks on the basis of factors to be applied to the premium and reserve volume, and does not permit any differentiated analysis using sub-categories of operational risk. In particular, the standard formula also does not permit any diversification between operational risks and other risk categories or within operational risk, for example between individual companies. For that reason alone, the standard formula tends to overestimate operational risks on Group level. Internal assessments of occurred losses arising from operational risk and the results of the internal model applied in the economic perspective also for this risk category support our estimation that the application of the standard formula leads to an excessive capital requirement for operational risks. We therefore aim at having the use of the internal model approved for the calculation of the operational risk, even in the regulatory perspective.

C.6 OTHER MATERIAL RISKS

We have identified emerging risks, strategic risk, reputational risk and model risk as “other material risks”. The common factor among these risks is that they cannot be analysed meaningfully with mathematical models, which means that we primarily have to fall back on qualitative analyses in these cases. As described in section B, the risks analysed in this way are taken into account in the ORSA.

The term “emerging risks” refers to risks where the hazard potential is not yet known with any degree of certainty and where it is difficult to assess the possible impact. For example, increasing uncertainty about political developments around the world and in individual countries can lead to nervous markets and a heightened potential for the occurrence of systemic shocks. Subsequent effects may arise from the spread of new technologies, medicines or materials, which in turn lead to unforeseeable losses. We identify and analyse these risks with a Group-wide process, involving the experts from various units. For this process, we also call on externally available expertise and material.

Strategic risks result from the danger of an imbalance between our corporate strategy and the constantly changing general business environment. Such an imbalance might be caused, for example, by inappropriate strategic decisions, failure to consistently implement strategies once defined, the inadequate implementation of strategic projects or increased management complexity due to handling differing attitudes towards capital and risks. We therefore review our corporate strategy and risk strategy annually and adjust our processes and structures as required.

Reputational risks are risks associated with possible damage to the Company’s reputation as a consequence of unfavourable public perception (e.g. among clients, business partners or government agencies). These may result, for example, from the inadequate implementation of legal requirements or from delays or errors in the publication of the Company’s figures. Our well-established communication channels, professional approach to corporate communications, tried-and-tested processes for defined crisis scenarios and established Code of Conduct help us to manage these risks.

At Group level, model risk receives particular attention. For us, it means the risks associated with inappropriate decisions that result from uncertainty due to a partial or total lack of information with regard to the understanding or knowledge of an event, its repercussions or its likelihood. In this context, the term “model” encompasses quantitative methods, processes and procedures that use statistical, economic, financial or mathematical theories, techniques and premises to process inputs (including qualitative data/expert estimates) so as to produce quantitative estimates.

When applying models, judgements are made to a certain extent by management and inputs used that are based on estimates and assumptions that are included in the model calculations and may subsequently differ from the actual events. In addition, in some of our measurements, we rely on estimates of future model calculations, as certain calculations cannot be completed until after the consolidated balance sheet has been prepared. To restrict the model risk, we have – among other things – implemented quality assurance measures and a model adjustment process.

C.7 ANY OTHER INFORMATION

No information, other than the details given above in section C, is relevant for understanding our risk profile.

D. VALUATION FOR SOLVENCY PURPOSES

BASIC PRINCIPLES OF VALUATION IN SOLVENCY II

The stipulations contained in section 74ff. of the Insurance Supervision Act (VAG) are used for the valuation of assets and liabilities, which ensures a market-consistent approach.

The Group companies begin with the fair values used in IFRS reporting. If no fair values can be taken from the annual financial statements, the reporting company remeasures assets and liabilities using either available market values or valuation models that meet the requirements of Solvency II.

German life insurance companies in particular have insurance portfolios with a high level of financial options and guarantees and these can be adequately measured by stochastic enterprise models. These enterprise models use the best possible procedures to assess the insurance contracts at fair value which is consistent with Solvency II.

CONSOLIDATION AND IMPACT ON INTERNAL GROUP RELATIONSHIPS

Group solvency for the HDI Group is defined using the consolidation method (Method 1, section 261 VAG) with which Group solvency is calculated on the basis of the consolidated financial statements. Based on the assumption that the Group is a single economic entity, neither receivables nor payables between two companies in the Group may have an effect on Group results. Consolidation ensures that intra-group relationships that result from receivables and payables between Group entities are omitted for Group purposes.

The following table shows the most important remeasurement effects in a comparison between consolidated IFRS equity and basic own funds.

RECONCILIATION FROM THE CONSOLIDATED IFRS EQUITY TO THE BASIC OWN FUNDS OF THE TALANX GROUP

EUR THOUSAND

	with transitional	excluding transitional
IFRS equity of the Talanx Group according to the consolidated financial statements	14,688,427	14,688,427
Disparities in the basis of consolidation between IFRS and Solvency II	-60,246	-60,246
Elimination of goodwill and other intangible assets	-1,938,061	-1,938,061
Revaluation of investments	4,721,390	4,721,390
Revaluation of liabilities that are not technical provisions	269,795	269,795
Revaluation of items in connection with underwriting activities	8,787,795	2,241,374
Revaluation of other assets	-34,997	-34,997
Deferred taxes	-3,564,203	-1,495,760
Other effects	-309,447	-309,447
Excess of assets over liabilities (Talanx)	—	18,082,474
Subordinated liabilities	2,208,049	2,208,049
Foreseeable dividends	-721,966	-721,966
Basic own funds of the Talanx Group	—	19,568,557
HDI V. a. G.	1,257,127	
Basic own funds of the HDI Group before taking the non-availability restrictions into account	25,303,662	

The consolidation for the Talanx Group is carried out as the first step. The Talanx Group is then combined with HDI V. a. G. to form the HDI Group. What this means is that the balance of assets and liabilities at HDI V. a. G. is adjusted by the carrying amount of the participation in Talanx AG (all items are measured in a market-consistent manner) and the result is applied to the balance sheet item "Any other assets, not elsewhere shown". This procedure permits a transparent transition from the risk kernel, "Talanx Group" standing in the forefront in economic terms, to the HDI Group.

D.1 ASSETS

All assets and the methods used to measure them are described on the basis of materiality classes for assets. Other liabilities are addressed in section D.3. In line with the concept of “asset classes” (or liability classes), we have structured the following section on the basis of the significance of each balance sheet item and the complexity involved in its measurement as compared to the consolidated financial reporting in accordance with IFRS.

ASSETS ACCORDING TO VARIOUS VALUATION METHODS

EUR THOUSAND

	Solvency II	IFRS
2016		
Deferred tax assets	1,355,940	860,581
Net investments	111,002,442	105,672,354
Assets held for index-linked and unit-linked contracts	11,649,810	10,937,628
Receivables	10,036,218	17,940,431
Other assets	4,394,056	4,480,251

The recoverables from reinsurance contracts amounting to EUR 6.1 billion are discussed in section D.2 in conjunction with technical provisions.

DEFERRED TAX ASSETS

The measurement of deferred taxes under Solvency II is described in the remarks on passive deferred liabilities in section D.3 (“Other liabilities”).

Deferred tax assets totalling EUR 1,355,940 thousand were recorded in the Solvency balance sheet.

INVESTMENTS

Net investments of the HDI Group comprise the following asset classes:

NET INVESTMENTS

EUR THOUSAND

	2016
Equities	1,124,014
Collective investment undertakings	5,264,567
Bonds	97,509,690
Other investments	7,104,172
Total	111,002,442

The stipulations contained in section 74ff. of the Insurance Supervision Act (VAG) are used for the valuation of assets and liabilities, which ensures a market-consistent approach.

For the valuation measurements of investments within the framework of Solvency II, we generally use share prices on active markets for identical or similar assets and liabilities and take adjustments into account if necessary. The stipulations for calculating fair value in accordance with section 74 VAG are in harmony with the corresponding rules in International Financial Reporting Standards (IFRS).

A market is considered to be an active market if transactions occur in sufficiently frequent intervals and volumes that ensure the continual availability of price information. In addition, an active market must cumulatively meet the following criteria:

- the products traded on the market are homogeneous
- customers willing to enter into a purchasing contract can generally be found at any time and
- price information is available to the public

An active market no longer exists if market liquidity can no longer be discerned due to a complete and long-term withdrawal of buyers and/or sellers from the market. An inactive market is also indicated by activity consisting solely of forced business transactions, liquidations or distress sales.

The definition of an active market generally applies to all types of capital investments. In line with this concept, our valuation hierarchy is structured as follows:

- a) “Quoted prices in active markets for identical assets”:
- Assets that are measured using (unadjusted) prices quoted directly in active markets.
- b) “Quoted prices in active markets for similar assets”:
- Assets that are measured using (unadjusted) prices quoted directly for similar assets in active markets. This method is not used at the Group.
- c) “Information other than quoted prices on active markets for identical or similar assets which can be directly (i.e. as prices) or indirectly (i.e. derived from prices) observed as an indication of asset value”:
- Assets that are measured using observable market data and do not belong to a). Measurement is based in particular on prices for comparable assets that are traded in active markets, prices in markets that are not deemed active and inputs derived from such prices and market data.
- d) “Parameters not derived from observable market data”:
- Assets that cannot be measured or can only be measured in part using inputs observable in the market. These instruments mainly involve the use of valuation models and methods.

EQUITIES

ASSET CLASS: EQUITIES

EUR THOUSAND

	2016
Equities	1,124,014
Equities – listed	1,059,937
Equities – unlisted	64,076

BASES

The value of listed shares is measured on the basis of the latest share price available, provided this price was determined in active markets. As was described above, a market is considered to be active if transactions occur in sufficiently frequent intervals and volumes that ensure the continual availability of price information.

Alternative measurement methods are employed if this active market does not exist, or if the shares are not listed. This applies in particular to the disclosure of special investment vehicles for alternative investments (e.g. private equity investments), which due to business policy requirements are consolidated as a shareholding structure in a company established specifically for this purpose. They are therefore viewed as unlisted equity investments.

METHODS

The valuation of listed shares generally is carried out item per item. The standard approach utilises the share price on the security’s home stock exchange. If expedient (e.g. due to more liquid trading), the share price listed on another stock exchange can be used here.

The above-mentioned alternative investment vehicles are measured using the net asset value method. Net asset value is the value of all assets (in this case primarily target investments and bank balances) less the value of liabilities. Target investments refer to equity investments (only a portion of a target investment is usually held), which are incorporated into the valuation for the entire alternative investment vehicle as the value from the audited financial statements.

All methods and definitions used are reviewed at least once a year to ensure they remain up to date and adequate; they are then amended if necessary.

DIFFERENCES

Shares are always valued at fair value in accordance with Solvency II and in the consolidated financial statements. According to IAS 39, shares are classified at the date of initial recognition in the category “Available-for-sale financial assets” or “Financial assets at fair value through profit or loss” and so are measured at fair value in accordance with Solvency II.

COLLECTIVE INVESTMENT UNDERTAKINGS

ASSET CLASS: COLLECTIVE INVESTMENT UNDERTAKINGS

EUR THOUSAND

	2016
Collective investment undertakings	5,264,567

BASES

This balance sheet item is primarily used to report shares in investment funds (retail investment funds) and financial stakes in companies whose business purpose is to invest in unlisted companies (private equity investments). The shares in retail investment funds reported here differ in terms of the disclosure in the Solvency II balance sheet from the shares in special funds because the special funds are recognised via the “look-through approach”. If an investor has a controlling interest over the essential business activities of a fund, the individual assets and liabilities of the special fund rather than the shares themselves are entered into the balance sheet.

Investment funds are measured using the official redemption price.

METHODS

The redemption price is periodically calculated and published by the investment company (asset management company) in accordance with specific rules of procedure. Redemption prices can also generally be obtained automatically from price service agencies. The net asset value model can also be used here as an alternative. Net asset value is the value of all assets (in this case primarily investments and bank balances) less the value of liabilities.

All methods and definitions used are reviewed at least once a year to ensure they remain up to date and adequate; they are then amended if necessary.

DIFFERENCES

The difference between the Solvency II values and the consolidated financial statements is primarily due to differences in the way certain investment funds are treated in Solvency II (recognition of fund shares) and IFRS (“look-through approach”) in some European Economic Area countries.

BONDS

ASSET CLASS: BONDS

EUR THOUSAND

	2016
Government bonds	40,679,141
Corporate bonds	54,722,390
Structured notes	612,583
Collateralised securities	1,495,577
Total	97,509,690

BASES

Bonds are measured primarily on the basis of listed prices as determined on active markets. If no publicly available price information exists, or if the markets from which bonds originate are not considered active, the mark to model method is employed for valuation (i.e. using valuation models).

The same rules for defining an active market as described in the section on “Equities” apply here.

METHODS

Market quotations are taken from selected price service agencies, trading information systems and intermediaries viewed as being reliable (e.g. brokers). The available price information sources are ranked in a hierarchy. The highest priority is generally given to price service agencies, the lowest to intermediaries. Exceptions can be made in the case of particular market segments/currency combinations.

If no publicly available price quotations exist, or if the markets from which bonds originate are not considered active, the bonds are measured on the basis of parameters derived from observable market data (including yield and spread curves) using appropriate valuation models and procedures and with consideration of the credit rating of the bond issuer. This approach is also used for structured debt securities and backed securities, which will be dealt with in the next two sub-sections.

The present value method is used to measure the value of bonds without any special structured features. In this method, the future payout of the instrument in question is discounted to the current date. The interest rates used for discounting consist of a term-dependent underlying component (derived from the risk-free interest rate) and an issuer/issuance-specific risk premium that takes into account spread, migration and default risks.

Yield curve models are used to measure the value of structured bonds. Yield curve models utilise stochastic processes to describe the probability distribution of future interest rates on the basis of a current market state that the model is calibrated to. The probability distribution of future interest rates can generally be used to determine the price of the instrument via algorithms that take into account the instrument's payout profile.

The collateralisation for the valuation is calculated as a risk-reducing factor, although a spread, migration and default risk is also taken into account.

The theoretical valuation on the basis of derived market parameters for bonds for which no publicly available price information exists is based on the assumption that price differences as regards the risks, terms and creditworthiness of comparable (in transparent markets) traded bonds are primarily due to issuance-specific features and lower liquidity.

The use of yield curve models is based on assumptions that interest rate changes occur in line with certain probability distributions and stochastic processes.

In the case of special types of backed securities, such as collateralised debt obligations (CDO) or collateralised loan obligations (CLO), assumptions are made regarding prepayment speed and recovery rates.

DIFFERENCES

The difference between the Solvency II values and those in the consolidated financial statements is due to what are in some cases different valuations for bonds. Whereas in Solvency II, the financial instruments to which the bonds belong are measured at fair value, the valuation of financial assets in IFRS in the consolidated financial statements depends on their category according to IAS 39, which is used to classify the financial instrument in question at initial recognition. Depending on the category selected – “Loans and receivables”, “Held to maturity investments”, “Financial assets available for sale” and “Financial assets at fair value through profit or loss” – financial assets are either measured at amortised cost or at fair value after initial recognition. The subsequent measurement at amortised cost leads to differences as compared to Solvency II.

There are also differences in the way certain types of insurance contracts are treated under Solvency II and in the consolidated financial statements. If the contract types in question are recognised as index-linked or unit-linked contracts in Solvency II, a reclassification of the affected investments from that balance sheet item to the item “Assets for index-linked and unit-linked contracts” must be made

in the consolidated financial statements, and the classification in the Solvency balance sheet differs accordingly.

OTHER INVESTMENTS

ASSET CLASS: OTHER INVESTMENTS

EUR THOUSAND

	2016
Real estate (other than for own use)	3,360,422
Deposits other than cash equivalents	1,426,843
Loans and mortgages	604,009
Shares in affiliated companies, including participating interests	581,516
Derivatives	353,461
Other investments	777,921
Total	7,104,172

BASES

The “Other investments” category addresses different types of investments and their significance as defined by the volume in question. All of these investments are measured at fair value under Solvency II, but there are differences in the ways fair value is calculated.

In contrast to the consolidated **financial statements**, real estate is recognised at fair value (market value) in the Solvency balance sheet. Moreover, in the case of real estate, there are also differences between Solvency II and IFRS with regard to whether such property should be considered as own-use or as an investment. Real estate is considered to be an investment in the Solvency balance sheet if less than 50% of the total area is used by the company that owns it.

The redemption value is generally used to measure the value of deposits under both Solvency II and IFRS.

The Solvency II value for loans and mortgages is fair value, which is calculated with the inclusion of accrued interest using valuation models.

The item for shares in affiliated companies and participating interests consists primarily of strategic assets (true participations).

We use the adjusted equity method for non-controlling interests in unlisted companies. If this is not possible, we use IFRS equity value and subtract goodwill, or else we utilise an alternative valuation method that complies with the requirements set out in section 74 VAG.

The value of financial derivatives (e.g. options or futures) is measured on the basis of quoted prices as determined on active markets. If no quoted price information is available, the value of the items is measured theoretically using recognised procedures.

METHODS

The objective valuation of real estate – i.e. developed and undeveloped property – as well as rights to property is carried out in accordance with standardised bases and methods in line with the market. To this end, the calculation of the market value of properties, land rights and buildings (including those on third-party land) is conducted using the discounted cash flow method if the purpose of ownership is to generate income over the long term – i.e. longer than the remaining useful life.

Market value must be measured once a year at the reporting date. If extraordinary changes take place, the calculation must be carried out at the time such changes occur. All calculations must be based on the general value ratios on the real estate market at the time the valuations are made. A qualified external report on the value of each object is produced every five years at the reporting date in order to determine the prevailing market value. Internal appraisal reports on the value of each object are produced on the other reporting dates and these are also based on the discounted cash flow method.

The value of loans is measured theoretically on the basis of parameters derived from observable market data (yield and spread curves) using appropriate valuation models and procedures and with consideration of the issuer's credit rating. The present value method is used to measure the value of loans without any special structured features. The interest rates used for discounting consist of a term-dependent underlying component (derived from the risk-free interest rate) and an issuer/issuance-specific risk premium that takes into account spread, migration and default risks.

Mortgage valuations take into account in very general terms options such as extraordinary lease termination rights.

The value of derivatives is measured on the basis of prices on active markets to the extent that such price information exists. The standard approach utilises the share price on the security's home stock exchange. If expedient (e.g. due to more liquid trading), the share price listed on another stock exchange can be used here.

If no share price information exists, the value of the derivatives is measured theoretically on the basis of parameters derived from observable market data (yield and spread curves, volatilities, spot and forward rates, and other parameters) using appropriate valuation models and procedures. Examples of the methods of valuation used:

- Equity options: Black-Scholes model
- Swaptions: so-called Black-76 model
- Credit default swaps: ISDA (International Swaps and Derivatives Association) model
- Other derivatives without option features, e.g. currency forwards, forward purchases and swaps: present value method

Interim reporting on the value of investment property uses the fair values from the most recent financial statements. If significant changes that can impact valuations take place, an additional interim fair value measurement is carried out at the time the changes occur, and this measurement is used for interim reporting from the measurement date on. Examples of significant changes that can impact valuations include vacancy rate changes and tenant bankruptcies.

The Black-Scholes and Black-76 models are based on the assumption that share prices and interest rates develop in line with certain stochastic processes. The ISDA method is also based on certain stochastic assumptions, as well as assumptions relating to the recovery rates for bonds.

As regards participations outside the Group, we define, in line with applicable regulations, the economic value of an investment as the value corresponding to the share price in an active market, provided such price information exists for participations outside the HDI Group.

DIFFERENCES

There are two reasons for the differences between the values in Solvency II and those in the consolidated financial statements as regards real estate valuations. First, there are differences in the way properties are defined as own-use or as investments. Whereas under Solvency II, real estate is considered to be own-use if the owner uses 50% or more of the total area, real estate in IFRS is considered own-use if more than 10% of the total area is used by the owner. In addition, the value of real estate is always measured on the basis of amortised cost in IFRS.

Another difference between the values in Solvency II and those in the consolidated financial statements results from the different way individual derivatives connected with reinsurance contracts are treated. In IFRS, they are unbundled from the insurance contract if certain requirements are met, while in Solvency II they are incorporated into the valuation of technical assets and liabilities. The derivatives that are recognised separately in both reporting systems display no differences in value because fair value is the leading valuation category in both cases and therefore no value differences occur.

ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED CONTRACTS

INVESTMENTS FOR EXTERNAL ACCOUNT: INDEX-LINKED AND UNIT-LINKED CONTRACTS

EUR THOUSAND

	2016
Assets held for index-linked and unit-linked contracts	11,649,810

This item is also known as “Investments for the benefit of life insurance policyholders who bear the investment risk”. The development of the value of insurance depends primarily on the investment funds it is based on. The assets in these investment funds are invested separately from other capital investments. Both the separate assets and the corresponding liabilities are measured at fair value.

The difference between the Solvency II values and those in the consolidated financial statements primarily results from assets as they relate to investment contracts, as these are recognised as “Other investments” in IFRS, but as “Assets for index-linked or unit-linked contracts” in Solvency II.

RECEIVABLES

ASSET CLASS: RECEIVABLES

EUR THOUSAND

	2016
Deposits to cedants	3,549,603
Insurance and intermediaries receivables	5,003,792
Reinsurance receivables	550,603
Receivables (trade, not insurance)	932,220
Total	10,036,218

BASES

Funds held by cedants consist of receivables the reinsurers have vis-à-vis their customers in the amount of the contractually withheld cash payments from customers. These are measured at nominal value in IFRS. IFRS carrying amounts need to be remeasured at fair value in Solvency II.

