



AT A GLANCE

- The HDI Group uses an approved partial internal model and shows a very strong capitalisation.
- The HDI Group's so-called "risk kernel" – the Talanx Group – clearly meets its strategic risk objectives.
- Own funds and risk are analysed using a range of views that vary in terms of both their model scope and the economic and regulatory aspects used to determine eligible own funds. The resulting key indicators are explained in more detail in this report.
- The Group has established a well-functioning, appropriate governance and risk management system that is continuously enhanced and that complies with strict quality requirements and standards.

KEY INDICATORS FOR DIFFERENT VIEWS

EUR THOUSAND

	Talanx Group (economic view)		HDI Group (regulatory view)		HDI Group (excluding transitional)	
Own funds	Basic own funds (BOF)	21,173,809	Eligible own funds	20,970,337	Eligible own funds (excluding transitional)	17,407,144
SCR	(Full) economic internal model	7,764,337	Partial internal model (operational risks for primary insurance based on a standard formula)	8,324,178	Partial internal model (operational risks for primary insurance based on a standard formula)	8,344,895
Ratios	CAR (Talanx)	273%	Solvency II ratio (including transitional)	252%	Solvency II ratio (excluding transitional)	209%

CONTENTS

SUMMARY

DESCRIPTION OF THE SOLVENCY AND FINANCIAL CONDITION

12 A. Business and Performance

- 12 A.1 Business
- 15 A.2 Underwriting performance
- 17 A.3 Investment performance
- 18 A.4 Performance of other activities
- 19 A.5 Any other information

22 System of Governance

- 22 B.1 General information on the system of Governance
- 27 B.2 Fit and proper requirements
- 30 B.3 Risk Management System including the own risk and solvency assessment
- 37 B.4 Internal control system
- 38 B.5 Internal audit function
- 39 B.6 Actuarial function
- 40 B.7 Outsourcing
- 42 B.8 Any other information

44 C. Risk profile

- 46 C.1 Underwriting risk
- 49 C.2 Market risk
- 53 C.3 Credit risk
- 53 C.4 Liquidity risk
- 54 C.5 Operational risk
- 56 C.6 Other material risks
- 56 C.7 Any other information

57 D. Valuation for solvency purposes

- 58 D.1 Assets
- 65 D.2 Technical Provisions
- 72 D.3 Other liabilities
- 75 D.4 Alternative methods for valuation
- 75 D.5 Any other information

76 E. Capital Management

- 76 E.1 Own funds
- 80 E.2 Solvency Capital Requirement and minimum capital requirement
- 82 E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement
- 82 E.4 Differences between the standard formula and any internal model used
- 87 E.5 Non-compliance with the minimum capital requirements and non-compliance with the Solvency Capital Requirement
- 87 E.6 Any other information

FURTHER INFORMATION

90 Lines of business categories

91 Glossary

101 Overview of templates

ANNEX – QUANTITATIVE REPORTING TEMPLATES (QRTS)

SUMMARY

This report presents the HDI Group's solvency and financial condition and describes in particular the Talanx Group, which is the HDI Group's material risk kernel and which is relevant for the capital market. Further information is also available in the reports prepared by the various subsidiaries.

GROUP STRUCTURE

As the ultimate parent undertaking 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 to HDI Global SE's domestic business via a 1% co-insurance share. HDI V. a. G. is primarily invested in low risk, highly liquid assets. This means that the risk profile of the HDI Group is essentially defined by the risk profile of the Talanx Group. To this extent, the latter forms the risk kernel of the Group.