Solvency II also requires receivables to be recognised at the anticipated present value of future cash flows.

METHODS

The value of deposits to cedants (or deposits from reinsurers) is measured on the basis of the paid or withheld amounts less specific premiums or fees charged by the cedant or the reinsurer, regardless of how far a contract has already progressed. The IFRS value is not remeasured for these funds. In other words, the Solvency II value is the same as the IFRS value due to materiality considerations. In addition, the default risk of the reinsurer is taken into account in the Solvency II balance sheet.

The Solvency II value for “Other receivables” is derived from the corresponding value in IFRS. The receivables are generally measured initially at full nominal value in accordance with IFRS. In the event that a problem with the creditworthiness of the debtor is reported, the receivable in question is written down to the recoverable amount. This valuation approach is currently also being used in the process for defining the Solvency II carrying amount.

The other receivables are mainly of a short-term nature, which means no significant effects result from discounting.

DIFFERENCES

The difference with regard to deposits to cedants results from the offsetting of these deposits with the technical provisions.

The difference between the Solvency II values and those in the consolidated financial statements is due on the one hand to the fact that reinsurance receivables/payables only consist of past due balances in Solvency II. Balances which are not yet past due are part of recoverables from reinsurance – which determine future cash flows – and are therefore to be taken into account in the technical provisions.

There is also a reclassification between the two items “Receivables from insurers and intermediaries” and “Receivables from reinsurers” because under Solvency II only outstanding claims from passive reinsurance are recognised as “Receivables from reinsurers”.

The “Receivables (trade, not insurance)” item is impacted by the fact that there are some contracts in the Life/Health Reinsurance business that are measured as financial instruments under IFRS 4 (in accordance with IAS 39), while in Solvency II they are treated as insurance contracts.

OTHER ASSETS

ASSET CLASS: OTHER ASSETS

EUR THOUSAND

	2016
Intangible assets	1,439
Cash and cash equivalents	2,702,731
Property, plant and equipment held for own use	328,002
Any other assets, not elsewhere shown	1,361,884

BASES

Solvency II reporting requires the use of the definitions in IAS 38 for “Intangible assets”, including the definition of active markets. Intangible assets are valued at zero unless they can also be sold individually and a defined market price exists for identical or similar intangible assets on an active market.

Cash and cash equivalents consist of deposits and cash at banks and as well as cash-in-hand. These are recognised at nominal value in Solvency II.

Own-use real estate is valued using the same principles as investment property.

“Other assets” are measured at fair value in accordance with Solvency II.

METHODS

The objective valuation of own-use real estate is carried out in the same manner as the valuation for investment property.

Under IFRS, operating and office equipment is recognised at cost less planned and possibly unplanned impairment losses. Low-value assets are written off in full in the year of acquisition. With regard to operating and office equipment, the carrying amount in the annual financial statements according to IFRS was used in the Solvency balance sheet.

DIFFERENCES

The differences with regard to “Other assets” between the Solvency II values and those in the consolidated financial statements have several causes stemming from the heterogeneity of “other assets”.

First, there are differences in the way properties are defined as own-use or as investments. Whereas under Solvency II, real estate is considered to be own-use if the owner uses 50% or more of the total area, real estate in IFRS is considered own-use if more than 10% of the total area is used by the owner. In addition, the value of real estate is always measured on the basis of amortised cost in IFRS.

The difference with regard to cash and cash equivalents is due to the reclassification of certain overnight (demand) deposits.

Another reason for the different values has to do with the fact that in Solvency II this balance sheet item is used to recognise the balance of assets and debt at HDI V.a.G. at fair value after eliminating the participation in Talanx AG. There are also additional, minor reclassifications.

D.2 TECHNICAL PROVISIONS

Technical provisions totalled EUR 101 billion as at 31 December 2016. The Solvency balance sheet (see also reporting template S.02.01.02) classifies technical provisions as follows:

- Non-life (excluding health)
- Health (similar to non-life)
- Health (similar to life)
- Life (excluding health and index-linked and unit-linked)
- Index-linked and unit-linked

These categories are also referred to as categories for lines of business in this solvency and financial report.

The recoverables from reinsurance contracts and special purpose vehicles total EUR 6.1 billion, which corresponds to 6% of gross technical provisions. This subdivision of recoverables from reinsurance contracts and special purpose vehicles is carried out in the Solvency balance sheet along the lines of the above-mentioned categories for technical provisions.

Unless otherwise indicated, this classification format, which incorporates aggregated lines of business according to annex 1 of the Delegated Regulation (EU) 2015/35 into categories of lines of business, is applied throughout section D.2. The annex contains a detailed description of the assignment of lines of business to the categories.

Unless otherwise stated, no essential differences regarding the valuation approach exist within the individual categories.

The life (except for health and index-linked and unit-linked) category particularly impacts the two lines of business: (1) Insurance with profit participation and (2) life reinsurance relevant for the amount of provisions.

The provisions in the category non-life (excluding health) are mainly influenced by the four lines of business: (1) general liability insurance, (2) fire and other property insurance, (3) motor vehicle liability insurance and (4) non-proportional property reinsurance.

The individual amounts are shown in the following tables:

SOLVENCY OVERVIEW OF TECHNICAL PROVISIONS

EUR THOUSAND

	2016
Technical provisions (excluding index-linked and unit-linked)	89,008,835
Technical provisions – non-life (excluding health)	34,603,689
Technical provisions calculated as a whole	–
Best estimate	33,286,562
Risk margin	1,317,126
Technical provisions – health (similar to non-life)	2,267,807
Technical provisions calculated as a whole	1,149
Best estimate	2,180,714
Risk margin	85,944
Technical provisions – health (similar to life)	4,230,600
Technical provisions calculated as a whole	–
Best estimate	4,018,196
Risk margin	212,403
Technical provisions – life (excluding health and index-linked and unit-linked)	47,906,739
Technical provisions calculated as a whole	–
Best estimate	45,365,411
Risk margin	2,541,329
Technical provisions – index-linked and unit-linked	12,260,239
Technical provisions calculated as a whole	615,953
Best estimate	11,431,622
Risk margin	212,664
Technical provisions	101,269,074

In the table above, the technical provisions were initially unpacked. In the table below, recoverables from reinsurance contracts and special purpose vehicles are reported separately.

SOLVENCY OVERVIEW OF RECOVERABLE AMOUNTS FROM REINSURANCE CONTRACTS AND REGARDING SPECIAL PURPOSE VEHICLES

EUR THOUSAND

	2016
Non-life and health insurance similar to non-life	4,709,916
Non-life excluding health	4,642,555
Health similar to non-life	67,362
Life and health similar to life, excluding health and index-linked and unit-linked	920,916
Health similar to life	485,356
Life excluding health and index-linked and unit-linked	435,560
Life index-linked and unit-linked	465,492
Recoverable amounts from reinsurance contracts and regarding special purpose vehicles	6,096,324

BASES, METHODS AND MAIN ASSUMPTIONS

The Group's liabilities are valued at the amount at which they can be transferred or settled between knowledgeable, willing parties in an arm's length transaction. In particular, this approach includes a market-consistent valuation of technical provisions – in the sense of consistency with generally available data and the information provided by financial markets – as well as a calculation performed in a cautious, reliable and objective manner. The Group's technical provisions consist of the provisions at the individual companies adjusted for internal Group business. The individual companies calculate their technical provisions at the homogeneous risk group level using actuarial procedures. These generally include simulation, deterministic and analytic methods or combinations thereof. The calculations take into account the costs for meeting insurance and reinsurance obligations.

The value of technical provisions consists of the sum of the best estimate and the risk margin. The best estimate corresponds to the probability weighted average of future cash flows, taking into account the time value of money and with the utilisation of the applicable risk-free interest rate term structure as defined by EIOPA. The use of the risk margin ensures that the value of technical provisions corresponds to the amount that another insurance company would demand in order to be able to assume and fulfil the insurance obligations. The methodology here uses the risk margin to factor in the costs for allocating that amount of eligible own funds that corresponds to the solvency capital requirement. Diversification effects between companies and between life and non-life insurance are not taken into consideration here.

To the extent that future cash flows from insurance obligations can be reliably depicted with financial instruments, the value of technical provisions is determined on the basis of the fair value of such instruments. No separate risk margin is calculated in this case. These insurance obligations are recognised as "Technical provisions calculated as a whole" in the Solvency balance sheet.

A best estimate is defined for recoverables from reinsurance contracts and special purpose vehicles. This value is then adjusted to adequately take into account the expected loss from defaults by counterparties.

In the primary life insurance sector in particular, the financial options and guarantees granted to policyholders in their contracts represent a major component of the best estimate. The modelled options for the policyholders include, in particular:

- (Partial)termination/cancellation
- Lump-sum option
- Waiver of premiums
- Dynamic increases in existing contracts.

The value of these financial options and guarantees is measured using stochastic enterprise models on the basis of risk-neutral economic scenarios. These scenarios and the associated discount rates are market consistent. This approach serves to model the dependence of the shareholders' portion of the gross surplus on the company's situation. Capital market-based behaviour on the part of policyholders, and compensation possibilities (e.g. management decisions regarding investments or profit participation), are also included in this approach. The financial options and guarantees granted to policyholders in their contracts are thus measured as part of technical provisions.

The preceding remarks illustrate the important role assumptions play in the valuation of technical provisions. For example, the assumptions made have a major influence on the amounts recognised for technical provisions. The central assumptions in this regard involve:

- Economic developments, particularly the risk-free interest rate term structure for discounting published by EIOPA
- Assumptions regarding the claims trend (for already known and as yet unreported claims)
- Biometric assumptions such as mortality, invalidity and longevity
- Other assumptions concerning costs, the future behaviour of policyholders and the actions/reactions of management in general and in response to developments on capital markets

LEVEL OF UNCERTAINTY

In view of the bases, methods and main assumptions that have been described here, it becomes clear that the economic valuation of technical provisions is associated with uncertainty, which is why uncertainties are also one of the subjects of the periodic monitoring process.

For example, the actuarial methods utilised to calculate technical provisions are regularly examined by external actuarial and audit firms in order to ensure their quality and propriety. In addition, uncertainties are taken into account through the use of risk margins when determining the best estimate for technical provisions.

The following section provides an overview of specific uncertainties in the non-life and life insurance sectors.

NON-LIFE

Uncertainties in the two line of business categories non-life (excluding health) and health (similar to non-life) regarding the foundations of the business and the respective assumptions primarily consist of:

- New knowledge of additional claims beyond those that are already known
- Amounts and periods of indemnity for (known and as yet unreported) claims
- Cost of administering these claims

In the case of relatively recent occurrence years, methodological uncertainties are also particularly significant, as well as the stated ones. These uncertainties result from actuarial projections that are then reduced due to the availability of additional information, as well as from the individual analyses that are required in some cases when major losses are settled.

LIFE

Uncertainties in the three line of business categories life (except for health and index-linked and unit-linked), health (similar to life) and index-linked and unit-linked are related to the long contract durations involved and the long projection periods that are thus required. Particularly significant insecurities exist here in terms of assumed interest rate developments, the development of biometric assumptions and the exercising of possible options by policyholders.

In addition, the measurement of the value of technical provisions has certain limits in that the simplifications and approximation solutions needed for the modelling can lead to uncertainties in the valuations. The technical provisions in the primary life insurance business in particular are calculated with the help of a stochastic enterprise model, which in turn leads to stochastic uncertainties.

Primary life insurance policies are mainly long-term contracts with a discretionary profit participation feature. Relatively small changes in the assumptions about biometric factors, interest rates and costs that are used as the basis for calculations are compensated by the safety margins included in the actuarial assumptions. If these safety margins are not required, they generate surpluses, which to a large extent must be passed on to policyholders in accordance with statutory requirements. Thanks to these foundations of our business, the impact on earnings of uncertainties in the event of a change in risk, cost or interest rate expectations can therefore be limited by adjusting policyholders' future profit participation.

COMPARISON WITH THE VALUATIONS IN THE HDI GROUP FINANCIAL STATEMENTS

The financial statements of the HDI Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In accordance with IFRS 4 "Insurance Contracts", insurance-specific transactions for which IFRS do not contain any separate guidance are accounted for in accordance with the relevant requirements of United States Generally Accepted Accounting Principles (US GAAP) as at the date of initial application of IFRS 4 on 1 January 2005. Measurement of technical provisions is based on the principles of Statements of Financial Accounting Standards (SFAS) SFAS 60, SFAS 97 and SFAS 120.

Institutions for occupational retirement provisions are incorporated as participations in compliance with the regulations and in contrast to the basis of consolidation of the financial statements. This lowers the gross technical provisions by EUR 2,091 million (EUR 2,086 million net).

Another fundamental difference between IFRS and Solvency II involves contract boundaries. Among other things, the scope of contracts whose value is to be measured under Solvency II is based on the point in time when a contract is concluded rather than when the contract actually goes into effect. For example, in the case of a contract that offers a policyholder an unavoidable option of a future increase (dynamic premium), a realistic assumption probability of this dynamic increase is modelled.

In addition, there are some contracts in the Life/Health Reinsurance business that are measured as financial instruments in IFRS 4 (in accordance with IAS 39), while in Solvency II they are treated as insurance contracts.

In terms of the valuation of technical provisions, there are thus deviations from the valuation in accordance with IFRS. The material differences can be outlined as follows:

ASSUMPTIONS

Provided they cannot be explicitly depicted as financial instruments, the technical provisions are calculated using the best estimate and the risk margin. Unlike the case in IFRS, the assumptions used for the calculation of the best estimate for the provisions are therefore not based on conservative assumptions (e.g. interest rates, biometric actuarial assumptions) that are contractually guaranteed or are incorporated into the calculation of surrender values. The assumptions made therefore need to be adjusted regularly on the basis of the latest available information.

Another difference involves the systematics of discounting. Under Solvency II, the fair value of future cash flows is continually analysed and determined using discounting on the basis of the risk-free interest rate term structure published by EIOPA.

The IFRS approach is quite different here, as it uses the actuarial interest rate as a basis in some cases or else utilises only a nominal observation.

RISK MARGIN

The approach used for the risk margin involves an analysis of the uncertainty associated with the settlement of the insurance portfolio on the one hand and, on the other hand, the use of the cost of capital required to make available eligible own funds that correspond to the solvency capital requirement until the insurance portfolio in question has been settled.

The calculation of the risk margin is mainly carried out at the level of individual companies in the HDI Group. The approximative calculation of the future solvency capital requirements needed to determine the risk margin uses company-specific parameters – e.g. the expected development of key risks or technical provisions. The risk margin has an increasing effect of EUR 4,369 million and has no equivalent in IFRS.

RISK MARGIN

EUR THOUSAND

	2016
Non-life (excluding health)	1,317,126
Health (similar to non-life)	85,944
Health (similar to life)	212,403
Life (excluding health and index-linked and unit-linked)	2,541,329
Index-linked and unit-linked	212,664
Total	4,369,467

PREMIUM RESERVES

The best estimate in the non-life insurance business is made up of the provisions for claims outstanding and premium reserves. The provisions for claims outstanding reflect the future cash flows for claims that have already occurred. Premium reserves consist of the future cash flows for premiums and claims that have not yet occurred in the portfolio. In order to simplify the calculation of the latter provisions, the individual companies at the HDI Group also utilise parameters from the financial statements in some cases.

The gross premium reserves amount to EUR 3,322,481 thousand for “non-life (excluding health)” and EUR 87,136 thousand for “health (similar to non-life)”. The premium reserves in Solvency II have no counterpart in the IFRS regulations.

IMPACT OF PREMIUM RESERVES

EUR THOUSAND

	Premium reserve, gross ¹⁾	Premium reserve, net ¹⁾
Non-life (excluding health)	3,322,481	2,932,801
Health (similar to non-life)	87,136	87,704
Health (similar to life)	—	—
Life (excluding health and index-linked and unit-linked)	—	—
Index-linked and unit-linked	—	—
Total	3,409,617	3,020,505

¹⁾ Including discount.**OFFSETTING DEPOSITS TO CEDANTS WITH TECHNICAL PROVISIONS**

Deposits from insurers/deposits to cedants are created when the reinsurer furnishes collateral to the prior insurer. In some cases, cash flows relating to funds withheld are offset with corresponding cash flows from technical provisions using a system with specific stipulations. This offsetting has a lowering effect on the technical provisions in the amount of EUR 1,236,733 thousand for “non-life (excluding health)” and EUR 7,016,137 thousand for “health (similar to life)”.

IMPACT DUE TO OFFSETTING OF DEPOSITS TO CEDANTS

EUR THOUSAND

	2016
Non-life (excluding health)	-1,236,733
Health (similar to non-life)	—
Health (similar to life)	—
Life (excluding health and index-linked and unit-linked)	-7,016,317
Index-linked and unit-linked	—
Total	-8,253,050

VALUATION OF PRIMARY LIFE INSURANCE

Primary life insurance is characterised by, among other things, options and guarantees that policyholders can exercise or claim. The value of these financial options and guarantees is explicitly measured. The measurement particularly takes into account the asymmetry of the business model – e.g. as regards the guaranteed surrender values or the profit participation – using a stochastic simulation on the basis of risk-neutral economic scenarios. The valuation of the technical provisions in the life insurance business under IFRS is generally carried out in accordance with SFAS 60, and in accordance with SFAS 97 and SFAS 120 for selected types of primary insurance contracts.

Under IFRS, the value of contracts in the primary life insurance business is measured with the “universal life” model in complete accordance with FAS 97 (US GAAP). Here, the value of unit-linked shares is measured on the basis of the fund volume. In Solvency II, these contracts are valued using an integrated approach that may include “classic” shares. This assignment of “classical” shares of contracts to the line of business “Index-linked and unit-linked insurance”, as well as the different methodologies, lead to differences in the valuations.

In the case of primary life insurance contracts with traditional profit participation, which are measured in IFRS in accordance with FAS 120 (US GAAP), the IFRS reserves consist of a provision for guaranteed benefits (net level premium reserve) and a provision for terminal bonuses. The best estimate of technical provisions in the Solvency balance sheet takes into account all expected claims and surpluses, despite the fact that future surpluses are not contractually guaranteed. This approach is based on a forecast of future management decisions on profit participation. The only thing removed from this valuation is the own funds-eligible surplus fund, whose economic value (the probability weighted present value of future cash flows paid from the own funds-eligible surplus fund to policyholders) is equal to the Surplus Funds equity item.

RECOVERABLES FROM REINSURANCE

The valuation for recoverables from reinsurance contracts is carried out in accordance with the same principles as those described for the valuation of technical provisions. Unlike the case in IFRS, a material risk of default by the counterparty is explicitly taken into account in the calculation. This lowers technical provisions (net) by EUR 45 million.

ACCOUNTING PROHIBITION ON IFRS ITEMS

The valuation of technical provisions is generally carried out on the basis of expected cash flows in Solvency II. For this reason, Solvency II contains an indirect accounting prohibition on the periodic accrual items "Unearned premium reserve", which in accordance with IFRS must be reported in the consolidated financial statements. This effect lowers technical provisions by EUR 7,948,768 thousand (gross) and EUR 7,394,869 thousand (net).

IMPACT OF ACCOUNTING PROHIBITION

EUR THOUSAND

	Gross	Net
	2016	
Non-life (excluding health)	-5,998,931	-5,493,717
Health (similar to non-life)	-141,242	-123,026
Health (similar to life)	—	—
Life (excluding health and index-linked and unit-linked)	-238,426	-237,987
Index-linked and unit-linked	-1,570,169	-1,540,139
Total	-7,948,768	-7,394,869

Furthermore, no deferred acquisition costs were reported over and above this.

MATCHING ADJUSTMENT

The matching adjustment is not used at the HDI Group.

VOLATILITY ADJUSTMENT

The volatility adjustment is used for the anti-cyclical dampening of the effects of short-term credit market volatility on the solvency of insurers with long-term liabilities – i.e. in particular life insurers. After receiving approval from the regulatory authorities (to the extent that this is required), the following material companies take into account a volatility adjustment for technical provisions: HDI Assicurazioni S. p. A., HDI Lebensversicherung AG, neue leben Lebensversicherung AG, PB Lebensversicherung AG and TARGO Lebensversicherung AG.

The utilisation of the volatility adjustment reduces technical provisions, particularly in the category life (except for health and index-linked and unit-linked), by EUR 362 million. For a detailed overview of the effects of the volatility adjustment on various key figures, see the table at the end of this section. It should be noted here that the HDI Group has sufficient own funds at its disposal to cover its solvency capital requirement even without a volatility adjustment.

TRANSITIONAL MEASURE FOR RISK-FREE INTEREST RATES

The transitional for risk-free interest rates is not used at the HDI Group.

TRANSITIONAL MEASURE FOR TECHNICAL PROVISIONS

Insurance and reinsurance companies may apply for a temporary subtraction of technical provisions at the homogeneous risk group level after BaFin approval. In view of the long-term liabilities of life insurance companies, the goal of this transitional for technical provisions is to enable a gradual transition from the valuation of technical provisions in accordance with the previous Solvency I regulatory regime to a valuation in accordance with Solvency II. The temporary subtraction corresponded at 1 January 2016 to the difference between the technical provisions after reinsurance in line with Solvency II and the corresponding technical provisions after reinsurance in line with Solvency I at the affected individual companies on this date. This subtraction must be systematically reduced in a linear manner at the end of every calendar year. The subtraction is thus gradually reduced and will be eliminated completely on 1 January 2032.