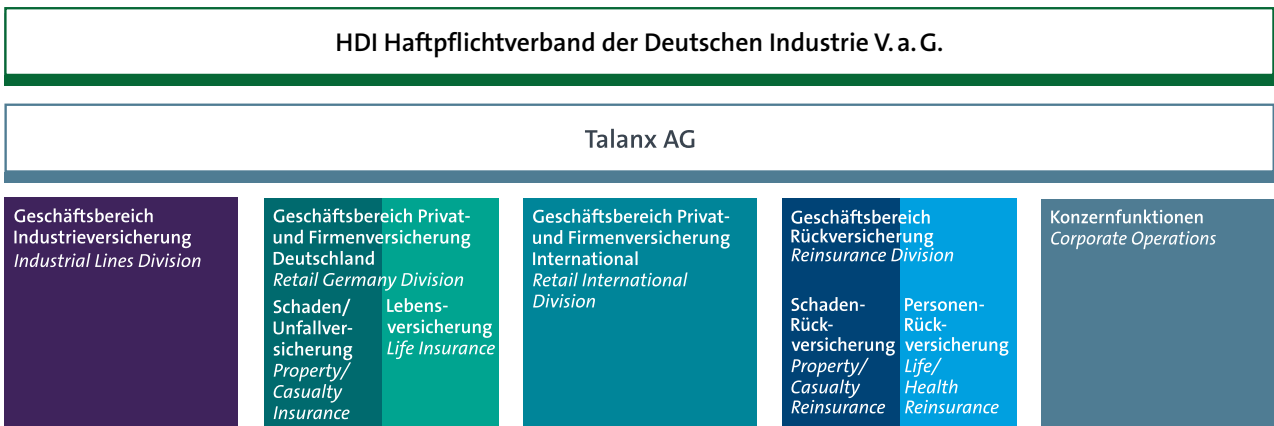
Talanx AG acts as a finance and management holding company that in turn owns significant participations in insurance companies and cooperates with partners in more than 150 countries. Our business model consists of assuming underwriting and financial risk.

The HDI Group works with its companies in several different areas of primary insurance and reinsurance, both in property/casualty insurance and in life insurance. Its broad geographical and sectoral positioning is the backbone for our high level of diversification.

BRIEF OVERVIEW OF ENTERPRISE RISK MANAGEMENT AND TARGETS

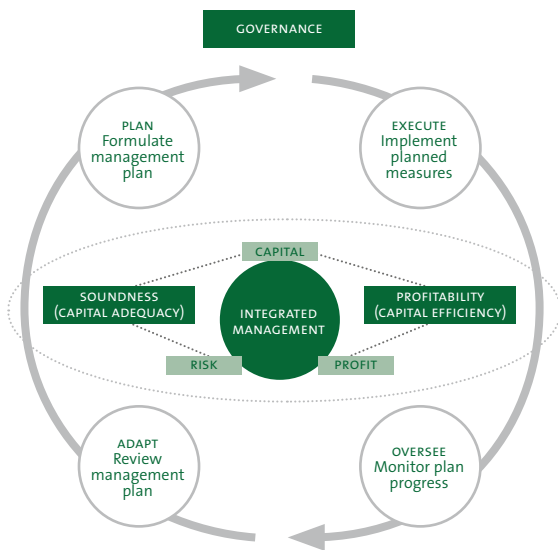
Insurance companies can look back on many years of experience with the application of actuarial methods and procedures for pricing and/or defining their risk exposure. These processes have been enhanced in terms of both methodology and content in the period since the 1990s, thanks to the systematic treatment of issues relating to value management and risk management. Holistic models known as enterprise risk management (or ERM) models are used for this, enabling a consistent benchmark to be adopted for measuring, assessing and managing accepted risks, income generated and capital deployed. Synthesizing these components culminates at a management level in a performance concept that we use as the basis for economic decision-making.

GROUP STRUCTURE



In this performance concept, Risk Management performs tasks and functions in both economic and regulatory contexts, making it an explicit part of the value chain. The HDI Group's risk management philosophy uses a customised, Solvency II-compliant version of the ISO 31000 risk management standard, which allows us to harmoniously combine our Talanx Values with technical needs, supervisory requirements and economic imperatives. The risk management process revolves around the Talanx Enterprise Risk Model (TERM) – the HDI Group's internal, holistic risk model.