A request for approval to use the transitional measure for technical provisions was granted for the following material companies, in each case for all homogeneous risk groups at each company: HDI Lebensversicherung AG, neue leben Lebensversicherung AG, PB Lebensversicherung AG and TARGO Lebensversicherung AG.

The amount of the subtraction resulting from the use of the transitional measure for technical provisions in 2016 totalled EUR 6,546 million across all companies – and primarily in the categories "life (except for health and index-linked and unit-linked)" and "index-linked and unit-linked". The use of the transitional reduces the best estimates for the companies by this amount. In line with the announcement by EIOPA on 21 December 2016 regarding the publication of information on the use of the transitional measure in the calculation of technical provisions, we also provide information on the changes pending directly after the reporting date. As at 1 January 2017, the subtractions made using the transitional measure for technical provisions had been reduced by one-sixteenth as planned. These subtractions total EUR 6,138 million across all companies in 2017. Due to the fact that the operational risk based on the standard formula depends on the premium and reserve volume, the transitional also has a slight influence on the regulatory solvency capital requirement.

IMPACT OF VOLATILITY ADJUSTMENT (VA) AND TRANSITIONAL (TR)

EUR THOUSAND

	31.12.2016				
	Key figures with volatility adjustment and transitional	Key figures excluding measures			
		Impact of the TR	Including VA and excluding TR	Impact of the VA	Excluding VA and TR
Technical provisions	101,269,074	6,546,421	107,815,494	361,532	108,177,026
Basic own funds (HDI Group)	25,303,662	-4,477,978	20,825,684	-302,531	20,523,153
Eligible own funds regarding SCR	19,676,129	-4,129,313	15,546,816	-127,684	15,419,132
SCR	8,346,467	9,317	8,355,784	2,135,389	10,491,173
Solvency II ratio	236%	-50%-points	186%	-39%-points	147%

CHANGES FROM THE PREVIOUS REPORTING PERIOD

The information for financial year 2017 will be provided for the first time in 2018.

D.3 OTHER LIABILITIES**DEFERRED TAXES**

As a counterpart to the accrual of deferred tax liabilities in accordance with IAS 12, Solvency II requires that all valuation differences between the local tax base and the tax balance in Solvency II are reviewed in order to determine whether deferred taxes need to be recognised. In general, deferred taxes need to be recognised for all value changes. However, there are some exceptions in various local tax laws that need to be taken into account. Under German tax law, for example, 95% of net gains from the sale of shares in corporations are tax free (except for life insurance companies, for example). This means that only the five percent share is recognised as a deferred tax liability. Losses resulting from the sale of shares in corporations are generally not tax deductible in Germany (except for life insurance companies, for example), which means no deferred tax liabilities are recognised with respect to negative differences from the revaluation. In addition, and in general, no deferred taxes are recognised as a result of a revaluation of goodwill if the goodwill figure is from an initial valuation. Some local tax laws allow for different rules that override the general stipulation here. As is the case with IAS 12, the deferrals are not discounted in the Solvency II balance sheet.

Normally the deferred taxes are defined at the individual company level, except in cases involving fiscal units. If a profit/loss transfer agreement exists (and thus a fiscal unit as well), the tax rate used by the corresponding controlling company is applied. The deferred taxes are calculated at the supreme controlling company. Tax deferrals are recognised at the individual company level only if a tax sharing agreement exists between the controlling company and the fiscal unit company.

Under IFRS, deferred tax credits and liabilities are measured using the tax rates that are expected for the reporting year in which an asset is realised or a liability is settled. Here the tax rates and tax laws are used that are in effect or announced on the reporting date.

Deferred tax assets are recognised if the assets are lower or the liabilities higher in the Solvency balance sheet than in the tax base, and these temporary differences will reduce future tax liabilities.

Deferred tax liabilities are recognised if the assets are higher or the liabilities lower in the Solvency balance sheet than in the tax base, and these temporary differences will increase future tax liabilities.

After this, deferred tax assets can and should be offset against disclosed tax liabilities (as is the case with IAS 12) if there exists a legal right to offset actual tax refund claims against actual tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority.

The deferred tax assets formed are subject to an impairment test. Impairment losses are recognised when the realisation of the net value of deferred tax assets does not appear probable. As is the case under IFRS, the impairment test must take into account the applicable local tax laws (e.g. minimum tax, time limitations on loss carryforwards).

Deferred tax liabilities totalling EUR 6,490,640 thousand were disclosed in the Solvency balance sheet.

OTHER LIABILITIES

OTHER LIABILITIES	
EUR THOUSAND	
	2016
Contingent liabilities	882
Pension benefit obligations	2,162,438
Provisions other than technical provisions	926,999

BASES AND METHODS

Under Solvency II, contingent liabilities are recognised when these constitute possible obligations or present obligations for which it is either not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The amount recognised is related to outstanding recovery actions for which in the opinion of the HDI Group the probability of the counterparty winning the trial is 50% or lower.

In the case of proceedings in which the probability of a judgement in favour of the counterparty is estimated to be higher, the amounts are recognised under "Miscellaneous other provisions". The valuation is based on a probability-weighted estimated value. Provisions for pension commitments granted by Group companies to their em-

ployees are consolidated under "Pension liabilities". The valuation of pension liabilities in the Solvency balance sheet basically follows the procedure for valuation in accordance with IAS 19 "Employee benefits" using the projected unit credit method. The valuations in Solvency II and the consolidated financial statements are thus based on the same model, although different parameters are used.

The amount recognised as a defined benefit liability in accordance with IFRS consists of the balance of the present value of the defined benefit obligation at the reporting date less the fair value of plan assets at the reporting date (insofar as available).

Pension liabilities are recognised in line with IAS 19 in both Solvency II and IFRS.

The following items are recognised in the Solvency balance sheet under "Non-technical provisions":

- Partial retirement
- Holiday and overtime pay
- Bonus payments and anniversary bonuses
- Interest for late tax payments
- Outstanding invoices
- Remuneration for members of the Board of Management and Supervisory Board
- Expected losses
- Provisions for integration expenses or restructuring measures
- Other provisions

Other provisions generally include all provisions that meet the requirements for establishing provisions in accordance with IAS 37 and are neither technical provisions nor pension or tax provisions. The accounting policies in IAS 37 are in harmony with section 74 VAG.

Under IFRS, miscellaneous other provisions and tax and restructuring provisions are recognised in the amount that is likely to be required to settle the obligations, based on best estimates. These provisions are discounted if the effect of the time value of money is material. Restructuring provisions are recognised if a detailed, formal restructuring plan has been approved by the Group and the main features of the restructuring have been publicly announced.

DIFFERENCES

The stipulation regarding the approach to be used for contingent liabilities under Solvency II does not exist for the consolidated financial statements.

Because IAS 37 serves as the standard for both Solvency II and the consolidated financial statements, there are generally no value differences with respect to miscellaneous other provisions. An exception here is the so-called asset tax that Polish companies must take into account in the Solvency balance sheet in line with regulations adopted by the Polish supervisory authority KNF.

MEDIUM AND LONG-TERM FINANCIAL LIABILITIES

MEDIUM- AND LONG-TERM FINANCIAL LIABILITIES

EUR THOUSAND

	2016
Subordinated liabilities	2,214,542
Debts owed to credit institutions	681,931
Financial liabilities other than debts owed to credit institutions	1,276,478

BASES AND METHODS

Subordinated liabilities are loans which in the event of liquidation or bankruptcy are not paid back until debt with other debt holders has been settled. From an economic perspective, such liabilities possess various attributes of equity. To the extent that they are part of own funds, subordinated liabilities are recognised in the Solvency balance sheet item “Subordinated liabilities belonging to basic own funds” (EUR 2,208,049 thousand). “Subordinated liabilities not belonging to basic own funds” (EUR 6,492 thousand) cannot be recognised as own funds. Under Solvency II, subordinated liabilities can be categorised as a component of own funds if the requirements set out in articles 69 (b), 72 (b) or 76 (b) of the Delegated Regulation (EU) 2015/35 are met. These requirements are met by nearly all external subordinated liabilities at the HDI Group.

For the economic valuation in the Solvency balance sheet process, the instrument’s economic value as determined at the time of the issue is adjusted in line with value changes that are exclusively the result of a changed market situation. Unlike the fair value approach in accordance with IAS 39, value changes resulting from changes to a company’s own credit spread (OCS) are not adjusted after the issue. The OCS is kept constant for subsequent valuations. The valuation under Solvency II at the HDI Group is carried throughout the entire organisation uniformly on the first maturity date (“1st call”).

In order to optimise the Group’s capital structure and to ensure the liquidity (solvency) required by regulators, various Group entities have in the past issued long-term subordinated debt instruments that in some cases are listed on exchanges. The following table shows all non-Group subordinated liabilities.

SUBORDINATED LIABILITIES

EUR THOUSAND

Issuer	Nominal value	Maturity	31.12.2016	
			IFRS value	Solvency II value
Hannover Finanz Luxemburg S. A.	500,000	2010/2040	498,859	555,509
Hannover Finanz Luxemburg S. A.	500,000	2012/2043	497,511	557,512
Hannover Rück SE	450,000	2014/no final maturity	444,793	488,785
Talanx Finanz Luxemburg S. A.	500,000	2012/2042	500,000	568,802
HDI Assicurazioni S. p. A.	27,740	2026	27,274	27,580
CBA Vita S. p. A.	13,500	2020	13,345	14,983
Magyar Posta Életbiztosító Zrt.	1,002	2025	1,002	1,371
Total	1,992,242		1,982,784	2,214,542

Insofar as companies made use of the transitionals (“grandfathering”) when Solvency II came into force, it must be noted that the transitionals’ range in time is limited to a maximum of ten years after 1 January 2016, if the accordant contingent liabilities were issued prior to 17 January 2015 and insofar could be used as own-fund components under the previous solvency regime in order to comply with the available solvency margin up to a level of 50% (for Tier 1 – restricted) and/or 25% (for Tier 2).

Within the Group, the bonds of Hannover Finance (Luxembourg) S.A. and Hannover Rück SE were recognised as “grandfathered”.

Solvency II requires that financial liabilities must generally be recognised at the anticipated present value of future cash flows. Here as well, no changes to a company’s own credit spread are taken into account for the purposes of the valuation.

The item “Liabilities to credit institutions” consists of mortgages and loans.

The item “Financial liabilities other than liabilities to credit institutions” can include bonds, loans, mortgages and loans from other companies that are not credit institutions. Financial liabilities here can include self-structured debt securities of a company (i.e. not structured by a special purpose vehicle).

DIFFERENCES

The difference between the Solvency II values for financial liabilities and the carrying amount in the consolidated financial statements can largely be attributed to those liabilities measured not at fair value but instead at amortised cost in the consolidated financial statements. However, even if recognition at fair value is chosen for the consolidated financial statements as well, a difference between the values will still result if a change occurs to a company’s own credit spread because this change will only be taken into account in the consolidated financial statements in accordance with IFRS.

SHORT-TERM LIABILITIES

SHORT-TERM LIABILITIES

EUR THOUSAND

	2016
Insurance and intermediaries payables	1,706,047
Reinsurance payables	1,097,450
Payables (trade, not insurance)	997,811

BASES

This item is used for past due liabilities to insured parties, insurers or other companies in connection with the insurance business (including amounts already owed to [re]insurance intermediaries), but which do not constitute technical provisions.

METHOD

Solvency II requires that liabilities be recognised at the anticipated present value of future cash flows. To the extent that it is necessary, discounting is carried out on the basis of the interest rate term structure published by EIOPA.

The Solvency II value for liabilities to reinsurers is derived from the corresponding value in IFRS. The share that covers future cash flow is already contained in the technical provisions. The remaining portion of the IFRS liability, which contains the cash flow prior to or on the valuation date, is shown in this item.

Solvency II also requires that liabilities be recognised at the anticipated present value of future cash flows.

DIFFERENCES

The difference between the Solvency II values and those in the consolidated financial statements is due on the one hand to the fact that reinsurance payables consist only of past due balances in Solvency II. These past due balances are part of recoverables from reinsurance – which determine future cash flows – and are therefore to be taken into account in the technical provisions.

There is also a reclassification between the two items “Liabilities to insurers and intermediaries” and “Liabilities to reinsurers” because under Solvency II only outstanding liabilities resulting from reinsurance ceded are recognised as “Liabilities to reinsurers”.

OTHER LIABILITIES

OTHER LIABILITIES	
EUR THOUSAND	
	2016
Deposits from reinsurers	1,204,956
Any other liabilities, not elsewhere shown	876,887
Derivatives	80,808

BASES AND METHODS

The recognition and measurement of deposits from reinsurers are carried out in line with the corresponding item on the assets side, which was already explained in the section “Receivables”.

Solvency II requires that liabilities are recognised at the anticipated present value of future cash flows. Discounting is carried out here on the basis of the interest rate term structure published by EIOPA.

The valuation in accordance with IFRS is described in the section “Medium and long-term financial liabilities”.

The recognition and measurement of liabilities from derivatives are described in the section “Other investments”.

DIFFERENCES

The difference between the Solvency II values and those in the consolidated financial statements is due to the approach used for recognising and measuring funds and deposits as described in the section “Receivables”. The difference with regard to deposits to cedants results from offsetting the deposits or technical provisions. In addition, there are some contracts in the life/health reinsurance business that are measured as financial instruments in IFRS 4 (in accordance with IAS 39), while in Solvency II they are treated as insurance contracts.

D.4 ALTERNATIVE METHODS FOR VALUATION

The alternative valuation method that can be used for certain Solvency balance sheet items in accordance with article 263 in conjunction with article 10(5) of the Delegated Regulation (EU) 2015/35 was already described in sections D.1 to D.3. This primarily involves assets in the balance sheet items within “Investments (except for assets for index-linked or unit-linked contracts)”, as well as financial liabilities on the liabilities side of the Solvency balance sheet, insofar as no quoted market prices are available.

D.5 ANY OTHER INFORMATION

All material and relevant information to be reported on valuations for solvency purposes is already contained in the other parts of section D.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

The business strategy defines targets with regard to the risk exposure.

In addition, compliance with the Company's internal, externally communicated corridors/limits for ratios is crucially important:

- The Solvency II ratio of the HDI Group excluding transitional should range between 150% and 200%.

CAR CORRIDORS AND LIMITS

For TERM 2016, the capital adequacy ratio (CAR) in the economic perspective (Talanx) stands at 264%, while the Solvency II ratio of the HDI Group excluding transitional is 186%. The capital adequacy ratios therefore lie in the set corridors.

DEVELOPMENT OF THE SOLVENCY RATIO WITHIN THE BUSINESS PLANNING

The capital adequacy of the HDI Group is monitored both in relation to the current results from the (partial) internal model, and also in the context of the business planning over a time period of five and/or ten years (medium-term planning). The medium-term planning is based on the planning premises of the HDI Group with macroeconomic assumptions for the developments of the gross domestic product, inflation and interest rates. This is the subject of the Company's own risk and solvency assessment.

RECONCILIATION OF THE IFRS EQUITY OF THE TALANX GROUP TO THE OWN FUNDS OF THE HDI GROUP

Essentially, own funds in the context of the Solvency II requirements consist of two main categories – basic own funds and ancillary own funds. From the regulatory perspective, the total amount of own funds cannot be taken fully into account in order to cover the Group SCR.

DEVELOPMENT OF THE ECONOMIC EQUITY (IFRS) OF THE TALANX GROUP INTO THE ELIGIBLE OWN FUNDS OF THE HDI GROUP

The HDI Group is considered from the regulatory perspective. The solvency capital requirement and own funds are calculated on the basis of fully consolidated data of the HDI Group. In the process, availability restrictions of own funds are taken into account. HDI V.a.G. itself only conducts a minimal amount of the insurance business. Any risks worth taking into account are already included in the Talanx Group as the risk kernel of the HDI Group. The availability restrictions therefore apply on the level of the risk kernel, whereas HDI V.a.G. itself is integrated in a subsequent step.

The following table shows the reconciliation from the IFRS equity of the Talanx Group to the eligible own funds of the HDI Group.

OWN FUNDS OF THE GROUP	
EUR THOUSAND	
	2016
IFRS equity (Talanx)	14,688,427
Goodwill and intangible assets	–1,938,061
Revaluation effects	3,728,799
Surplus funds	1,603,309
Excess of assets over liabilities (Talanx)	18,082,474
Subordinated liabilities (incl. minority interests)	2,208,049
Own shares	–
Foreseeable dividends, distributions and charges	–721,966
Basic own funds (Talanx) before deductions	19,568,557
Transitional (after tax)	4,477,978
HDI V.a.G. (expansion of Talanx Group to form HDI Group)	1,257,127
Basic own funds (HDI Group) before deductions	25,303,662
Non-available own fund items	–5,718,941
Other	–17,337
Ancillary own funds	–
Own funds of other financial sectors	108,745
Available own funds (HDI Group)	19,676,129
Tiering restrictions	–
Eligible own funds (HDI Group)	19,676,129
Transitional	–4,477,978
Non-available own fund items arising from transitional	348,665
Eligible own funds excluding transitional (HDI Group)	15,546,816

The starting point for the reconciliation is the IFRS equity of the Talanx Group. According to Solvency II, goodwill shall be valued at zero; immaterial assets must be recognised only under certain conditions. These and other revaluation effects between the IFRS balance sheet and the economic (Solvency) balance sheet, together with the surplus fund, result in the amount of assets over liabilities. In contrast to the residual indicator from the assets and liabilities in the Solvency balance sheet, this line does not yet take a transitional into account.

In addition to the surplus of assets over liabilities, the basic own funds also include subordinated liabilities and own shares. Foreseeable dividends, dividend payments and fees that are paid by the Talanx Group to third parties are deducted from the basic own funds. Availability and eligibility restrictions are not yet taken into account in the basic own funds before deductions. This is carried out in a later step. The basis of consolidation corresponds to that applied under IFRS.

The legislator allows for a gradual transition to Solvency II. This is reflected in the present table by the application of the transitional for technical provisions of the German life insurance companies in the Group.

The basic own funds of the HDI Group before deductions contain not only the basic own funds of the Talanx Group before deductions, including the transitional, but also the surplus of assets over liabilities of HDI V.a.G. This surplus is reduced by the participation in Talanx AG, as otherwise a duplicated recognition would take place. In addition, the dividends that will presumably be paid by Talanx AG to HDI V.a.G. are included in the basic own funds of HDI Group before deductions.

Certain own-fund components are available for covering the Group solvency capital requirement only with restrictions under Solvency II. For instance, this affects non-controlling interests and surplus funds. Further details about determining the unavailable own-fund components are provided at the end of this section.

The item “Other” includes the deduction of the carrying amounts of the investments in institutions for occupational retirement provision (IORPs) and of Ampega Investment GmbH.

Ancillary own funds are irrelevant on the level of the Talanx Group and/or of the HDI Group as at the year-end 2016.

The item “Own funds of other financial sectors” represents the own funds of institutions for occupational retirement provision under Solvency I and of Ampega Investment GmbH under the sectoral regulations.

Available own funds (HDI Group): The available own funds of the HDI Group based on the basic own funds before deductions, taking the above-mentioned items into account: Unavailable own-fund components, Other, ancillary own funds and own funds of other financial sectors. The calculation of the unavailable own funds is carried out within the Group’s riskkernel.

Eligible own funds for covering the solvency capital requirement (HDI Group): Restrictions on the tiering of own funds must be factored into the calculations. There was no necessity for tiering deductions as at the year-end 2016.

DETERMINING NON-AVAILABLE OWN FUND COMPONENTS

From the regulatory perspective, own funds cannot be used in full to cover the Group solvency capital requirement. This includes minority interests, deferred tax credits, surplus reserves, subordinated liabilities and ancillary own funds. The last four components of the basic own funds are eligible only in the event that they are permissible for covering the solo solvency capital requirement of the respective company. Moreover, in total they must not exceed the contribution of the respective company to the (diversified) solvency capital requirement of the Group. Similarly, non-controlling interests that are contained in the own funds of subsidiaries may be taken into account on a Group level only up to an amount that corresponds to the contribution of non-controlling interests to the solvency capital requirement of the Group.

The contribution to the Group solvency capital requirement is determined by allocating the (diversified) Group solvency capital requirements to the companies in the Talanx Group. The Solvency II directive requires a proportional division: i.e. the share of a company in the diversified Group solvency capital requirement must correspond to the share of the individual solo solvency capital requirement in the undiversified Group solvency capital requirement. Companies with an internal model may use this model for dividing up the Group’s (diversified) solvency capital requirement.

The regulatory restrictions of the own funds are applied on the basis of the contribution of the solo entities to the Group solvency capital requirement. The following table shows the breakdown of the “Non-available own-fund components” item. The minority interests represent the largest item to which possible restrictions may be applied. They arise mainly in the reinsurance segment. Moreover, a considerable proportion of the surplus funds are not available for covering capital requirements on the Group level.

NON-AVAILABLE OWN FUND ITEMS

EUR THOUSAND

	2016
Surplus fund	310,369
Subordinated liabilities	—
Balance of deferred taxes	7,040
Non-available minority interests	5,401,531
Different tax effects, regulatory v. economic	—
Total non-available own fund items (including effect from transitional)	5,718,941

CLASSIFICATION OF THE OWN-FUND COMPONENTS INTO “TIERS”

The own funds are divided into three classes (“tiers”). The classification of the own-fund components is based on the extent to which they are available to offset losses. There is also a distinction between basic own-fund components and ancillary own-fund components.

Basic own-fund components are classified in “Tier 1” if they are available or can be deployed as required in order to fully offset losses under the premise of maintaining a going concern and in the event of liquidation (constant availability). In the case of liquidation, “Tier 1” own-fund components are available to settle liabilities arising from (re)insurance contracts in relation to eligible parties. The owners of the own-fund components are served on a subordinated basis (subordination).

Basic own-fund components are classified as “Tier 2” if they demonstrate the characteristics of subordination, but are not constantly available. Ancillary own-fund components that largely demonstrate the characteristics of constant availability and subordination can be classified as “Tier 2”. All other basic own-fund components and ancillary own-fund components are classified as “Tier 3”.

As can be seen in the following table, 91% of the Group’s own funds are unrestricted Tier 1 funds:

OWN FUNDS OF THE HDI GROUP

EUR THOUSAND

	Total 2016	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
Basic own funds before deduction for participating interests in other financial sectors					
Ordinary share capital (gross of own shares)	—	—	—	—	—
Share premium account related to ordinary share capital	—	—	—	—	—
Surplus fund	1,603,309	1,603,309	—	—	—
Non-available surplus funds at Group level	310,369	310,369	—	—	—
Reconciliation reserve	21,492,304	21,492,304	—	—	—
Subordinated liabilities	2,208,049	—	488,785	1,719,264	—
Non-available minority interests at Group level	5,408,572	4,924,330	105,636	378,606	—
Deductions					
Deduction for participating interests in finance and credit institutions	17,337	17,337	—	—	—
Total of non-available own fund items	5,718,941	5,234,699	105,636	378,606	—
Total deductions	5,736,278	5,252,036	105,636	378,606	—
Total basic own funds after deductions	19,567,384	17,843,577	383,149	1,340,658	—
Own funds of other financial sectors					
Regulated entities not carrying out financial activities	7,891	7,891	—	—	—
Institutions for occupational retirement provision	100,854	100,854	—	—	—
Total own funds of other financial sectors	108,745	108,745	—	—	—
Total available own funds to meet the consolidated Group SCR	19,567,384	17,843,577	383,149	1,340,658	—
Total eligible own funds to meet the Group SCR (including own funds from other financial sectors and from the undertakings included via D&A)	19,676,129	17,952,322	383,149	1,340,658	—

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

SOLVENCY CAPITAL REQUIREMENT

The following table gives an overview of the own funds, the capital requirements and the capital adequacy ratios of the HDI Group according to Solvency II, including and excluding a transitional on technical provisions.

SOLVENCY RATIOS OF THE HDI GROUP

EUR THOUSAND

	2016
Eligible own funds with transitional on technical provisions	19,676,129
Solvency capital requirement	8,346,467
Solvency II ratio	236%
Eligible own funds excluding transitional on technical provisions	15,546,816
Solvency capital requirement	8,355,784
Solvency II ratio (excluding transitional)	186%

The SCR of the HDI Group is calculated using the partial internal model (TERM). In the process, all the risks, except the operational risk, are modelled internally. The operational risk is calculated on the basis of the standard formula.

The table above discloses values both with and without the effect of a transitional on technical provisions. In accordance with section 352 VAG, insurance and reinsurance companies can temporarily exercise a deduction from the technical provisions, subject to approval, which is applied on the level of the homogeneous risk groups. More detailed information about the transitional on technical provisions can be found in section D.2.

The total SCR of the HDI Group consists of the following risks:

EXTRACT FROM REPORTING TEMPLATE S.25.02 OF THE HDI GROUP

EUR THOUSAND

Components description	2016
Market risk non-life and reinsurance	5,216,999
Market risk primary life insurance	1,806,374
Pension risk	347,970
Credit risk (counterparty default risk)	279,835
Premium and reserve risk (excl. NatCat)	3,493,574
Natural catastrophe risk	2,659,885
Underwriting risk life	2,339,040
Operational risk	1,312,857
Loss absorbing capacity of deferred taxes non-life and reinsurance	-1,638,004
Total undiversified components	15,818,530
Diversification	-7,565,858
Solvency capital requirement for undertakings under consolidated method	8,252,672
Capital requirement for other financial sectors (non-insurance capital requirements)	93,795
Solvency capital requirement	8,346,467

The individual risk components can be described as follows:

- **Market risk non-life and reinsurance:** The market risk exposure of property/casualty primary insurers, reinsurers (including life) and arising from service companies and holdings. This also includes default and migration risks in relation to investments.
- **Market risk primary life:** Risk exposure of primary life insurers due to market developments. This also includes default and migration risks in relation to investments.
- **Pension risk:** This shows the influence of changes in the pension reserves on equity. The main driver of pension risk is the performance of both interest rates and inflation.
- **Credit risk (counterparty default risk):** The risk that one or more counterparties do not fulfil their obligations or that their rating is downgraded (credit risk) is shown in this item for property/casualty primary insurers and reinsurers in the HDI Group, insofar as such risks are not contained in the market risk. This is essentially a reinsurance default risk (incl. risk of default by the retrocessionaires).

- **Premium and reserve risk (excl. NatCat):** Shown for non-life insurances, primary insurances and reinsurances.
- **NatCat risk:** All risks for property/casualty primary insurance and reinsurances for natural catastrophes are shown in this item.
- **Underwriting risk life:** This item contains biometric risk (e.g. longevity, mortality, morbidity, pandemics), risk arising from policyholder behaviour and cost risk.
- **Operational risk:** This item shows the operational risk determined with the specifications for the standard formula.
- **Loss-absorbing capacity of deferred taxes for non-life and reinsurance:** This item contains the loss-absorbing effect of taxes for all companies, with the exception of primary life insurances, that are taken into account with after-tax values on the basis of the internal model.

MINIMUM CAPITAL REQUIREMENT

The consolidated minimum capital requirement (SCR floor) is the lower limit of the Group solvency capital requirement from the regulatory perspective. The minimum capital requirement of the HDI Group is formed from the total of the company-specific minimum capital requirements (MCRs), whereby the requirements for companies based in the European Economic Area (EEA) are maximum 45% and minimum 25% of the solvency capital requirement. The upper limit (45% of the solvency capital) applies to the majority of the EEA companies in the HDI Group, i.e. the interim result of the MCR calculation (Article 250 and Article 251 of the Delegated Regulation (EU) 2015/35) exceeds the limit. A cap on the basis of the (partial) internal model applies for companies that possess approval for the (partial) internal model on the solo level. The cap is applied on the basis of the standard formula for the other EEA companies. For companies based outside the European Economic Area, the local minimum capital requirement is applied.

The following table shows that the minimum capital requirement of the HDI Group is adequately covered with own funds.

CONSOLIDATED MINIMUM CAPITAL REQUIREMENT OF THE HDI GROUP

EUR THOUSAND	2016
Consolidated minimum capital requirement of the HDI Group	6,870,019
Eligible own funds for covering the MCR	19,567,384
Surplus capital	12,697,365

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

As the HDI Group does not apply the duration-based sub-module for equity risk in the partial internal model for calculating the solvency capital requirement, no further details are added in this section.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The HDI Group uses a partial internal model for calculating the regulatory solvency capital requirement. The internal modelling covers the market risk, underwriting risk non-life, underwriting risk life and credit risk (counterparty default risk). The measurement of operational risk is carried out, on the other hand, using the methods of the standard formula. In contrast to the standard formula, the partial internal model of the HDI Group makes it possible to map the underlying risks for a strongly diversified insurance group, offering both reinsurance and primary insurance, in a manner adapted most effectively to the Company.

The partial internal model of the HDI Group contains all the companies of the IFRS basis of consolidation except for the institutions for occupational retirement provision and Ampega Investment GmbH which do not fall under the Solvency II regime. Effects from intra-group transactions are taken into account here.

Apart from the calculation of the solvency capital requirement, the internal model is used within the HDI Group for numerous applications, both involving economic, i.e. steering, aspects and also in terms of the supervisory-law requirements for the use test (section 115 VAG). The central applications in this sense include strategic programme planning, performance management, estimations in the context of acquisitions, and the limit and threshold system. The limit and threshold system and the related analysis of the risk-bearing capacity are key pillars of the risk management system, both in economic (implicit earning limits) and regulatory (use test) terms.

RISK MEASUREMENT IN THE INTERNAL MODEL OF THE HDI GROUP

The design of the partial internal model of the HDI Group is based on determining the economic own funds on a fair-value basis for every individual company as at the reference date and on the forecast for the own-fund development over a one-year period under Solvency II and its aggregation on Group level.

The starting point for this approach is a Solvency balance sheet as at the valuation reference date. As soon as this economic balance sheet has been prepared, it is necessary to project the stochastic distribution of the economic Solvency balance sheet over a period of one year. Different mathematical techniques in the internal models of the supplying companies are used for life and non-life, according to the underlying risk. However, Monte Carlo simulation procedures with a suitable number of simulations are used across all fields, due to the complexity of the issues to be modelled. All the economic balance sheets in the one-year period are consolidated per simulation using the (IFRS) equity ("at equity" consolidation); this leads to a forecast distribution of the own funds over the one-year period, expressed through simulations. For the partial internal model of the HDI Group, the special position of operational risk in the aggregation – and more precisely, in the integration of a partial internal model into the standard formula for the solvency capital requirement in accordance with Article 239 of the Delegated Regulation (EU) 2015/35 – must be taken into account.

Using the forecast distribution of the own funds over the one-year period, the solvency capital requirement is calculated as the difference between the expected value and the value at risk at a confidence level of 99.5% stipulated under supervisory law for the forecast distribution. In conceptual terms, this means that a possible loss of own funds (relating to the expected value) can be covered by the solvency capital requirement with a probability of 99.5%. The expected value and the quantile are estimated from the forecast distribution values simulated using the Monte Carlo method. The ratio of own funds as at the reference date and the solvency capital requirement according to the forecast distribution of the partial internal model produces the capital adequacy ratio (CAR) and the Solvency II ratio.

The bases of the modelling used in the partial internal model at the HDI Group are outlined below.

MATERIAL ASSUMPTIONS

The most important assumption for the internal model of the HDI Group is that the decisive risks relate to negative changes in the capital market, the occurrence of natural catastrophes and the risk of the reinsurers defaulting simultaneously by chance. Based on this assumption, the scenarios are stipulated as standard throughout the Group for the risk models of the companies for these events, that is natural catastrophes, default of reinsurers and the respective economic issues and – for the purposes of the aggregation of the model results – they are processed with an identical arrangement of the scenarios. In particular, this stipulation includes fundamental assumptions about dependencies that are crucial for the diversification in the HDI Group internal model:

- Analyses do not provide any indicators of significant, sustained impacts of natural catastrophes on economic developments. It is therefore assumed that there is no dependency between the natural-hazard scenarios and the economic scenarios for capital-market developments.
- The reinsurance default scenarios are incorporated under the premise that defaults and/or rating deteriorations for reinsurers are induced by negative developments on the capital markets and/or high losses due to natural-hazard events.

Pandemics and other global events are also stipulated as standard for the primary insurers and correlated between primary insurance and reinsurance. For these scenarios, there is also a coupling to the economic scenarios, in order to model adverse economic developments due to pandemic events.

Apart from fundamental specifications for Group-wide correlations between risk categories, assumptions are also significant for the economic scenarios. Among other areas, this applies to the use of the EIOPA initial interest rate term structure, which provides an extrapolation of the interest rate term structure, particularly in terms of the long-term interest rates, against an ultimate forward rate, and to the use of a volatility adjustment in accordance with section 82 VAG. Both aspects – the initial interest rate term structure and the volatility adjustment – affect both the own funds and the solvency capital requirement in the HDI Group internal model and, to this extent, influence the capital adequacy ratio.

DATA BASIS

The partial internal model and its calibration are based on a large number of Group-internal data, such as loss expenses or mortalities for the underlying portfolios, and external data, such as rating information for investments and reinsurance counterparties or timelines for capital market data and mortality developments. The suitability of such data is tested with internal checks and in the validation process.

SCENARIOS

Scenarios based on event models mapping the universe of the risk factors of the HDI Group act as the starting point for the modelling

in the internal risk models of the solo entities. In particular, they include the following:

- Economic scenarios,
- Natural-hazard scenarios from the global event set (GES),
- Reinsurance default scenarios.

These scenarios are applied as standard across the entire Group. The economic scenarios for measuring the market risk and the natural-hazard scenarios are particularly important here.

The creation of the economic scenarios is based on an economic scenario generator. The economic scenario generator is a simulation software – based on a stochastic financial-market model – and provides simulated economic scenarios that represent a wide range of future economic developments. In particular, the modelled components contain the risk-free interest rate term structure, spread curves, equity indices, real-estate indices, inflation developments and currency exchange rates. A central aspect is the modelling of dependencies between risk factors and economies, which manages the diversification within the market risk of the HDI Group internal model.

With regard to the natural-hazard risk, Group-wide standard scenarios from the global event set support the cross-Group aggregation. Natural-hazard models are used in producing the global event set. The global event set is made available in an updated form every year to all the companies with portfolios that are exposed to natural catastrophes. The valuation and/or modelling of the natural catastrophe risk of the Group is then carried out downstream in the Risk Management units of the subsidiaries.

INTERNAL MODELS, LIFE

For internal models in the life insurance companies and for the life insurance business of the Hannover Re Group, the forecast distribution is determined using actuarial approximation methods due to the complexity of the cash flows, for which a valuation needs to be carried out in the one-year period of time for the various possible developments of economic and underwriting risk factors. The central factor here for primary life insurance is the technique of the replicating portfolio, particularly with regard to mapping the fluctuations in market risk due to the change in value of guarantees and options. The life reinsurance module of the Hannover Re Group is based on cash flow forecasts for a suitable number of economic and biometric risk factors. To select scenarios, suitable mathematical methods (e.g. curve fitting) are applied in order to establish an appropriate accuracy for the forecasting distribution.

INTERNAL MODELS, NON-LIFE

In the internal models for non-life, the economic balance sheet is updated with the help of standard, Group-wide “real-world” scenarios for the economy, natural hazards and reinsurance defaults, and with the help of an individual modelling of the underwriting risks (premium and reserve risk) over the period of one year. The modelling takes place in modular fashion on the level of the risk categories, and in the field of underwriting initially from the gross point of view relating to business lines and/or more granular, homogeneous analysis segments.

Premium risk relates to deviations of the loss expenses actually incurred during the processing of a claim from the estimates produced during the calculation of the premium. Natural-hazard events are handled separately in the modelling due to the nature of the events and the Group-wide standard scenarios. Premium risk, excluding natural hazards, is modelled initially from the gross point of view using relevant, actuarial procedures – such as the collective risk-theory model – relating to the business lines of the companies.

Reserve risk describes the risk of insufficiently calculated provisions for claims outstanding from the previous years. Loss triangles for claims amounts form the starting point for modelling reserve risk. The development of claims amounts per occurrence year is updated in the one-year period for calculating the one-year reserve risk on a stochastic basis. This leads to simulated run-off triangles extended by a diagonal, in which the claim processing is carried out. Gross reserves are derived from the resulting, simulated triangles, from the distribution of which the gross reserve risk can be calculated.

In order to determine the premium risk excluding natural hazards and the reserve risk, as well as the premium and reserve risk in the internal model of a company, for the gross point of view – assuming the forecast distributions of the premium risk and the reserve risk of the business lines – a dependency structure, in the context of a copula, is generated on the level of the business lines. Applying the reinsurance structure mapped in the model leads downstream to the forecast distribution for the premium and reserve risk from the net perspective.

The natural catastrophe risk is predominantly mapped in externally licensed models. The natural catastrophe models generally consist of the three components of natural hazard, vulnerability and financial module/contract structure, and produce simulated event losses as the model result which can be processed further in the internal models of the individual companies. A Group-wide consistent approach is pursued within the Group on the individual-

event basis, which allows decentralised modelling of the risk. The heart of the standardised approach of the Group is the global event set, which contains the majority of the exposed hazard regions of the Group. Model regions where no licensed or otherwise available models are used are taken into account with the subsidiaries’ own developments and approximate approaches.

Market risk involves, on the one hand, fluctuations in the investments on the asset side and, on the other hand, effects on the underwriting risks arise on the liability side (discounting of the reserves, valuation with exchange rates) due to the development of the capital markets as a result of economic accounting. The modelling on the asset side is carried out by compressing the investment portfolio into largely homogeneous model points. The fair values of the model points of standardised investments are updated by mapping them to indices from the economic scenario generator and/or from derived portfolio-specific fixed-income indices over the one-year period.

The calculation of the counterparty default risk in relation to reinsurance counterparties is based on scenarios from the reinsurance default model, which provides Group-wide standardised percentage deductions per reinsurance counterparty (depending on the rating simulated over the one-year period); such deductions are diluted with the portfolio-specific, ceded liabilities. This process takes into account not only losses induced directly by defaults, but also a safety margin for rating deteriorations that herald possible losses.

AGGREGATION IN THE GROUP MODEL

The forecast distribution of the partial internal model of the HDI Group for internally modelled risks is essentially based on the aggregation of the forecast distributions of the own funds of the so-called entity models, that is, the addition of the simulated values of the companies for each of the implemented simulations. Additionally, immaterial companies in the HDI Group in particular, which do not possess an internal model within the meaning of Solvency II, are mapped stochastically and incorporated into the internal model of the HDI Group on the basis of the results of the standard procedures. Overall, the solvency capital requirement is calculated on the basis of the fully consolidated data of the so-called risk kernel, that is, the Talanx Group including minority interests.

The loss-absorbing effect of tax effects is taken into account using the tax model in the forecast distribution of the HDI Group.

INTEGRATION OF THE PARTIAL INTERNAL MODEL INTO THE STANDARD FORMULA

The HDI Group uses a partial internal model to calculate the solvency capital requirement, and quantifies operational and external risk according to the standard-formula methodology. The loss-absorbing impact of the tax effect is applied downstream to the operational and external risk. The aggregation of the operational risk in the internal model of the HDI Group – and more precisely, the integration of a partial internal model into the standard formula for the solvency capital requirement in accordance with Article 239 of the Delegated Regulation (EU) 2015/35 – is carried out by adding the solvency capital requirement for the operational, inclusive, loss-absorbing impact of the tax effect to the solvency capital requirement that consists of the capital requirements for market risk, counterparty default risk and the underwriting risks, taking diversification and the loss-absorbing impact of taxes into account. The HDI Group thereby uses one of the standard integration procedures stated in Article 239 of the Delegated Regulation (EU) 2015/35.

MAIN DIFFERENCES BETWEEN THE METHODS AND ASSUMPTIONS USED IN THE STANDARD FORMULA AND IN THE INTERNAL MODEL

The calibration of both the partial internal model and the standard formula aims consistently and for regulatory purposes at determining the level of any adverse deviation in own funds from their expected value in a 200-year event (value at risk with a confidence level of 99.5%). However, there are significant differences between the standard formula and the partial internal model concerning the methods and assumptions used when calculating the solvency capital requirement. These differences influence – in some cases, strongly – the results of the solvency capital requirement and lead downstream to differences in the own funds and the capital adequacy ratio between the two models. In terms of own funds, the deviations result from the risk margin, which arises as the present value of the respective solvency capital requirement that is needed to cover the insurance and reinsurance obligations over the projected period of time, multiplied by a cost-of-capital rate.

In terms of methodology, the standard formula follows a modular approach. First, the entire risk is subdivided at the highest level into operational risk and the following risk modules of the basic solvency capital requirement:

- Non-life underwriting risk
- Life underwriting risk
- Market risk and
- Counterparty default risk

These risk modules are then split up into further sub-modules. For instance, the market risk module consists of the sub-modules interest rate risk, equity risk, real estate risk, spread risk, market risk concentrations and foreign exchange risk. A capital requirement is determined for each sub-module, using formula-based factor approaches with specified stress levels.

The standard formula and company-specific modelling lead to (in some cases, considerably) differing risk assessments on the level of the sub-modules. Firstly, the main reason for this is the company-specific calibration of the partial internal model that relies on the specific risk profile of the company, which the standard formula can only take into account to a certain extent due to its universality. Secondly, discrepancies arise due to different allocations to sub-modules or even due to differing handling of the issues involved. For instance, European government bonds in the standard formula are not subject to credit risk, whereas in the internal model they have to be placed under risk due to the supervisory-law requirements.

Differences in the calculation of the solvency capital requirement on the level of the sub-modules affect the following aspects, among others:

- The internal models of the German primary life insurance companies use a dynamic volatility adjustment, whereas the standard formula consistently takes the volatility adjustment into account only with an upwards or downwards shift in the initial interest rate term structure. This leads to differences in the credit risk sub-category between the internal model and the standard model, particularly in the market risk life.
- In market risk, there are differences in the measurement of the credit concentration and correlation risk as, in contrast to the standard-formula method, the internal model includes not only the pure effect of the concentration of issuers but also effects from the correlation of economic and geographic factors.

- In the standard formula, interest rate risk arises exclusively from changes in the level of the risk-free interest rate term structure, whereas changes in interest rate volatility are not explicitly taken into account. In the internal model, on the other hand, there is a correlation between the interest level and interest rate volatility.
- The calibration of real estate risk in the standard formula is based on data records for Great Britain. This leads to different stress levels in cross-comparison with the internal model.
- The standard formula does not consider any geographical diversification for non-proportional reinsurance. However, this aspect is taken into account in the internal model of the globally diversified HDI Group.
- For the internal models, the stress levels for the life underwriting risks are derived in light of the data of the underlying portfolios. The calibration based on corporate data induces deviations from the standard-formula results.