PERFORMANCE CONCEPT AND INTEGRATED MANAGEMENT



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

Among other things, Standard & Poor's has awarded our enterprise risk management system a "strong" rating. We are also one of the few European insurers whose internal model means that S&P requires lower rating capital requirements (thanks to the "M-factor").

We use our ERM approach to derive annual targets for the Group, taking into account our risk-bearing capacity (soundness), the need to maintain our rating (trustworthiness) and the need to meet anticipated capital market expectations (profitability).

THE TALANX GROUP'S STRATEGIC TARGETS

MANAGEMENT METRICS

	2018	2019 target
Gross premium growth, (adjusted for currency effects)	8.7	~ 4
Group net income in EUR million	703	approx. 900
Net return on investment	3.3	~ 2.7
Payout ratio	52.2	35–45
Return on equity	8.0	~ 9.5

CAPITAL CONCEPTS

The solvency balance sheet presents assets and liabilities on a market-consistent basis in accordance with Solvency II, and is the focal point for the supervisory framework. We have added a reconciliation between "own funds" as per the IFRS financial statements and as per the Solvency II balance sheet in section D so as to permit a comparison with familiar, published information.

The various concepts for "capital" differ both in terms of their economic (eligibility of hybrid capital) and their regulatory content (transitional and restrictions on availability) and in relation to the valuation principles applied.

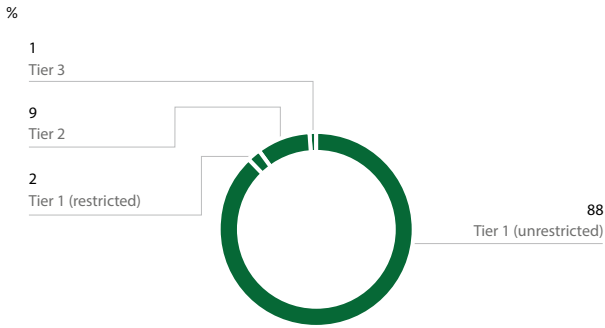
Talanx's basic own funds excluding transitional and the associated capital requirement are used to assess our risk-bearing capacity, risk budgeting, and Group limits and thresholds.

Regulatory capital requirements are compared with eligible own funds.

In addition to the volume of own funds, investment liquidity is particularly important. The HDI Group uses appropriate limits to ensure it has a comfortable liquidity position.

For supervisory purposes, eligible own funds are broken down into different quality categories. This process is known as "tiering". The following graphic shows that 88% of the HDI Group's own funds are assigned to the highest quality tier. This means that the HDI Group has extremely generous levels of high-quality own funds.

BREAKDOWN OF OWN FUNDS



**RISK ASSESSMENT USING TERM/
CAPITAL ADEQUACY RATIO**

Given the highly differentiated economic and regulatory concepts for capital, it makes sense to use a comparable approach during risk measurement.

The HDI Group uses a full internal model for economic purposes, while for regulatory purposes it currently uses a partial internal model that has been approved by the supervisory authority and that covers all quantifiable risks (under Solvency II) apart from operational risk for primary insurance. At present, these are still determined using the standard formula.

TERM permits consistent risk modelling and measurement both at subsidiaries and for the Group as a whole, using a combination of event models and corporate models. Event models form the landscape of the risk factors (e.g. specific natural catastrophes or interest rate risks) of the HDI Group. The corporate models build on the event models to model the solvency balance sheet for the undertakings that are being analysed, and by doing so allow an assessment of the consequences of potential adverse events for the solvency balance sheet.

TERM uses Monte Carlo simulations to forecast the solvency balance sheet for the individual undertakings and to consolidate them on a Group-wide basis. A one-year horizon is used for the projected distributions produced for the components and for the net solvency balance sheet amount.

This allows us to determine the Solvency Capital Requirement (SCR) for all quantifiable risks under Solvency II.