In order to calculate the capital requirement for every risk module and, downstream, for the entire risk of the HDI Group, the capital requirements on the level of the respective sub-modules and/or risk modules are aggregated iteratively with the help of the so-called “root formula”. The root formula uses correlations specified by supervisory law – the simplest statistical measure of dependency – between the sub-modules and/or risk modules in order to specify the relevant dependencies, which in turn control the diversification effects within and between the risk modules in the standard formula.

In contrast to the standard formula, dependencies – and therefore also diversification effects – result between the risk categories in the partial internal model, partly due to modelled dependencies between the risk factors (e.g. in the economic scenario generator), via copula-modelled dependencies (e.g. between the premium risk in the business lines of a company) or explicit assumptions of independence (e.g. between market and natural-hazard risks). To this extent, the solvency capital requirements according to the standard-formula method and the partial internal model differ in terms of the dependency modelling and the diversification effects induced by it, as well as the differences in the allocation to risk modules and the calculation methodology for risk modules.

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

At present, there are no signs of any impending shortages in the capitalisation. Furthermore, an established limit and threshold system is used to guarantee the continuous risk-bearing capacity, expressed by a minimum capital requirement above and beyond the statutory requirements.

E.6 ANY OTHER INFORMATION

All the material and relevant information to be reported about capital management have already been included in the other sections of the SFCR.

FURTHER INFORMATION

CATEGORIES OF THE LINES OF BUSINESS

CATEGORIES OF THE LINES OF BUSINESS

EUR THOUSAND

	Categories of the lines of business				
	Non-life (excluding health)	Life (excluding health and index-linked and unit-linked)	Health (similar to life)	Health (similar to non-life)	Index-linked and unit-linked
Line of business for non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					
Medical expense insurance				■	
Income protection insurance				■	
Workers' compensation insurance				■	
Motor vehicle liability insurance	■				
Other motor insurance	■				
Marine, aviation and transport insurance	■				
Fire and other damage to property insurance	■				
General liability insurance	■				
Credit and suretyship insurance					
Legal expenses insurance	■				
Assistance	■				
Miscellaneous financial loss	■				
Line of business for accepted non-proportional reinsurance					
Health				■	
Casualty				■	
Marine, aviation, transport	■				
Property	■				
Line of business for life insurance obligations					
Health insurance			■		
Insurance with profit participation		■			
Index-linked and unit-linked					■
Other life insurance		■			
Annuities stemming from non-life insurance contracts and relating to health insurance obligations			■		
Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations		■			
Life reinsurance obligations					
Health insurance			■		
Life reinsurance		■			

GLOSSARY

ACCOUNTING PROHIBITION

Due to the discrepancy between the > Solvency II and > IFRS regulations, there are certain items contained in the published financial statements which are not permitted to be recognised in the Solvency balance sheet under > Solvency II; to this extent, there is a factual accounting prohibition.

ACCUMULATION RISK

The underwriting risk that a single trigger event (e.g. an earthquake or hurricane) can lead to an accumulation of claims within a > portfolio.

ALLOCATION

“Allocation” generally refers to the assignment of limited resources to potential users. In the present report, the allocation refers to (solvency) capital and/or the > solvency capital requirement (SCR).

ASSET/LIABILITY MISMATCH

Describes the different maturity structures of balance-sheet items on the asset and liability sides; mostly expressed by different > durations.

ASSET MANAGEMENT

Management of investments. The administration and management of investments based on risk and return aspects.

BASIS OF CONSOLIDATION

According to the accounting standards, the basis of consolidation consists of the group of companies that need to be integrated into the consolidated financial statements

BASIC SOLVENCY CAPITAL REQUIREMENT

Defined in section 100 of the German Insurance Supervision Act (VAG). Defines an aggregation specified in annex 3 VAG, showing how the individual risk modules of (1) non-life insurance risk, (2) life insurance risk, (3) health insurance risk, (4) market risk and (5) counterparty default risk shall be used to calculate the basic solvency capital requirement (BSCR).

The formula defined in annex 3 VAG is used under Solvency II to mathematically aggregate individual SCRs into an overall BSCR.

BEST ESTIMATE

In accordance with section 77(1) VAG, the best estimate corresponds to the probability-weighted average of future > cash flows, with due consideration of the fair value of the funds (expected > present value of future cash flows) and using the decisive risk-free > interest rate term structure.

CALIBRATION

Calibration is a data-based procedure for setting model parameters.

CAPITAL ADEQUACY RATIO

The abbreviation CAR is also used. From the economic point of view, the relation between basic own funds including > hybrid capital and the > solvency capital requirement (SCR).

CAR (CAPITAL ADEQUACY RATIO)

> Capital adequacy ratio

CASH FLOW

Description of incoming/outgoing flows of funds (e.g. claim payouts, premium payments and investment income, such as interest and dividends) within a specified time horizon. In this sense, the crucial features are the timing and amount of the respective incoming/outgoing flows.

CEDANT

A primary insurer or reinsurer who passes on (cedes) shares of its insured risks to a reinsurer in exchange for a premium

CO-INSURANCE

Co-insurance represents the underwriting of a technical risk by several risk takers. In the co-insurance percentage, the underlying risk is divided between the risk takers according to a percentage. As a rule, the percentage then also determines the proportion of the premium to be claimed and the share of any occurring losses to be paid.

COMPLEMENTARY IDENTIFICATION CODE (CIC)

System for the standardised classification of the types of investment instruments. (See annex V and VI of Commission implementing regulation (EU) 2015/2450)

CONCENTRATION RISK

According to section 7 No. 17 VAG, the concentration risk consists of all commitments entailing risks that involve a potential for default which is significant enough to threaten the solvency or the financial situation of the insurance companies.

CONFIDENCE LEVEL

In the context of Solvency II, the solvency capital requirement shall correspond to the value at risk of the basic own funds of an insurance or reinsurance undertaking subject to a confidence level of 99.5% over a one-year period. In this sense, the confidence level p corresponds to the percentage rate $1-p$ with which the variable to be assessed (such as the required solvency capital) is not exceeded.

COST-OF-CAPITAL RATE

According to Article 77(5) of Directive 2009/138/EC, this corresponds to the underlying cost-of-capital rate, which must correspond to the additional rate lying above the relevant risk-free interest rate which any insurance or reinsurance company would have to bear that maintains an amount of eligible own funds corresponding to the solvency capital requirement required for covering the insurance and reinsurance liabilities during its term. According to Article 39 of the Delegated Regulation it shall be assumed to be equal to 6%.

DELEGATED REGULATION

Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

In accordance with Article 288 (2) of the Treaty on the Functioning of the European Union (TFEU), EU regulations are legislative acts which do not require implementation into national law. In this respect, the Delegated Regulation (EU) 2015/35 provides a legal basis to be applied to this report.

DEPOSITS TO CEDENTS/DEPOSITS FROM REINSURERS

Collateral provided to cover insurance liabilities that an insurer retains from the cash funds it has to pay to a reinsurer under a reinsurance treaty. In this case, the insurer reports funds held under a reinsurance treaty, while the reinsurer reports funds held by a ceding company. Interest is payable/receivable on these funds.

DISCOUNTING

Procedure in financial mathematics where a specific interest rate (> yield curve) is used to determine the > present value of a > cash flow.

DIVERSIFICATION

Diversification leads to a reduction of the potential risk for insurance companies and groups and is based on the fact that the negative impact of a risk can be compensated by the more favourable impact of a different risk, insofar as these two risks are not fully dependent on each other.

DIVISION

A division according to the internal structural set-up within the HDI Group.

DURATION

A ratio used in financial mathematics that represents the average capital commitment period of an investment in bonds or their interest rate sensitivity. The “Macaulay duration” is the capital-weighted mean number of years over which a bond will generate payments. The “modified duration”, on the other hand, shows the change in present value of a bond in the event of a change in interest rates and is thus a measure of the interest rate risk associated with a financial instrument.

EQUITY (IFRS)

The equity represents a residual variable; it results from the difference between the asset and liability balance-sheet items valued according to the relevant accounting standard (> IFRS).

ERM/ECM REVIEW

Assessment procedure, generally by external rating agencies, in which the Enterprise Risk Management (ERM), i.e. the company-wide risk management, and/or the Economic Capital Management (ECM), i.e. the determining, allocation and management of the economic capital, are assessed.

EXPERT ESTIMATE

As a rule, expert estimates act as a plausibility check and validation or as a basis for deterministic stress scenarios when historic or market data are not available.

EXPERT JUDGEMENT

Technical expertise of individual persons or committees with relevant knowledge, experience and understanding of the inherent risks in the insurance and reinsurance business. Expert judgements are the subject of regulation in the context of internal/partially internal models.

EXPOSURE

The level of danger inherent in a risk or portfolio of risks.

EXTRAPOLATION

Designation for a mathematical procedure for estimating the value of a variable above and beyond its original observation range on the basis of its relation to another variable. In connection with the SFCR, extrapolation refers to the derivation of the > yield curve above and beyond the period of time that can be derived directly from the capital market through to an "Ultimate Forward Rate", which is used in the > discounting of extremely long-term liabilities.

FAIR VALUE APPROACH

Valuation system that is used to determine the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FIXED INCOME

Class of capital investments, in which the debtor must make payments to the creditor according to a specified schedule and in a previously defined amount.

GOODWILL

The amount that a purchaser is prepared to pay – in light of future profit expectations – above and beyond the value of all tangible and intangible assets after deduction of liabilities.

GROSS

In insurance: **before** deduction of passive reinsurance. This includes existing reinsurance programmes to protect the insurer against underwriting risks.

HYBRID CAPITAL

Subordinated debt and profit participation rights that combine characteristics of both debt and equity.

IMPAIRMENT TEST

A lowest value test to be performed according to the IFRS accounting standards, with the aim of ensuring that assets are not valued higher than their achievable value. This is the higher value of either the fair value of an asset less costs to sell or the value in use.

INTEREST RATE TERM STRUCTURE

Presentation of the structure of interest rates over time, i.e. the dependence of the interest rate on the lock-up period of an asset or on the maturity of an interest derivative.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Internationally recognised accounting standards, previously known as IAS (International Accounting Standards).

LAPSE ASSUMPTIONS

In life insurance, the policyholder has the option of ending the contract prematurely (lapse). The assumptions in this regard are integrated into the calculation of the > best estimate.

LARGE LOSS (ALSO: MAJOR LOSS)

A claim of exceptional size compared with the average claim for the risk group in question and that exceeds a defined loss amount. Since 2012, major losses have been defined as natural catastrophes and other major losses in which the portion held by the HDI Group is in excess of EUR 10 million gross.

LIMITS AND THRESHOLDS SYSTEM

Supports the operationalisation and monitoring of the relevant management metrics in the company. When the respective limits/thresholds are not reached or are exceeded, this leads to previously defined actions that are to be performed.

LINE OF BUSINESS

Line of business according to the supervisory definition in annex I of the Commission Delegated Regulation (EU) 2015/35.

MATCHING ADJUSTMENT

With the approval of the supervisory authority, insurance companies may carry out an adjustment to match the decisive, risk-free interest rate term structure, in order to calculate the best estimate of the portfolio of life insurance or reinsurance liabilities, including annuity insurance, which arise from non-life or reinsurance contracts, insofar as the prerequisites for this in accordance with section 80(1) No. 1ff. VAG are given.

MATERIALITY

Missing or incorrect specifications of items are deemed to be material if they could influence – either individually or cumulatively – the economic decisions of the addressees.

MINIMUM CAPITAL REQUIREMENT (MCR)

According to section 122(1) VAG, the minimum capital requirement (MCR) corresponds to the amount of eligible basic own funds (> own funds) below which the policyholders and eligible parties would be exposed to an unacceptable level of risk if the insurance company continued with its business activities.

The consolidated minimum capital requirement (SCR floor) is the lower limit for the Group solvency capital requirement from the regulatory perspective. The minimum capital requirement of the HDI Group is formed from the total of the company-specific minimum capital requirements (MCRs), which in the case of companies based in the European Economic Area (EEA) amounts to max. 45% and min. 25% of the solvency capital requirement.

NET

In insurance: **after** deduction of passive reinsurance. This includes existing reinsurance programmes to protect the insurer against underwriting risks.

OCCURRENCE YEAR

The year in which the event giving rise to the claim occurred.

ORSA (OWN RISK AND SOLVENCY ASSESSMENT)

The undertaking's own assessment of its risk and solvency in accordance with section 27 VAG.

OWN FUNDS

In accordance with section 89(2) VAG, the own funds of an insurance company include the basic own funds and the ancillary own funds.

According to section 89(3) VAG, basic own funds consist of the surplus of assets over liabilities, minus the amount of own shares in the solvency overview and the subordinated liabilities.

The ancillary own funds are funds that are not included in the basic funds and that can be deployed to compensate for losses (section 89(4) VAG).

The own funds must be categorised by the insurance company into three quality classes (tiers). The classification of the own-fund components is based on whether they are basic own funds or ancillary own funds and to what extent they are available or can be deployed in order to fully offset losses incurred as a going concern and in the event of liquidation and, in the event of such liquidation, they are subordinated to all other liabilities. The maturity is also taken into account in this classification; in the same way, the extent to which an own-fund component is free of liabilities or incentives to repay the nominal amount, obligatory fixed costs and any other burdens is also considered. (section 91 VAG).

PORTEFEUILLE

> Portfolio

PORTFOLIO (ALSO: PORTEFEUILLE)

a) All risks assumed by a primary insurer or reinsurer in their entirety or in a defined sub-segment.

b) A group of investments classified according to specific criteria.

PRESENT VALUE

Fair value of a > cash flow determined by > discounting.

PRIMARY INSURANCE

A company that accepts risks in exchange for an insurance premium and that has a direct contractual relationship with the policyholder (private individual, company, organisation)

QUANTILE

A quantile breaks down a sample into sub-quantities. Given a quantile sized p , a share of p of the sample is therefore smaller than the quantile, and the remaining $1-p$ is greater than the quantile.

REAL-WORLD SCENARIOS

Scenarios that represent a range of realistic developments of risk factors and that contribute to risk assessment in the context of internal models, among other areas.

REINSURER

A company that accepts risks or portfolio segments from a primary insurer (> primary insurance) or another reinsurer in exchange for an agreed premium.

REPLICATING PORTFOLIO

Represents an actuarial approximation technique for risk assessment in the context of internal models in life insurance. In this technique, a replicating portfolio consists of a number of financial instruments where the market-consistent value in the risk step for various types of economic parameters in the real-world scenarios can easily be determined by analytical means. The financial instruments and their weightings in the replication portfolio are calibrated at the beginning of the projection in such a way that the cash flows of the replicating portfolio closely match the cash flows from the assessment model in specific calibration scenarios with a suitable metric.

RETROCESSIONAIRE

Reinsurer to which certain risks or shares of a risk of another reinsurer are ceded.

RISK BUDGET

The risk budget forms part of the management and monitoring process. Risk capitals are allocated (> allocation) to individual units and their utilisation is managed/monitored.

RISK KERNEL

The risk kernel of the HDI Group is Talanx AG, as the actual risk balancing and risk management within the Group is carried out at Talanx Group level.

RISK MARGIN

According to section 78(1) VAG, the risk margin ensures that the value of the technical provisions corresponds to the amount that the insurance companies would demand in order to be able to take over and fulfil the insurance obligations.

RUN-OFF TRIANGLE

Tabular presentation that shows how the claim expenses or claim payments will change as per the respective reporting date, in relation to the relevant past > underwriting years or > occurrence years. The suitability of the run-off triangles is monitored using actuarial methods.

SAFETY LEVEL

> Confidence level

SCR BUDGET

> Risk budget for the solvency capital requirement of the material risk categories.

SENSITIVITY

Specifies how sensitive a variable is to changes in one or several initial variables.

SFCR

Solvency and Financial Condition Report in accordance with section 40 VAG.

SIMULATION

Use of models to analyse generally complex issues.

SOLVENCY

The amount of available own funds free of any foreseeable liabilities needed to ensure that contracts can be fulfilled at all times.

SOLVENCY II

European Union Directive for insurance companies which brought fundamental reform to European insurance supervision law. The focus is on expanded publication obligations and refined solvency regulations governing the level of own funds to be maintained by insurance companies. The Directive has been in force since January 2016 and was incorporated into the German Insurance Supervision Act (Versicherungsaufsichtsgesetz – VAG).

SOLVENCY II RATIO

In the regulatory perspective, represents the relation between > own funds and the > solvency capital requirement (SCR), but without using transitionals. Expressed as a percentage, it indicates the level of cover of the > solvency capital requirement with > own funds.

SOLVENCY BALANCE SHEET

Comparison of assets and liabilities according to the valuation regulations of Solvency II.

The solvency overview that can be subsumed under the term of “Solvency balance sheet” provides specific details, so that the solvency overview represents a comparison of the assets and liabilities in accordance with section 74 to 87 VAG for the purposes of determining the available own funds. With regard to the arrangement of the items in the structure, it corresponds to disclosure template S.02.01.01.

SOLVENCY CAPITAL REQUIREMENT (SCR)

The solvency capital requirement can be determined using a specified standard formula or with an internal model. It reflects all the quantifiable risks to which an insurance company is exposed.

SPREAD

The term “spread” refers to the difference in the interest rates for a bond entailing a risk and a risk-free bond with the same maturity. The spread acts as a measurement of the additional risk premium that an investor receives for taking on the credit risk.

STANDARD FORMULA

Calculation system stipulated under supervisory law in section 99 VAG that specifies how any companies that do not use a partial or full internal model approved by the supervisory authorities must use the > basic solvency capital requirement to determine the > solvency capital requirement (SCR), taking into account any adjustments for the loss absorbing capacity of technical provisions and deferred taxes, as well as the operational risk.

STOCHASTIC ENTERPRISE MODEL

For life insurance companies, this refers to the model for the market-consistent valuation of stochastic corporate cash flows when measuring the own funds, and forms the basis for the life internal model.

STRUCTURE OF INTEREST RATES

Describes the relations between various interest rates that apply to different maturities. This generally leads both to a dependence on the maturity and also to a dependence on the related risk. In most cases, the long-term interest rate is therefore higher than the short-term interest rate. Forms the basis for > discounting.

SURPLUS FUNDS

In accordance with section 93 VAG, own-funds component in Class 1 (> own funds), consisting of part of the provision for premium refunds which may be used for covering losses and is not attributable to defined profit shares (life insurance, health insurance similar to life insurance and casualty insurance with a premium refund).

TECHNICAL PROVISIONS

Liability item in the balance sheet of insurance companies, which discloses the liabilities arising from the insurance business.

TERM

Refers to the Talanx Enterprise Risk Model – the internal holistic risk model of the HDI Group. This model distinguishes between economic aspects and regulatory aspects. From the economic point of view, TERM represents an integral, internal model in relation to the Talanx Group. In regulatory terms, the operational risk is determined using the standard formula.

TIER/TIERING

> Own funds

TRANSITIONAL (ALSO: TRANSITIONAL MEASURES)

Includes temporary adjustments regarding risk-free interest rates in accordance with section 351 VAG and technical provisions in accordance with section 352 VAG which can be applied after approval by the supervisory authority.

TRANSITIONAL ON TECHNICAL PROVISIONS

One of the transitional measures in connection with Solvency II coming into force. BaFin is able to grant its approval to insurers to not value their reserves immediately on the basis of Solvency II, but rather to gradually migrate to full Solvency II valuations over a period of 16 years.

ULTIMATE FORWARD RATE

> Extrapolation

UNDERWRITING YEAR

The year in which the original policy was underwritten.

USE TEST

In the case of insurance companies that use an internal model, this refers to the documentation that the internal model is used in the company for steering purposes, and plays an important role in the System of Governance, and specifically in the risk management, the decision-making processes and the company's own risk and solvency assessment.

VALIDATION PROCESS

The aim of the validation is to ensure that the internal model allows a realistic and robust evaluation of all the material risks of an insurance company. Validation is an iterative process for the identification of model restrictions and the systematic implementation of improvements.

VALUE AT RISK

A risk measure for determining a (negative) deviation that will not be exceeded with a certain probability in a given period.

VOLATILITY

In general, this describes the level of fluctuation of a key indicator. Its significance depends on the context. Among other meanings, volatility is used as a synonym for fluctuation measured with the help of the statistical indicator, standard deviation, or it designates a parameter of stochastic processes for underlying risk factors that manages the fluctuation.

VOLATILITY ADJUSTMENT

In accordance with section 82 VAG, this represents a possibility – subject to the approval of the supervisory authorities – to adjust the interest rate (> discounting) in order to determine the > best estimate.

A volatility adjustment provides anti-cyclical dampening of the effects of short-term volatility on the credit markets on the solvency of insurers with long-term liabilities.

ANNEX — QUANTITATIVE REPORTING TEMPLATES (QRTs)

REPORTING TEMPLATE S.O2.01.02

BALANCE SHEET

DT1 BALANCE SHEET

EUR THOUSAND

		Solvency II value 2016
Assets		C0010
Intangible assets	R0030	1,439
Deferred tax assets	R0040	1,355,940
Pension benefit surplus	R0050	—
Property, plant & equipment held for own use	R0060	328,002
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	110,398,433
Property (other than for own use)	R0080	3,360,422
Holdings in related undertakings, including participations	R0090	581,516
Equities	R0100	1,124,014
Equities – listed	R0110	1,059,937
Equities – unlisted	R0120	64,076
Bonds	R0130	97,509,690
Government bonds	R0140	40,679,141
Corporate bonds	R0150	54,722,390
Structured notes	R0160	612,583
Collateralised securities	R0170	1,495,577
Collective investments undertakings	R0180	5,264,567
Derivatives	R0190	353,461
Deposits other than cash equivalents	R0200	1,426,843
Other investments	R0210	777,921
Assets held for index-linked and unit-linked contracts	R0220	11,649,810
Loans and mortgages	R0230	604,009
Loans on policies	R0240	142,335
Loans and mortgages to individuals	R0250	450,632
Other loans and mortgages	R0260	11,041
Reinsurance recoverables from:	R0270	6,096,324
Non-life and health similar to non-life	R0280	4,709,916
Non-life excluding health	R0290	4,642,555
Health similar to non-life	R0300	67,362
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	920,916
Health similar to life	R0320	485,356
Life excluding health and index-linked and unit-linked	R0330	435,560
Life index-linked and unit-linked	R0340	465,492
Deposits to cedants	R0350	3,549,603
Insurance and intermediaries receivables	R0360	5,003,792
Reinsurance receivables	R0370	550,603
Receivables (trade, not insurance)	R0380	932,220
Own shares (held directly)	R0390	—
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	—
Cash and cash equivalents	R0410	2,702,731
Any other assets, not elsewhere shown	R0420	1,361,884
Total assets	R0500	144,534,790

DT1 BALANCE SHEET

EUR THOUSAND

		Solvency II value 2016
Liabilities		C0010
Technical provisions – non-life	R0510	36,871,496
Technical provisions – non-life (excluding health)	R0520	34,603,689
Technical provisions calculated as a whole	R0530	—
Best estimate	R0540	33,286,562
Risk margin	R0550	1,317,126
Technical provisions – health (similar to non-life)	R0560	2,267,807
Technical provisions calculated as a whole	R0570	1,149
Best estimate	R0580	2,180,714
Risk margin	R0590	85,944
Technical provisions – life (excluding index-linked and unit-linked)	R0600	52,137,339
Technical provisions – health (similar to life)	R0610	4,230,600
Technical provisions calculated as a whole	R0620	—
Best estimate	R0630	4,018,196
Risk margin	R0640	212,403
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	47,906,739
Technical provisions calculated as a whole	R0660	—
Best estimate	R0670	45,365,411
Risk margin	R0680	2,541,329
Technical provisions – index-linked and unit-linked	R0690	12,260,239
Technical provisions calculated as a whole	R0700	615,953
Best estimate	R0710	11,431,622
Risk margin	R0720	212,664
Contingent liabilities	R0740	882
Provisions other than technical provisions	R0750	926,999
Pension benefit obligations	R0760	2,162,438
Deposits from reinsurers	R0770	1,204,956
Deferred tax liabilities	R0780	6,490,640
Derivatives	R0790	80,808
Debts owed to credit institutions	R0800	681,931
Financial liabilities other than debts owed to credit institutions	R0810	1,276,478
Insurance & intermediaries payables	R0820	1,706,047
Reinsurance payables	R0830	1,097,450
Payables (trade, not insurance)	R0840	997,811
Subordinated liabilities	R0850	2,214,542
Subordinated liabilities not in basic own funds	R0860	6,492
Subordinated liabilities in basic own funds	R0870	2,208,049
Any other liabilities, not elsewhere shown	R0880	876,887
Total liabilities	R0900	120,986,941
Excess of assets over liabilities	R1000	23,547,849

REPORTING TEMPLATE S.05.01.02

PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

DT2 PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

EUR THOUSAND

		Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		
		Medical expense insurance	Income protection insurance	Workers' compensation insurance
		C0010	C0020	C0030
Premiums written				
Gross – direct business	R0110	15,915	325,601	79,814
Gross – proportional reinsurance accepted	R0120	26,865	211,558	34,758
Gross – non-proportional reinsurance accepted	R0130			
Reinsurers' share	R0140	644	16,195	25,468
Net	R0200	42,136	520,964	89,104
Premiums earned				
Gross – direct business	R0210	18,038	342,652	83,268
Gross – proportional reinsurance accepted	R0220	11,819	212,032	11,934
Gross – non-proportional reinsurance accepted	R0230			
Reinsurers' share	R0240	673	16,852	33,549
Net	R0300	29,184	537,832	61,653
Claims incurred				
Gross – direct business	R0310	6,253	128,307	61,433
Gross – proportional reinsurance accepted	R0320	13,126	141,820	2,946
Gross – non-proportional reinsurance accepted	R0330			
Reinsurers' share	R0340	553	8,562	24,961
Net	R0400	18,826	261,565	39,419
Changes in other technical provisions				
Gross – direct business	R0410	–	7,925	–
Gross – proportional reinsurance accepted	R0420	–	–	–
Gross – non-proportional reinsurance accepted	R0430			
Reinsurers' share	R0440	–	1,984	–
Net	R0500	–	5,941	–
Expenses incurred	R0550	21,075	223,545	28,700
Other expenses	R1200			
Total expenses	R1300			

Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						
Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	
C0040	C0050	C0060	C0070	C0080	C0090	
1,808,466	1,705,451	674,882	2,530,703	1,765,539	83,577	
855,885	408,097	276,700	2,435,617	535,258	522,396	
73,128	41,979	254,601	1,660,376	185,234	11,936	
2,591,223	2,071,569	696,981	3,305,943	2,115,563	594,036	
1,702,295	1,625,958	686,690	2,489,424	1,732,294	80,904	
799,367	512,983	317,904	2,325,858	509,324	518,989	
76,447	42,999	268,063	1,645,711	196,217	9,185	
2,425,214	2,095,942	736,531	3,169,571	2,045,402	590,708	
1,195,665	1,105,831	438,411	1,340,983	860,655	33,703	
636,669	276,567	204,117	1,437,721	264,327	315,156	
61,900	26,220	157,630	769,122	-240,609	5,344	
1,770,434	1,356,178	484,898	2,009,582	1,365,591	343,514	
—	—	1,191	—	39	—	
—	—	—	—	—	—	
12	4	151	3,616	103	—	
-12	-4	1,040	-3,616	-64	—	
781,568	922,274	310,041	1,217,613	715,805	235,464	
—	—	—	—	—	—	
—	—	—	—	—	—	

DT3 PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

EUR THOUSAND

		Line of business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)		
		Legal expenses insurance	Assistance	Miscellaneous financial loss
		C0100	C0110	C0120
Premiums written				
Gross – direct business	R0110	44,773	24,443	190,600
Gross – proportional reinsurance accepted	R0120	3,450	697	53,950
Gross – non-proportional reinsurance accepted	R0130			
Reinsurers' share	R0140	2,521	5,194	24,094
Net	R0200	45,702	19,946	220,457
Premiums earned				
Gross – direct business	R0210	47,016	22,366	201,942
Gross – proportional reinsurance accepted	R0220	2,956	697	61,255
Gross – non-proportional reinsurance accepted	R0230			
Reinsurers' share	R0240	2,604	4,978	21,759
Net	R0300	47,368	18,085	241,438
Claims incurred				
Gross – direct business	R0310	24,660	8,960	50,856
Gross – proportional reinsurance accepted	R0320	1,753	619	46,921
Gross – non-proportional reinsurance accepted	R0330			
Reinsurers' share	R0340	1,195	1,504	6,261
Net	R0400	25,218	8,076	91,516
Changes in other technical provisions				
Gross – direct business	R0410	22	–	257
Gross – proportional reinsurance accepted	R0420	–	–	–72
Gross – non-proportional reinsurance accepted	R0430			
Reinsurers' share	R0440	–	–	–
Net	R0500	22	–	185
Expenses incurred	R0550	45,203	16,695	221,145
Other expenses	R1200			
Total expenses	R1300			

Line of business for: accepted non-proportional reinsurance					
	Health	Casualty	Marine, aviation, transport	Property	Total
	C0130	C0140	C0150	C0160	C0200
					9,249,764
					5,365,229
	184,405	829,737	312,996	1,733,785	3,060,923
	7,807	197,209	95,219	298,147	2,899,751
	176,598	632,528	217,778	1,435,639	14,776,166
					9,032,846
					5,285,117
	189,703	827,737	322,493	1,702,652	3,042,585
	7,728	199,450	95,346	304,932	2,926,492
	181,975	628,286	227,147	1,397,720	14,434,056
					5,255,717
					3,341,742
	165,140	595,426	115,015	934,513	1,810,094
	2,058	221,219	51,040	158,301	1,255,261
	163,082	374,207	63,975	776,212	9,152,292
					9,433
					-72
	-	-	-	-	-
					5,871
					3,491
	48,491	151,650	35,259	309,455	5,283,982
					18,355
					5,302,337

DT4 PREMIUMS, CLAIMS AND EXPENSES BY LINE OF BUSINESS

EUR THOUSAND

		Line of business for: life insurance obligations			
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance
		C0210	C0220	C0230	C0240
Premiums written					
Gross	R1410	52,738	5,448,777	252,613	672,025
Reinsurers' share	R1420	681	50,933	1,706	12,393
Net	R1500	52,057	5,397,844	250,907	659,632
Premiums earned					
Gross	R1510	54,934	4,404,652	17,644	593,811
Reinsurers' share	R1520	765	50,965	1,706	9,434
Net	R1600	54,169	4,353,687	15,938	584,376
Claims incurred					
Gross	R1610	31,091	3,796,875	94,617	249,618
Reinsurers' share	R1620	912	78,465	624	4,466
Net	R1700	30,179	3,718,410	93,993	245,153
Changes in other technical provisions					
Gross	R1710	-364	1,928,272	-91,733	-70,930
Reinsurers' share	R1720	-33	36,665	67	1,149
Net	R1800	-331	1,891,606	-91,800	-72,079
Expenses incurred	R1900	24,457	702,229	20,943	894,982
Other expenses	R2500				
Total expenses	R2600				

Line of business for: life insurance obligations		Life reinsurance obligations		
Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
C0250	C0260	C0270	C0280	C0300
—	—	1,629,949	5,374,991	13,431,092
—	—	137,273	516,322	719,308
—	—	1,492,676	4,858,669	12,711,784
—	—	1,599,723	5,386,823	12,057,587
—	—	137,396	526,376	726,643
—	—	1,462,327	4,860,447	11,330,945
—	—	1,073,394	4,841,515	10,087,110
—	—	29,296	450,283	564,045
—	—	1,044,098	4,391,232	9,523,065
—	—	146,207	24,503	1,935,955
—	—	–90,023	–257	–52,432
—	—	236,230	24,760	1,988,387
—	—	350,015	615,431	2,608,059
				14,017
				2,622,076

REPORTING TEMPLATE S.05.02.01

PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

DT5 PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

EUR THOUSAND

		Top five countries (by amount of gross premiums written) – non-life obligations							Total – top five and home country
		Home country							
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	
	R0110	C0010	PL	BR	US	IT	GB	C0070	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140	
Premiums written									
Gross – direct business	R0110	3,050,660	968,766	877,895	788,681	473,021	398,112	6,557,135	
Gross – proportional reinsurance accepted	R0120	1,770,526	561,923	509,214	457,466	274,371	230,921	3,804,420	
Gross – non-proportional reinsurance accepted	R0130	1,010,105	320,583	290,512	260,989	156,532	131,743	2,170,464	
Reinsurers' share	R0140	964,199	306,014	277,309	249,128	149,418	125,755	2,071,823	
Net	R0200	4,867,092	1,545,259	1,400,312	1,258,008	754,506	635,020	10,460,196	
Premiums earned									
Gross – direct business	R0210	3,022,760	912,165	906,612	766,595	469,341	412,034	6,489,507	
Gross – proportional reinsurance accepted	R0220	1,768,617	533,707	530,458	448,534	274,611	241,081	3,797,010	
Gross – non-proportional reinsurance accepted	R0230	1,018,174	307,250	305,379	258,216	158,091	138,788	2,185,898	
Reinsurers' share	R0240	986,598	297,721	295,909	250,209	153,188	-134,484	1,849,140	
Net	R0300	4,822,953	1,455,401	1,446,541	1,223,137	748,855	926,388	10,623,274	
Claims incurred									
Gross – direct business	R0310	2,112,029	467,695	637,121	529,225	296,168	226,201	4,268,440	
Gross – proportional reinsurance accepted	R0320	1,206,866	267,252	364,067	302,412	169,238	129,257	2,439,093	
Gross – non-proportional reinsurance accepted	R0330	653,713	144,760	197,201	163,805	91,670	70,014	1,321,164	
Reinsurers' share	R0340	458,810	101,600	138,406	114,967	64,339	49,139	927,261	
Net	R0400	3,513,799	778,107	1,059,984	880,475	492,738	376,333	7,101,436	
Changes in other technical provisions									
Gross – direct business	R0410	–	–	–	–	–	–	–	
Gross – proportional reinsurance accepted	R0420	–	–	–	–	–	–	–	
Gross – non-proportional reinsurance accepted	R0430	–	–	–	–	–	–	–	
Reinsurers' share	R0440	–	–	–	–	–	–	–	
Net	R0500	–	–	–	–	–	–	–	
Expenses incurred	R0550	478,781	279,019	214,257	143,698	85,538	95,478	1,296,770	
Other expenses	R1200	–	–	–	–	–	–	–	
Total expenses	R1300	–	–	–	–	–	–	1,296,770	

DT6 PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

EUR THOUSAND

		Top five countries (by amount of gross premiums written) –							Total – top five and home country
		Home country	life obligations						
		C0150	C0160	C0170	C0180	C0190	C0200	C0210	
	R1400	C0150	GB	PL	IE	US	IT	C0210	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280	
Premiums written									
Gross	R1410	4,780,145	1,920,590	1,706,263	991,817	681,743	424,152	10,504,711	
Reinsurers' share	R1420	63,891	97,902	986	1,846	52,942	55	217,623	
Net	R1500	4,716,254	1,822,688	1,705,277	989,971	628,801	424,097	10,287,088	
Premiums earned									
Gross	R1510	3,722,196	1,920,273	1,706,279	975,804	681,743	188,051	9,194,345	
Reinsurers' share	R1520	70,911	97,902	986	1,930	52,942	49	224,721	
Net	R1600	3,651,285	1,822,370	1,705,293	973,873	628,801	188,002	8,969,624	
Claims incurred									
Gross	R1610	3,593,319	1,990,361	1,721,584	351,503	420,739	242,580	8,320,086	
Reinsurers' share	R1620	59,096	–	–	245	–	–	59,341	
Net	R1700	3,534,223	1,990,361	1,721,584	351,258	420,739	242,580	8,260,744	
Changes in other technical provisions									
Gross	R1710	–	–	–	–	–	–	–	
Reinsurers' share	R1720	–	–	–	–	–	–	–	
Net	R1800	–	–	–	–	–	–	–	
Expenses incurred	R1900	271,784	–8,255	32,101	5,467	105,833	–	406,930	
Other expenses	R2500	–	–	–	–	–	–	–	
Total expenses	R2600	–	–	–	–	–	–	406,930	

REPORTING TEMPLATE S.22.01.22

IMPACT OF LONG-TERM GUARANTEES AND TRANSITIONAL MEASURES

DT7 IMPACT OF LONG-TERM GUARANTEES AND TRANSITIONAL MEASURES

EUR THOUSAND

		Amount with long-term guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	101,269,074	6,546,421	—	361,532	—
Basic own funds	R0020	25,303,662	-4,477,978	—	-302,531	—
Eligible own funds to meet solvency capital requirement	R0050	19,676,129	-4,129,313	—	-127,684	—
Solvency capital requirement	R0090	8,346,467	9,317	—	2,135,389	—

REPORTING TEMPLATE S.23.01.22

OWN FUNDS

DT8 OWN FUNDS

EUR THOUSAND

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sectors						
Ordinary share capital (gross of own shares)	R0010	–	–		–	
Non-available called but not paid in ordinary share capital at Group level	R0020	–	–		–	
Share premium account related to ordinary share capital	R0030	–	–		–	
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	R0040	–	–		–	
Subordinated mutual member accounts	R0050	–		–	–	–
Non-available subordinated mutual member accounts at Group level	R0060	–		–	–	–
Surplus funds	R0070	1,603,309	1,603,309			
Non-available surplus funds at Group level	R0080	310,369	310,369			
Preference shares	R0090	–		–	–	–
Non-available preference shares at Group level	R0100	–		–	–	–
Share premium account related to preference shares	R0110	–		–	–	–
Non-available share premium account related to preference shares at Group level	R0120	–		–	–	–
Reconciliation reserve	R0130	21,492,304	21,492,304			
Subordinated liabilities	R0140	2,208,049		488,785	1,719,264	–
Non-available subordinated liabilities at Group level	R0150	–		–	–	–
An amount equal to the value of net deferred tax assets	R0160	–				–
The amount equal to the value of net deferred tax assets not available at the Group level	R0170	–				
Other items approved by supervisory authority as basic own funds not specified above	R0180	–	–	–	–	–
Non-available own funds related to other own funds items approved by supervisory authority	R0190	–	–	–	–	–
Minority interests (if not reported as part of a specific own fund item)	R0200	–	–	–	–	–
Non-available minority interests at Group level	R0210	5,408,572	4,924,330	105,636	378,606	–
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	–				
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	17,337	17,337	–	–	
whereof deducted according to Article 228 of the Directive 2009/138/EC	R0240	17,337	17,337	–	–	
Deductions for participations where there is non-availability of information (Article 229)	R0250	–	–	–	–	–
Deduction for participations included by using D and A when a combination of methods is used	R0260	–	–	–	–	–
Total of non-available own fund items	R0270	5,718,941	5,234,699	105,636	378,606	–
Total deductions	R0280	5,736,278	5,252,036	105,636	378,606	–
Total basic own funds after deductions	R0290	19,567,384	17,843,577	383,149	1,340,658	–

DT8 OWN FUNDS

EUR THOUSAND

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	–			–	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	R0310	–			–	
Unpaid and uncalled preference shares callable on demand	R0320	–			–	–
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	–				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	–			–	
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	–			–	
Supplementary members calls other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	–			–	–
Non-available ancillary own funds at Group level	R0380	–			–	–
Other ancillary own funds	R0390	–			–	–
Total ancillary own funds	R0400	–			–	–
Own funds of other financial sectors						
Reconciliation reserve	R0410	7,891	7,891	–	–	
Institutions for occupational retirement provision	R0420	100,854	100,854	–	–	
Non-regulated entities carrying out financial activities	R0430	–	–	–	–	
Total own funds of other financial sectors	R0440	108,745	108,745	–	–	
Own funds when using the D and A, exclusively or in combination with method 1						
Own funds aggregated when using the D and A and combination of method	R0450	–	–	–	–	–
Own funds aggregated when using the D and A and combination of method net of internal Group transactions	R0460	–	–	–	–	–
Total available own funds to meet the consolidated Group SCR (excluding own funds from other financial sectors and from the undertakings included via D and A)	R0520	19,567,384	17,843,577	383,149	1,340,658	–
Total available own funds to meet the minimum consolidated Group SCR	R0530	19,567,384	17,843,577	383,149	1,340,658	
Total eligible own funds to meet the consolidated Group SCR (excluding own funds from other financial sectors and from the undertakings included via D and A)	R0560	19,567,384	17,843,577	383,149	1,340,658	–
Total eligible own funds to meet the minimum consolidated group SCR	R0570	19,567,384	17,843,577	383,149	1,340,658	
Minimum consolidated Group SCR	R0610	6,870,019				
Ratio of eligible own funds to minimum consolidated Group SCR	R0650	285				
Total eligible own funds to meet the Group SCR (including own funds from other financial sectors and from the undertakings included via D and A)	R0660	19,676,129	17,952,322	383,149	1,340,658	–
Group SCR	R0680	8,346,467				
Ratio of eligible own funds to Group SCR including other financial sectors and undertakings included via D and A	R0690	236				

DT8 OWN FUNDS

EUR THOUSAND

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	23,547,849				
Own shares (held directly and indirectly)	R0710	–				
Foreseeable dividends, distributions and charges	R0720	452,236				
Other basic own fund items	R0730	1,603,309				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	–				
Other non-available own funds	R0750	–				
Reconciliation reserve before deduction for participation in other financial sectors	R0760	21,492,304				
Expected profits						
Expected profits included in future premiums (EPIFP) – life business	R0770	3,686,372				
Expected profits included in future premiums (EPIFP) – non-life business	R0780	78,867				
Total expected profits included in future premiums (EPIFP)	R0790	3,765,239				

REPORTING TEMPLATE S.25.02.22

SOLVENCY CAPITAL REQUIREMENT – FOR GROUPS USING THE STANDARD FORMULA AND PARTIAL INTERNAL MODEL

SOLVENCY CAPITAL REQUIREMENT – FOR GROUPS USING THE STANDARD FORMULA

DT9 AND PARTIAL INTERNAL MODEL

EUR THOUSAND

Unique number of component	Components description	Calculation of the solvency capital requirement	Consideration of the future management actions regarding technical provisions and/or deferred taxes	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0060	C0070	C0080	C0090
10	Market risk non-life and reinsurance	5,216,999	4 – No embedded consideration of future management actions	5,216,999	None	None
11	Market risk primary life insurance	1,806,374	3 – Future management actions regarding the loss-absorbing capacity of technical provisions and deferred taxes embedded within the component	1,806,374	None	None
12	Pension risk	347,970	4 – No embedded consideration of future management actions	347,970	None	None
13	Credit risk (counterparty default risk)	279,835	4 – No embedded consideration of future management actions	279,835	None	None
14	Premium and reserve risk (excl. NatCat)	3,493,574	4 – No embedded consideration of future management actions	3,493,574	None	None
15	Natural catastrophe risks	2,659,885	4 – No embedded consideration of future management actions	2,659,885	None	None
16	Underwriting risk life	2,339,040	3 – Future management actions regarding the loss-absorbing capacity of technical provisions and deferred taxes embedded within the component	2,339,040	None	None
7	Operational risk	1,312,857	4 – No embedded consideration of future management actions	1,312,857	None	None
17	Loss absorbing capacity of deferred taxes non-life and reinsurance	-1,638,004	4 – No embedded consideration of future management actions	-1,638,004	None	None