The relationship between the SCR and own funds is expressed using the concept of excess cover or the capital adequacy ratio (CAR):

$$CAR = \frac{\text{Own funds}}{\text{SCR (Solvency Capital Requirement)}}$$

KEY RISK PARAMETERS FOR THE HDI GROUP

	Limit	2018
Solvency II ratio (HDI Group, excluding transitional)	150 – 200	209
CAR (Talanx, economic)	200	273
Share of market risk (Talanx)	≤ 50	44

A minimum CAR of 200% is designed to ensure the capitalisation needed to maintain an AA rating (S&P). As a result, the solvency level used by the Group far exceeds the level required by the regulator.

Accordingly, the capital requirements of rating agencies stipulate the most demanding ancillary conditions. Investing, and hence assuming market risk, are important parts of our business. However, we clearly define ourselves as an insurance group and so aim to keep the share of our overall risk accounted for by investment risk to less than or equal to 50% on a permanent basis. At present it is approximately 44% (tail value at risk).

DIVERSIFIED RISK PROFILE

Risk profiles are used to depict aggregated risk factors that are subsumed under generic concepts such as “underwriting risk”. Representing risk profiles graphically as bar charts gives an initial impression of the materiality of the risk and of any existing risk concentrations.

The following bar chart shows the HDI Group's material risk categories, based on the partial internal model. The Group's risk profile contains the following key risk categories:

- Market and credit risk
- Underwriting risk – non-life, and particularly natural catastrophe risk
- Underwriting risk life

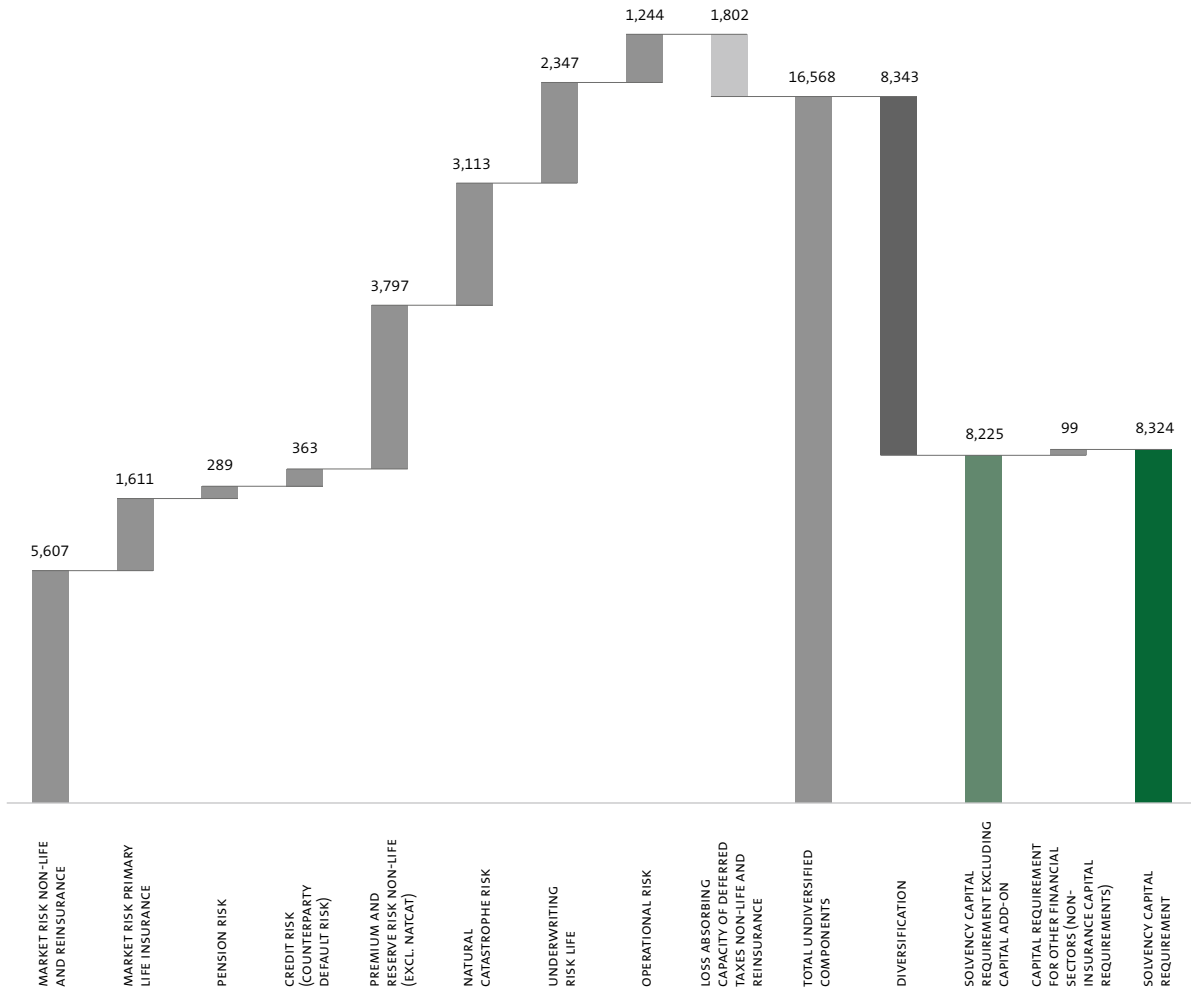
Diversification plays a crucial role in defining overall risk: our geographical spread and business diversity allow us to reduce our risk by roughly 50%. As the key risk categories shown above are