DT10 SOLVENCY CAPITAL REQUIREMENT – FOR GROUPS USING THE STANDARD FORMULA AND PARTIAL INTERNAL MODEL

EUR THOUSAND

		C0100
Calculation of solvency capital requirement		
Total undiversified components	R0110	15,818,530
Diversification	R0060	-7,565,858
Capital requirement for business operated in accordance with Article 4 of Directive 2003/41/EC	R0160	—
Solvency capital requirement excluding capital add-on	R0200	8,252,672
Capital add-ons already set	R0210	—
Solvency capital requirement for undertakings under consolidated method	R0220	8,252,672
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-2,365,584
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	-1,865,883
Capital requirement for duration-based equity risk sub-module	R0400	—
Total amount of notional solvency capital requirements for remaining part	R0410	—
Total amount of notional solvency capital requirements for ring fenced funds (other than those related to business operated in accordance with Article 4 of Directive 2003/41/EC [transitional])	R0420	—
Total amount of notional solvency capital requirement for matching adjustment portfolios	R0430	—
Diversification effects due to RFF nSCR aggregation for Article 304	R0440	—
Minimum consolidated Group solvency capital requirement	R0470	6,870,019
Information on other entities		
Capital requirement for other financial sectors (non-insurance capital requirements)	R0500	93,795
Capital requirement for other financial sectors (non-insurance capital requirements) – credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	4,077
Capital requirement for other financial sectors (non-insurance capital requirements) – institutions for occupational retirement provisions	R0520	89,718
Capital requirement for other financial sectors (non-insurance capital requirements) – capital requirement for non-regulated entities carrying out financial activities	R0530	—
Capital requirement for non-controlled participation requirements	R0540	—
Capital requirement for residual undertakings	R0550	—
Overall SCR		
SCR for undertakings included via D and A	R0560	—
Solvency capital requirement	R0570	8,346,467

REPORTING TEMPLATE S.32.01.22

UNDERTAKINGS IN THE SCOPE OF THE GROUP

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
DE	529900F2F9VZ5FRROH89	1 – LEI ¹⁾	HDI Haftpflichtverband der Deutschen Industrie V.a.G.	2 – Non-life insurance undertaking	Versicherungsverein auf Gegenseitigkeit
DE	5299006ZIIJ6VJVSJ32	1 – LEI ¹⁾	Talanx AG	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Aktiengesellschaft
DE	529900MRNVFGW43IAE70	1 – LEI ¹⁾	Talanx Deutschland AG	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Aktiengesellschaft
DE	529900BLZDMN7IUMOIO2	1 – LEI ¹⁾	neue leben Holding AG	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Aktiengesellschaft
DE	529900YT4JYHJAZXW481	1 – LEI ¹⁾	Talanx Deutschland Bancassurance GmbH	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	GmbH
DE	52990022107L9199GO56	1 – LEI ¹⁾	HDI Versicherung AG	2 – Non-life insurance undertaking	Aktiengesellschaft
DE	529900XSGX17403CHT29	1 – LEI ¹⁾	TARGO Versicherung AG	2 – Non-life insurance undertaking	Aktiengesellschaft
DE	529900WXTER9VT9J1H88	1 – LEI ¹⁾	PB Versicherung AG	2 – Non-life insurance undertaking	Aktiengesellschaft
DE	529900BAXIHZE9R50P74	1 – LEI ¹⁾	neue leben Unfallversicherung AG	2 – Non-life insurance undertaking	Aktiengesellschaft
DE	5299007ZEDNB1BU8YM34	1 – LEI ¹⁾	Lifestyle Protection AG	2 – Non-life insurance undertaking	Aktiengesellschaft
AT	52990032H55ZB3NCVU16	1 – LEI ¹⁾	HDI Versicherung AG	2 – Non-life insurance undertaking	Aktiengesellschaft
NL	724500E2NCAJQP4MSO70	1 – LEI ¹⁾	HDI-Gerling Verzekeringen N.V.	2 – Non-life insurance undertaking	Naamloze Venootschap
IT	8156001D0E28EF769631	1 – LEI ¹⁾	HDI Assicurazioni S. p. A.	4 – Composite undertaking	Società per azioni
BR	213800W7CRKT4JL3D38	1 – LEI ¹⁾	HDI Seguros S. A.	2 – Non-life insurance undertaking	S. A. (Capital Fechado)
HU	5299001P5NZ0Q1C53P52	1 – LEI ¹⁾	Magyar Posta Biztosító Részvénytársaság	2 – Non-life insurance undertaking	biztosító részvénytársaság
TR	789000A8GQ88E35ZQY55	1 – LEI ¹⁾	HDI Sigorta A. S.	2 – Non-life insurance undertaking	Anonim Şirket
IT	81560066A37E7F36FD96	1 – LEI ¹⁾	InChiaro Assicurazioni S. p. A.	2 – Non-life insurance undertaking	Società per azioni
MX	549300S6KS1HBY1JU965	1 – LEI ¹⁾	HDI Seguros S.A. de C. V.	2 – Non-life insurance undertaking	Sociedad Anonima de Capital Variable
RU	2534005VAK04SJPV7532	1 – LEI ¹⁾	OOO Strakhovaya Kompaniyen HDI Strakhovanie	2 – Non-life insurance undertaking	spółka akcyjna
AR	213800IB4RI5AGT5JB79	1 – LEI ¹⁾	HDI Seguros S. A.	2 – Non-life insurance undertaking	Sociedad Anonima
UR	529900F2F9VZ5FRROH89UR02220	2 – Specific code	HDI Seguros S. A., Montevideo	2 – Non-life insurance undertaking	Sociedad Anonima

Category (mutual/ non- mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision	Date of decision if Art. 214 is applied	Group solvency calculation
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Yes/no		Method used and under method 1, treatment of the undertaking		
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
1 – mutual	BaFin		100				100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	53.35	100	53.35		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	53.35	100	53.35		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Finanzmarkt- aufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	De Neder- landsche Bank	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Istituto per la Vigilanza sulle assicurazioni	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Superinten- dência de Seguros Privados	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Magyar Nemze- ti Bank	52.89	100	52.89		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Capital Markets Board of Turkey	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Istituto per la Vigilanza sulle assicurazioni	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Comisión nacional de seguros y fianzas	78.85	100	78.85		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Komisja Nadzoru Finansowego	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Superintenden- cia de Seguros de la Nación	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Banco Central del Uruguay	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
PL	259400KLVPOJONUXV45	1 – LEI ⁽¹⁾	Towarzystwo Ubezpieczeń Europa S.A.	2 – Non-life insurance undertaking	spółka akcyjna
PL	529900H4WZAK60DYKH87	1 – LEI ⁽¹⁾	Towarzystwo Ubezpieczeń i Reasekuracji WARTA S.A.	2 – Non-life insurance undertaking	spółka akcyjna
BR	2138008S63R3ZDE9R342	1 – LEI ⁽¹⁾	HDI Global S.A.	2 – Non-life insurance undertaking	S.A. (Capital fechado)
CL	959800FKG1CETMZ1JY16	1 – LEI ⁽¹⁾	HDI Seguros S.A.	2 – Non-life insurance undertaking	Sociedad Anonima
CL	9598005NB2K76A39MA93	1 – LEI ⁽¹⁾	HDI Seguros de Garantia y Credito S.A.	2 – Non-life insurance undertaking	Sociedad Anonima
PE	529900F2F9VZ5FRROH89PE02230	2 – Specific code	HDI Seguros S.A., Santiago de Surco	2 – Non-life insurance undertaking	Sociedad Anonima
DE	5299009DQXHSBZFOUL73	1 – LEI ⁽¹⁾	TARGO Lebensversicherung AG	1 – Life insurance undertaking	Aktiengesellschaft
DE	52990085HQ766XDCO24	1 – LEI ⁽¹⁾	PB Lebensversicherung AG	1 – Life insurance undertaking	Aktiengesellschaft
DE	529900H89I7DQIS4QQ69	1 – LEI ⁽¹⁾	neue leben Lebensversicherung AG	1 – Life insurance undertaking	Aktiengesellschaft
DE	5299005TDZVKIVNYJV73	1 – LEI ⁽¹⁾	Lifestyle Protection Lebensversicherung AG	1 – Life insurance undertaking	Aktiengesellschaft
LU	222100C4VOJPC7CJGW54	1 – LEI ⁽¹⁾	ASPECTA Assurance International Luxembourg S.A.	1 – Life insurance undertaking	Societe Anonyme
HU	529900GRRUWC2QQEXR75	1 – LEI ⁽¹⁾	Magyar Posta Életbiztosító Zrt.	1 – Life insurance undertaking	biztosító részvénytársaság
RU	2534002GQT91D5YJXM53	1 – LEI ⁽¹⁾	ООО Страховая Компания CIV Life	1 – Life insurance undertaking	Общественное с ограниченной ответственностью
PL	2594004GSZRMBSGF7886	1 – LEI ⁽¹⁾	Towarzystwo Ubezpieczeń na Życie Europa S.A.	1 – Life insurance undertaking	spółka akcyjna
CL	959800XP84294S90CV10	1 – LEI ⁽¹⁾	HDI Seguros de Vida S.A.	2 – Non-life insurance undertaking	Sociedad Anonima
IT	549300TN86501OEL5295	1 – LEI ⁽¹⁾	Compagnia di Banche e Assicurazioni per le Assicurazioni Sulla Vita S.p.A.	1 – Life insurance undertaking	società per azioni
IE	635400NEK13GVELG6678	1 – LEI ⁽¹⁾	INCHIARO LIFE Designated Activity Company	1 – Life insurance undertaking	Designated Activity Company
DE	529900ZCYVG2XCGFW984	1 – LEI ⁽¹⁾	Talanx Asset Management GmbH	99 – Other	GmbH
DE	5299004IZXRZ1SAQWM82	1 – LEI ⁽¹⁾	HDI Direkt Service GmbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH
DE	529900HLKNZ5YVW20989	1 – LEI ⁽¹⁾	HDI Global SE	2 – Non-life insurance undertaking	Societas Europaea
DE	5299000LEI1C0NLMHN28	1 – LEI ⁽¹⁾	Talanx Immobilien Management GmbH	99 – Other	GmbH
DE	5299004TVO69XVTS4H53	1 – LEI ⁽¹⁾	HNG Hannover National Grundstücksverwaltung GmbH & Co. KG	99 – Other	GmbH & Co. KG

Category (mutual/ non- mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision	Date of decision if Art. 214 is applied	Group solvency calculation
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Yes/no		Method used and under method 1, treatment of the undertaking		
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non- mutual	Komisja Nadzoru Finansowego	39.52	100	39.52		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Komisja Nadzoru Finansowego	59.86	100	59.86		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Superinten- dência de Seguros Privados	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Superinten- dencia de Valores y Seguros	78.93	100	78.93		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Superinten- dencia de Valores y Seguros	78.90	100	78.90		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Banco Central de Reserva del Perú	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	53.35	100	53.35		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Commissariat aux Assurances	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Magyar Nemzeti Bank	52.89	100	52.89		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Komisja Nadzoru Finansowego	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Komisja Nadzoru Finansowego	39.52	100	39.52		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Superinten- dencia de Valores y Seguros	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Istituto per la Vigilanza sulle assicurazioni	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Central Bank of Ireland	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
DE	529900NBSLCTJZY37022	1 – LEI ⁽¹⁾	HEPEP II Komplementär GmbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH
DE	529900ZEIO14JVC8JU96	1 – LEI ⁽¹⁾	Talanx Pensionsmanagement AG	99 – Other	Aktiengesellschaft
DE	529900SICUWBWCURTH85	1 – LEI ⁽¹⁾	Talanx International AG	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Aktiengesellschaft
DE	529900YBDYSZBMIX1F09	1 – LEI ⁽¹⁾	Talanx Deutschland Bancassurance Communication Center GmbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH
IT	815600EF0AF57568B157	1 – LEI ⁽¹⁾	InLinea S. p. A.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Società per azioni (joint-stock company)
DE	529900F2F9VZ5FRROH89DE02832	2 – Specific code	Hannover Euro Private Equity Partners II GmbH & Co. KG	99 – Other	GmbH & Co. KG
LU	529900FJQS80DGBOT142	1 – LEI ⁽¹⁾	Talanx Finanz (Luxemburg) S. A.	99 – Other	Societe Anonyme
DE	529900UF10JRXCW6458	1 – LEI ⁽¹⁾	Talanx Service AG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Aktiengesellschaft
DE	529900YWH99PMNR5YU58	1 – LEI ⁽¹⁾	Talanx Reinsurance Broker GmbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH
DE	529900F2F9VZ5FRROH89DE02839	2 – Specific code	HEPEP II Holding GmbH	99 – Other	GmbH
DE	5299006GEVGSRZXUS706	1 – LEI ⁽¹⁾	HEPEP III Holding GmbH	99 – Other	GmbH
DE	529900F2F9VZ5FRROH89DE02842	2 – Specific code	Hannover Euro Private Equity Partners III GmbH & Co. KG	99 – Other	GmbH & Co. KG
DE	529900Q5NAEF1QPO7F89	1 – LEI ⁽¹⁾	HAPEP II Komplementär GmbH	99 – Other	GmbH
DE	52990091WSV5ESRWVZ05	1 – LEI ⁽¹⁾	HAPEP II Holding GmbH	99 – Other	GmbH
DE	529900QNDRGH7XCKXH58	1 – LEI ⁽¹⁾	Hannover America Private Equity Partners II GmbH & Co. KG	99 – Other	GmbH & Co. KG
IT	81560019620C3DDBE968	1 – LEI ⁽¹⁾	HDI Immobiliare S. r. L.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Società a responsabilità limitata
DE	52990007JD1GRMJCV57	1 – LEI ⁽¹⁾	HEPEP IV Komplementär GmbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH

Category (mutual/ non- mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision	Date of decision if Art. 214 is applied	Group solvency calculation
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Yes/no		Method used and under method 1, treatment of the undertaking		
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non- mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		55.32	100	55.32		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		46.48	100	46.48		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Commission de Surveillance du Secteur Financier	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		46.48	100	46.48		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		41.06	100	41.06		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		41.06	100	41.06		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		32.70	100	32.70		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.87	100	37.87		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.87	100	37.87		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
DE	529900F2F9VZ5FRROH89DE02853	2 – Specific code	Hannover Euro Private Equity Partners IV GmbH & Co. KG	99 – Other	GmbH & Co. KG
DE	529900XO0H7UOWYXBQ47	1 – LEI ⁽¹⁾	HDI Kundenservice AG	99 – Other	Aktiengesellschaft
DE	5299009YFIHT1GJFAZ72	1 – LEI ⁽¹⁾	Riethorst Grundstücksgesellschaft AG & Co. KG	99 – Other	Aktiengesellschaft & Co.KG
DE	5299005WMM4GTF2GY7X13	1 – LEI ⁽¹⁾	HDI Pensionskasse AG	9 – Institution for occupational retirement provision	Aktiengesellschaft
CL	959800P259XQ66E38628	1 – LEI ⁽¹⁾	Inversiones HDI Limitada	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limitada
DE	529900QPX64UB3MYL769	1 – LEI ⁽¹⁾	Hannover Re Euro PE Holdings GmbH & Co. KG	99 – Other	GmbH & Co. KG
DE	529900SLBVJLF8MIX471	1 – LEI ⁽¹⁾	Talanx Deutschland Bancassurance Kundenservice GmbH	99 – Other	GmbH
IE	635400LY9W2REPRNRV92	1 – LEI ⁽¹⁾	Talanx Reinsurance (Ireland) Public Limited Company	3 – Reinsurance undertaking	Public Limited Company
DE	5299001NQLWYSA6J4906	1 – LEI ⁽¹⁾	Talanx Beteiligungs-GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co.KG
MX	5493009VBJR5V8IY9339	1 – LEI ⁽¹⁾	Gente Compañía de Soluciones Profesionales de México, S.A. de C.V.	2 – Non-life insurance undertaking	Sociedad Anonima de Capital Variable
ES	959800F32QE9N0KYEQ11	1 – LEI ⁽¹⁾	Saint Honore Iberia S.L.	99 – Other	Sociedades de Responsabilidad Limitada
AR	213800756VXOZ65G3V79	1 – LEI ⁽¹⁾	Protecciones Esenciales S. A.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Societe Anonyme
DE	529900FS021VQ3ISOS54	1 – LEI ⁽¹⁾	HDI AI EUR Beteiligungs-GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	529900ATICFE631D3196	1 – LEI ⁽¹⁾	TAM AI Komplementär GmbH	2 – Non-life insurance undertaking	GmbH
DE	5299008ZGHM8MANCHK31	1 – LEI ⁽¹⁾	TD-BA Private Equity Sub GmbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH
DE	529900XW6LJ822J4OT12	1 – LEI ⁽¹⁾	TD Real Assets GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	529900FTRR2EM03T8G68	1 – LEI ⁽¹⁾	TD-BA Private Equity GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	KG

Category (mutual/ non- mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision	Date of decision if Art. 214 is applied	Group solvency calculation
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Yes/no		Method used and under method 1, treatment of the undertaking		
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non- mutual		59.36	100	59.36		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		4 - Method 1: Sectoral Rules	
2 – non- mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		36.20	100	36.20		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Central Bank of Ireland	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	62.65	100	62.65		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	73.64	100	73.64		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	62.65	100	62.65		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
DE	529900RKG4NNEA9BMJ58	1 – LEI ⁽¹⁾	TD-Sach Private Equity GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH
DE	529900TGEAB2UQ04UR83	1 – LEI ⁽¹⁾	Talanx Direct Infrastructure 1 GmbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH
DE	5299009ECJ8Q2DAJV355	1 – LEI ⁽¹⁾	WP Mörsdorf Nord GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	52990007UIQSO82V2F89	1 – LEI ⁽¹⁾	WP Berngerode GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
PT	52990097G99SI9WLIV58	1 – LEI ⁽¹⁾	Talanx Infrastructure Portugal GmbH	99 – Other	GmbH
DE	5299001AZ2KKWZIG7Z69	1 – LEI ⁽¹⁾	Windfarm Bellheim GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	5299001DP9204DC6CM55	1 – LEI ⁽¹⁾	Talanx Infrastructure France 1 GmbH	99 – Other	GmbH
DE	529900YMXR7QX6N35M87	1 – LEI ⁽¹⁾	Talanx Infrastructure France 2 GmbH	99 – Other	GmbH
DE	5299008ZN4QWCZIZL516	1 – LEI ⁽¹⁾	HDI AI USD Beteiligungs-GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
FR	529900902TFA4EYAN694	1 – LEI ⁽¹⁾	Ferme Eolienne des Mignaudières S.N.C.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	S. N. C. – société en nom collectif
FR	529900MEL8QUUHUJA531	1 – LEI ⁽¹⁾	Ferme Eolienne du Confolentais S.N.C.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	S. N. C. – société en nom collectif
DE	529900UWU22RSR3F9127	1 – LEI ⁽¹⁾	Windpark Mittleres Mecklenburg GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	529900WWYAQTM2YY1E89	1 – LEI ⁽¹⁾	Windpark Sandstruth GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	529900Y6B02ED146L956	1 – LEI ⁽¹⁾	Windpark Vier Fichten GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG

Category (mutual/ non-mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision	Date of decision if Art. 214 is applied	Group solvency calculation
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Yes/no		Method used and under method 1, treatment of the undertaking		
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non-mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin	75.26	100	75.26		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		74.45	100	74.45		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin	73.64	100	73.64		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin	79.00	100	79.00		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		73.64	100	73.64		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		73.64	100	73.64		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		73.64	100	73.64		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
FR	529900TFC2KDSBG7B892	1 – LEI ⁽¹⁾	Le Souffle des Pellicornes S. N. C	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	S. N. C. – société en nom collectif
FR	529900JLM3UNZF9J8217	1 – LEI ⁽¹⁾	Le Chemin de la Milaine S. N. C	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	S. N. C. – société en nom collectif
FR	5299001QKVWJMI6AIM24	1 – LEI ⁽¹⁾	Les Vents de Malet S. N. C	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	S. N. C. – société en nom collectif
DE	529900UVFK6NTH0N252	1 – LEI ⁽¹⁾	Infrastruktur Ludwigsau GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	529900DC7DM66DMGY904	1 – LEI ⁽¹⁾	Windpark Parchim GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	529900QBHNBOQC55N50	1 – LEI ⁽¹⁾	Windpark Rehai GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	529900KIN5BE45V5KB18	1 – LEI ⁽¹⁾	Hannover Rück SE (Teilkonzern)	3 – Reinsurance undertaking	Societas Europaea
DE	529900UCN37OZCXGVW88	1 – LEI ⁽¹⁾	E+S Rückversicherung AG	3 – Reinsurance undertaking	Aktiengesellschaft
DE	529900CVDPZRXJVE142	1 – LEI ⁽¹⁾	Hannover Rück Beteiligung Verwaltungs-GmbH	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	GmbH
DE	5299003YX3K2115L0753	1 – LEI ⁽¹⁾	Hannover Life Re AG	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Aktiengesellschaft
DE	529900C8JEJ7MZ9NVI80	1 – LEI ⁽¹⁾	Hannover Re Euro RE Holdings GmbH	99 – Other	GmbH
DE	529900H2708G2FJLRL56	1 – LEI ⁽¹⁾	HILSP Komplementär GmbH	99 – Other	GmbH
DE	529900FLVJ9DG3DHN389	1 – LEI ⁽¹⁾	Hannover Insurance-Linked Securities GmbH & Co. KG	99 – Other	GmbH & Co. KG
DE	5299006VRCH42OB3EP37	1 – LEI ⁽¹⁾	FUNIS GmbH & Co. KG	99 – Other	GmbH & Co. KG
DE	549300YLZ5DSOIZ59059	1 – LEI ⁽¹⁾	HR GLL Central Europe GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	549300GPJQXRQWH5C33	1 – LEI ⁽¹⁾	HR GLL Central Europe Holding GmbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH
DE	529900UQQBCC0TP4AW78	1 – LEI ⁽¹⁾	Hannover Re Global Alternatives GmbH & Co. KG	99 – Other	GmbH & Co. KG

Category (mutual/ non-mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision	Date of decision if Art. 214 is applied	Group solvency calculation
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Yes/no		Method used and under method 1, treatment of the undertaking		
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non-mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		73.64	100	73.64		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		73.64	100	73.64		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		73.64	100	73.64		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		73.64	100	73.64		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		73.64	100	73.64		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin	25.72	100	25.72		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		34.80	100	34.80		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		34.80	100	34.80		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		34.80	100	34.80		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual		37.60	100	37.60		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
DE	529900K8OT0KX8UU9734	1 – LEI ⁽¹⁾	HR Verwaltungs-GmbH	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	GmbH
GB	529900BHLQW6PM25M246	1 – LEI ⁽¹⁾	Hannover Finance (UK) Limited	99 – Other	Public Limited Company
DE	5299004VW9WNRHTLF050	1 – LEI ⁽¹⁾	International Insurance Company of Hannover SE	2 – Non-life insurance undertaking	Societas Europaea
GB	52990035DFXQFQLMLZ09	1 – LEI ⁽¹⁾	Hannover Services (UK) Ltd.	99 – Other	Limited company
IE	529900UG47HZHDYUAF16	1 – LEI ⁽¹⁾	Hannover Re (Ireland) Designated Activity Company	3 – Reinsurance undertaking	Designated Activity Company
LU	529900VD3JJO5FDXEH22	1 – LEI ⁽¹⁾	Hannover Finance (Luxembourg) S.A.	99 – Other	Societe Anonyme
GB	529900D65EKMMUX2G31	1 – LEI ⁽¹⁾	Inter Hannover (No.1) Limited	2 – Non-life insurance undertaking	Public Limited Company
SE	5493006T1ZJ4VBN0BZ56	1 – LEI ⁽¹⁾	Svedea AB	99 – Other	Aktiebolag
GB	529900UISME5E81IDO82	1 – LEI ⁽¹⁾	Integra Insurance Solutions Limited	99 – Other	Public Limited Company
LU	52990008WS81OA95IP08	1 – LEI ⁽¹⁾	Leine Investment General Partner S.à r.l.	99 – Other	S.à r.l.
LU	529900VNNTP5EBWBPU53	1 – LEI ⁽¹⁾	Leine Investment SICAV.SIF	99 – Other	Investment-gesellschaft mit variablem Kapital (SICAV)
HU	549300355GX199UM6Q24	1 – LEI ⁽¹⁾	HR GLL Roosevelt Kft	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Korlátolt felelősségű társaság
PL	5493002QC0DEKBO4G348	1 – LEI ⁽¹⁾	HR GLL Liberty Corner Sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Spółka z ograniczoną odpowiedzialnością
PL	549300HL8QN2XQ9FCH74	1 – LEI ⁽¹⁾	HR GLL Griffin House Sp. z o.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Spółka z ograniczoną odpowiedzialnością
CZ	549300WD2TJ9QU6GWY75	1 – LEI ⁽¹⁾	Akvamarín Beta s.r.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Společnost s ručením omezeným
LU	222100WYWKOAFZP5W43	1 – LEI ⁽¹⁾	HR GLL Europe Holding S.à r.l.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	S.à r.l.
RO	549300TX5N2HGMKKNP36	1 – LEI ⁽¹⁾	HR GLL CDG Plaza S.r.l.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Společnost s ručením omezeným

Category (mutual/ non- mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision Yes/no	Date of decision if Art. 214 is applied	Group solvency calculation Method used and under method 1, treatment of the undertaking
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	C0230				
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non- mutual		39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Central Bank of Ireland	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Conduct Authority	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Finansinspek- tionen	21.04	100	21.04		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Con- duct Authority	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Commission de Surveillance du Secteur Financier	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Commission de Surveillance du Secteur Financier	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		34.80	100	34.80		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		34.80	100	34.80		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		34.80	100	34.80		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		34.80	100	34.80		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		34.80	100	34.80		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
CZ	549300PRBCWZ88LSWN97	1 – LEI ⁽¹⁾	Mustela s.r.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Společnost s ručením omezeným
RO	2138009JMYNOCL7JJ196	1 – LEI ⁽¹⁾	Pipera Business Park S.r.L.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Societate cu răspundere limitată
GB	213800VJCODIH3QFUD54	1 – LEI ⁽¹⁾	Congregational & General Insurance Plc	2 – Non-life insurance undertaking	Public Limited Company
AU	529900DZPHNTOMMA5J43	1 – LEI ⁽¹⁾	Hannover Life Re of Australasia Ltd.	3 – Reinsurance undertaking	Limited company
BH	5299004675L44XVP9C34	1 – LEI ⁽¹⁾	Hannover Re Takaful B.S.C. (c)	3 – Reinsurance undertaking	B.S.C.
US	52990093VS65DD9T6936	1 – LEI ⁽¹⁾	Hannover Finance Inc.	99 – Other	Inc.
US	529900K1TE875UAY4J22	1 – LEI ⁽¹⁾	Hannover Life Reassurance Company of America	3 – Reinsurance undertaking	Corporation
BM	5299006Z28DLZOTDJU30	1 – LEI ⁽¹⁾	Hannover Re (Bermuda) Ltd.	3 – Reinsurance undertaking	Limited company
US	549300KQ0VPBEYJ4OC11	1 – LEI ⁽¹⁾	Hannover Re Real Estate Holdings, Inc.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Inc.
BM	549300JLOMB4MP1ESD46	1 – LEI ⁽¹⁾	Kaith Re Ltd.	13 – Special purpose vehicle other than special purpose vehicle authorised in accordance with Article 211 of Directive 2009/138/EC	Limited company
BM	549300KMPTOHVWFVXQ16	1 – LEI ⁽¹⁾	Hannover Life Reassurance Bermuda Ltd.	3 – Reinsurance undertaking	Limited company
US	549300D6CJG6KN28GX31	1 – LEI ⁽¹⁾	GLL HRE CORE PROPERTIES LP	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LP
US	549300V5OUSRDAN9QD25	1 – LEI ⁽¹⁾	402 Santa Monica Blvd LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company
US	529900F2F9VZ5FRROH89U504047	2 – Specific code	Glencar Underwriting Managers Inc.	99 – Other	Inc.
US	549300TSO3G9SEYUR832	1 – LEI ⁽¹⁾	11 Stanwix LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company
US	549300C8XYDCPE1XR53	1 – LEI ⁽¹⁾	Nashville (Tennessee) West LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company

Category (mutual/ non- mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision	Date of decision if Art. 214 is applied	Group solvency calculation
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Yes/no		Method used and under method 1, treatment of the undertaking		
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non- mutual		34.80	100	34.80		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		34.80	100	34.80		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Con- duct Authority	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	The Prudential Regulation Authority	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Central Bank of Bahrain	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Florida Office of Insurance Regulation	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Bermuda Monetary Authority	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.80	100	37.80		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Bermuda Monetary Authority	34.93	100	34.93		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Bermuda Monetary Authority	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
US	549300YQ8HLYB5M5HP74	1 – LEI ⁽¹⁾	975 Carrol Square LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company
US	549300TYNR4Y55IM5K12	1 – LEI ⁽¹⁾	1225 West Washington LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company
US	5493008PZEGGJD48HV08	1 – LEI ⁽¹⁾	Broadway 101, LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company
US	549300D47MZ1GGMQB039	1 – LEI ⁽¹⁾	River Terrace Parking, LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company
BM	529900QCKQOGEKXL8E19	1 – LEI ⁽¹⁾	Hannover Life Reassurance Company of America (Bermuda) Ltd.	3 – Reinsurance undertaking	Limited company
BM	529900F2F9VZ5FRROH89BM04055	2 – Specific code	LI RE	13 – Special purpose vehicle other than special purpose vehicle authorised in accordance with Article 211 of Directive 2009/138/EC	part of a Ltd.
US	549300RCBKTSOGRHMC92	1 – LEI ⁽¹⁾	300 California, LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company
US	549300N510L0002SLC42	1 – LEI ⁽¹⁾	111ORD, LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company
US	549300GCLHBN8EQOB582	1 – LEI ⁽¹⁾	7550IAD, LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company
US	5299007H398DL62ARJ95	1 – LEI ⁽¹⁾	Sand Lake Re, Inc.	3 – Reinsurance undertaking	Inc.
US	5493005GSDKHHKEJY321	1 – LEI ⁽¹⁾	140EWR, LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company
US	529900F2F9VZ5FRROH89US04063	2 – Specific code	101BOS LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company
US	529900F2F9VZ5FRROH89US04064	2 – Specific code	3290ATL LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company

Category (mutual/ non- mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision Yes/no	Date of decision if Art. 214 is applied	Group solvency calculation Method used and under method 1, treatment of the undertaking
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	C0260				
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Bermuda Monetary Authority	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Bermuda Monetary Authority	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Vermont Office of Insurance Regulation	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		37.77	100	37.77		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
ZA	378900D7F367687B8098	1 – LEI ¹⁾	Hannover Reinsurance Group Africa (Pty) Ltd.	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Limited company
ZA	529900M1UMQOVTEB1S75	1 – LEI ¹⁾	Hannover Reinsurance Africa Limited	3 – Reinsurance undertaking	Public Limited Company
ZA	52990068N6RJ52AP6917	1 – LEI ¹⁾	Hannover Life Reassurance Africa Limited	3 – Reinsurance undertaking	Public Limited Company
ZA	529900F2F9VZ5FRROH89ZA04509	2 – Specific code	Peachtree (Pty) Ltd.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited company
ZA	3789007C6EE73FD3F038	1 – LEI ¹⁾	Landmark Underwriting Agency Proprietary Limited	99 – Other	Limited company
ZA	378900617FFAFF2DD945	1 – LEI ¹⁾	Commercial And Industrial Acceptances Proprietary Limited	99 – Other	Public Limited Company
ZA	378900E10DCB23AB3431	1 – LEI ¹⁾	Garagesure Consultants And Acceptances Proprietary Limited	99 – Other	Public Limited Company
ZA	37890009AA06E5687658	1 – LEI ¹⁾	Hospitality Industrial and Commercial Underwriting Managers (Pty) Ltd.	99 – Other	Limited Company
ZA	3789002C517D644F2451	1 – LEI ¹⁾	Thatch Risk Acceptances Proprietary Limited	99 – Other	Public Limited Company
ZA	378900E2931F95685C74	1 – LEI ¹⁾	Lireas Holdings (Pty) Ltd.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited company
ZA	378900817A06339CFE36	1 – LEI ¹⁾	Compass Insurance Company Ltd.	2 – Non-life insurance undertaking	Limited company
ZA	37890091B4EC46A73958	1 – LEI ¹⁾	Transit Underwriting Managers Proprietary Limited	99 – Other	Public Limited Company
ZA	529900F2F9VZ5FRROH89ZA04560	2 – Specific code	Construction Guarantee Proprietary Limited	99 – Other	Public Limited Company
ZA	378900B6E7A3C24F9A31	1 – LEI ¹⁾	SUM Holdings (Pty) Ltd.	99 – Other	Limited company
ZA	378900174EED43F10E74	1 – LEI ¹⁾	Envirosure Underwriting Managers (Pty) Ltd.	99 – Other	Limited Company
ZA	378900884E9689259A35	1 – LEI ¹⁾	MUA Insurance Acceptances Proprietary Limited	99 – Other	Public Limited Company
ZA	529900F2F9VZ5FRROH89ZA04567	2 – Specific code	Cargo Transit Insurance Proprietary Limited	99 – Other	Public Limited Company
ZA	378900B5CDA8AD466115	1 – LEI ¹⁾	Film And Entertainment Underwriters SA Proprietary Limited	99 – Other	Public Limited Company
ZA	3789000AAE17D6171959	1 – LEI ¹⁾	Firedart Engineering Underwriting Mangers	99 – Other	Limited Company
ZA	37890087DF6EA8199022	1 – LEI ¹⁾	Synergy Targeted Risk Solutions Proprietary Limited	99 – Other	Public Limited Company
DE	5299002S5TMPANR40247	1 – LEI ¹⁾	Hannover Beteiligungsgesellschaft mbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Beteiligungsgesellschaft mbH

Category (mutual/ non- mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision Yes/no	Date of decision if Art. 214 is applied	Group solvency calculation Method used and under method 1, treatment of the undertaking
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	C0240				
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non- mutual		39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	18.20	100	18.20		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	34.93	100	34.93		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	19.45	100	19.45		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	18.06	100	18.06		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	16.75	100	16.75		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		27.78	100	27.78		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	25.72	100	25.72		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Authority	15.75	100	15.75		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		16.67	100	16.67		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		20.06	100	20.06		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	14.17	100	14.17		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	27.78	100	27.78		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		22.23	100	22.23		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	14.17	100	14.17		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	19.45	100	19.45		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	14.17	100	14.17		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
DE	529900BX7MDBNZEVQ974	1 – LEI ¹⁾	HDI Global Network AG	2 – Non-life insurance undertaking	Aktiengesellschaft
DE	529900AB3NL58LOHNU88	1 – LEI ¹⁾	Alstertor Erste Beteiligungs- und Investitionssteuerungs-GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	5299001J79AL2DO0H057	1 – LEI ¹⁾	Alstertor Zweite Beteiligungs- und Investitionssteuerungs-GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
MX	529900F2F9VZ5FRROH89MX05203	2 – Specific code	HDI Global S.A.	2 – Non-life insurance undertaking	Societe Anonyme
ZA	529900F2F9VZ5FRROH89ZA05204	2 – Specific code	HDI Global SA Ltd.	2 – Non-life insurance undertaking	Limited company
US	5493002EWFK3CXXECD75	1 – LEI ¹⁾	HDI Global Insurance Company	2 – Non-life insurance undertaking	Aktiengesellschaft
DE	5299004Y9OOH1UB9EH77	1 – LEI ¹⁾	HDI Lebensversicherung AG	1 – Life insurance undertaking	Aktiengesellschaft
PL	529900VTL1PSGPCZ6Q28	1 – LEI ¹⁾	Towarzystwo Ubezpieczen na Zycie "WARTA" S.A.	1 – Life insurance undertaking	spółka akcyjna
DE	529900WD49KS81UGEV46	1 – LEI ¹⁾	HDI-Gerling Friedrich Wilhelm AG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Aktiengesellschaft
DE	5299003DXWKZV5FIB91	1 – LEI ¹⁾	Talanx Infrastructure Portugal 2 GmbH	99 – Other	GmbH
DE	529900KLB9KCYPUOIL72	1 – LEI ¹⁾	HDI Risk Consulting GmbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH
DE	529900MJOENH56N97P47	1 – LEI ¹⁾	Talanx Systeme AG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Aktiengesellschaft
DE	5299004LHMISF547CM64	1 – LEI ¹⁾	Ampega Investment GmbH	99 – Other	GmbH
DE	529900LJRZAYQW2KVC55	1 – LEI ¹⁾	GERLING Pensionsenthaftungs- und Rentenmanagement GmbH	99 – Other	GmbH
DE	5299003T3N089M2HCS23	1 – LEI ¹⁾	HDI Vertriebs AG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Aktiengesellschaft
DE	529900KFAXFRAR1RG127	1 – LEI ¹⁾	IVEC Institutional Venture and Equity Capital GmbH	99 – Other	GmbH
DE	52990010M0B4KD5EE009	1 – LEI ¹⁾	Ampega-nl-Euro-DIM-Fonds	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	5299007Y6T1IJH0GB355	1 – LEI ¹⁾	Ampega-nl-Global-Fonds	99 – Other	Sondervermögen nach deutschem Recht (KAGB)

Category (mutual/ non- mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision	Date of decision if Art. 214 is applied	Group solvency calculation
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Yes/no		Method used and under method 1, treatment of the undertaking		
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Comisión nacional de seguros y fianzas	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Financial Services Board	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Komisja Nadzoru Finansowego	59.86	100	59.86		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		4 – method 1: sectoral rules	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	53.35	100	53.35		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	53.35	100	53.35		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
DE	529900W8XX5KR39OM080	1 – LEI ⁽¹⁾	Ampega-nl-Rent-Fonds	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900NQM5NP5HFZR839	1 – LEI ⁽¹⁾	Gerling Immo Spezial 1	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900XOIBXTDP1WF084	1 – LEI ⁽¹⁾	GKL SPEZIAL RENTEN	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900RGWUQHGDG7JCD08	1 – LEI ⁽¹⁾	HGLV-Financial	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900O0WJQ4LV7AR06	1 – LEI ⁽¹⁾	PBVL-Corporate	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	5299001HS099UBOT0B76	1 – LEI ⁽¹⁾	EURO-Rent 3 Master	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900WNVUQU1CUQW668	1 – LEI ⁽¹⁾	HDI Gerling-Sach Industrials Master	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900NPXO5DVG6N147	1 – LEI ⁽¹⁾	TAL-Corp	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	5299007CH3G8AO2PKL43	1 – LEI ⁽¹⁾	Talanx Deutschland Real Estate Value	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900GWQQDRAWYZBR11	1 – LEI ⁽¹⁾	NL Master	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	5299008DQNJ4RILKA985	1 – LEI ⁽¹⁾	HDI Globale Equities	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900HDZ0EGKML7L83	1 – LEI ⁽¹⁾	TAL Aktien	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900NZMGH5XAVMH447	1 – LEI ⁽¹⁾	HV Aktien	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900HZI6YFLNWOHX79	1 – LEI ⁽¹⁾	Ampega-Vienna-Bonds-Master-Fonds-Deutschland	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
FR	969500PMBRQ2QJEZ4M24	1 – LEI ⁽¹⁾	Fracom FCP	99 – Other	FCP
BR	529900F2F9VZ5FRROH89DE06102	2 – Specific code	FI Renda Fixa Hannover	99 – Other	Fonds
BR	529900F2F9VZ5FRROH89DE06103	2 – Specific code	Koln FI Multimercado Crédito Privado	99 – Other	Fonds
BR	529900F2F9VZ5FRROH89DE06105	2 – Specific code	Bonn FI Renda Fixa Crédito Privado	99 – Other	Fonds
BR	529900F2F9VZ5FRROH89DE06107	2 – Specific code	Eisenach FI Renda Fixa Crédito Privado	99 – Other	Fonds
PL	259400EH7UQNR7GI1O14	1 – LEI	KBC ALFA Specjalistyczny Fundusz Inwestycyjny Otwarty	99 – Other	Fonds

Category (mutual/ non- mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision	Date of decision if Art. 214 is applied	Group solvency calculation
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Yes/no		Method used and under method 1, treatment of the undertaking		
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non- mutual	BaFin	53.35	100	53.35		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	BaFin	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Autorité des Marchés Finan- ciers	39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Superinten- dência de Segu- ros Privados	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Superinten- dência de Segu- ros Privados	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Superinten- dência de Segu- ros Privados	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Superinten- dência de Segu- ros Privados	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Komisja Nadzoru Finan- sowego	59.86	100	59.86		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	

DT11 UNDERTAKINGS IN THE SCOPE OF THE GROUP

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
PL	2594004ALLA8OCZMUZ84	1 – LE ¹⁾	KBC OMEGA FIZ	99 – Other	Fonds
BR	529900F2F9VZ5FRROH89DE06122	2 – Specific code	TAG - FIC Multimercado Multi Strategy	99 – Other	Fonds
BR	529900F2F9VZ5FRROH89DE06123	2 – Specific code	Fundo de Investimento Imobiliário Hannover	99 – Other	Fonds
DE	529900GXO87AB0U5EK12	1 – LE ¹⁾	PB Pensionsfonds AG	9 - Institution for occupational retirement provision	Aktiengesellschaft

¹⁾ Legal entity identifier

Category (mutual/ non- mutual)	Supervisory authority	Criteria of influence						Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision		Group solvency calculation
		% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Yes/no		Date of decision if Art. 214 is applied	Method used and under method 1, treatment of the undertaking	
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non- mutual	Komisja Nadzoru Finan- sowego	59.86	100	59.86		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Superinten- dência de Segu- ros Privados	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual	Superinten- dência de Segu- ros Privados	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non- mutual		79.04	100	79.04		1 – dominant	100%	1 – included in the scope		4 – method 1: sectoral rules	

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