only loosely correlated for intrinsic reasons, this high degree of diversification is well founded and is based on intrinsic rather than on theoretical model considerations.

Our ostensibly high exposure to operational risk is due to the fact that our partial internal model uses standard procedures to model this risk category for primary insurance lines of business. The key parameters used to calculate operational risk in the standard procedure are premium income and reserves. Neither our internal data nor expert assessments provide any evidence to justify the exposure level reported.

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

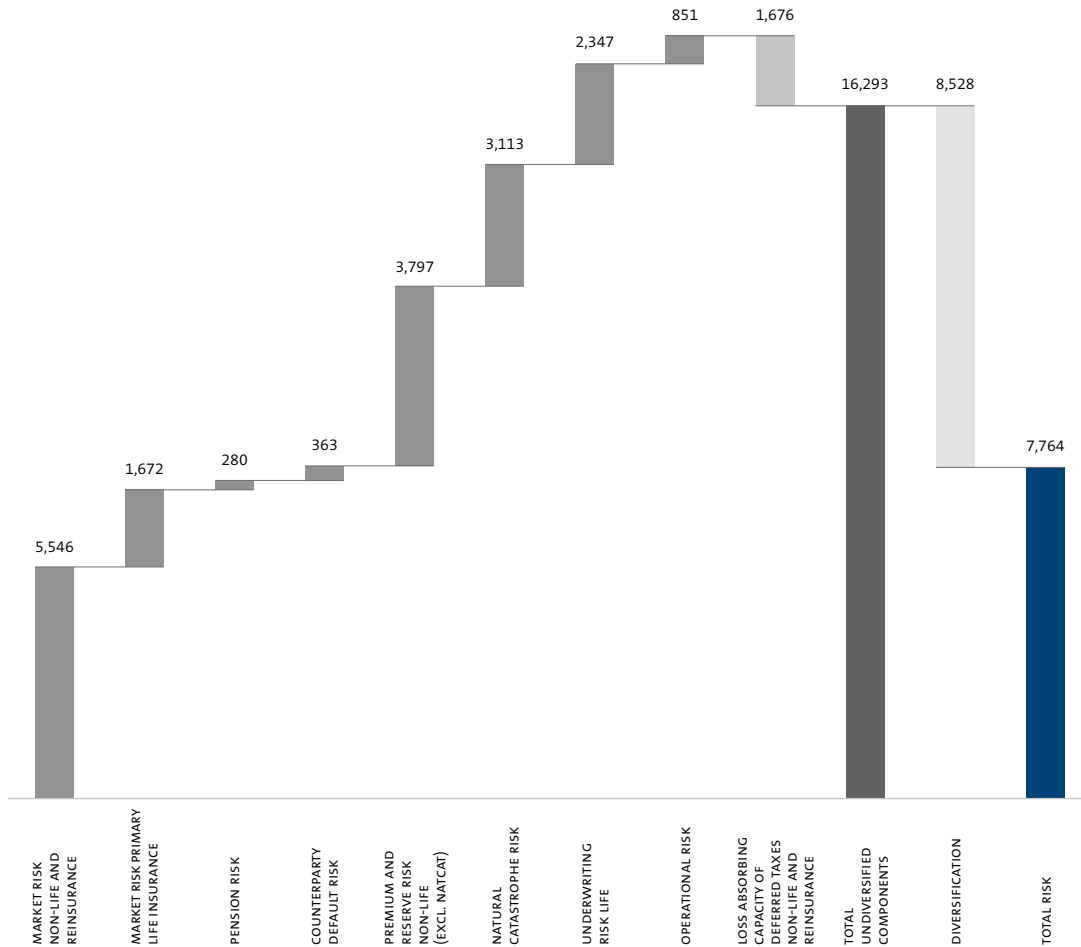
EUR MILLION



The Talanx Group is the dominant component of the HDI Group's risk profile. Risks are analysed primarily from an economic viewpoint with TERM. The following diagram shows the SCR determined in this way, broken down 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 due, on the one hand, to the additional risk associated with HDI V.a.G. and, on the other, to the fact that Talanx's risk profile is shown using an economic view (full model), whereas the presentation for the HDI Group is based on the regulatory view (partial model). The following differences exist in relation to the different assessment approaches:

- Operational risk: in the regulatory view, we use the standard formula for primary insurance and an internal model for the Reinsurance Division. At the end of March 2019, we submitted a request with the Federal Financial Supervisory Authority (BaFin) for permission to expand the Group model to include the risk category operational risk for the remaining part.
- Credit risk (counterparty default risk): in the economic view, we also use the intragroup reinsurance default risk as the basis in order to reflect intragroup management aspects in this area
- Institutions for occupational retirement provision are disclosed separately, as required by the regulator

Overall, the two risk profiles are highly similar.

1
SUMMARY

2
DESCRIPTION OF THE SOLVENCY AND FINANCIAL CONDITION

- A. BUSINESS AND PERFORMANCE
- B. SYSTEM OF GOVERNANCE
- C. RISK PROFILE
- D. VALUATION FOR SOLVENCY PURPOSES
- E. CAPITAL MANAGEMENT

3
FURTHER INFORMATION

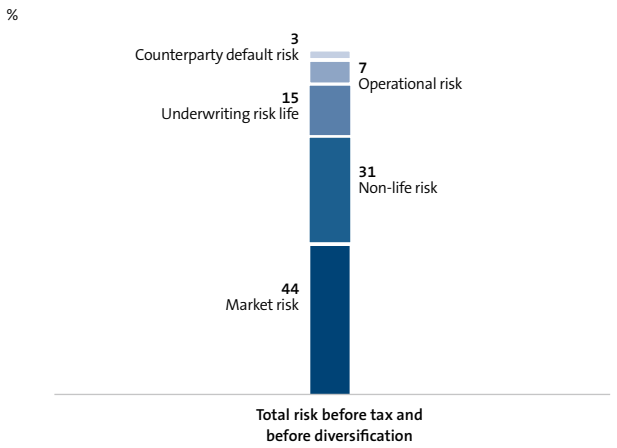
- LINES OF BUSINESS CATEGORIES
- GLOSSARY

4
ANNEX

- QUANTITATIVE REPORTING TEMPLATES (QRTS)

As regards risk management for the Group, it makes sense for a large number of reasons to use the TERM internal model for the Talanx risk kernel in the economic view. In particular, we have defined a specific risk strategy target in this view, which stipulates that market risk should not exceed 50% of the overall risk. As shown in the following graphic, the current level is around 44%.

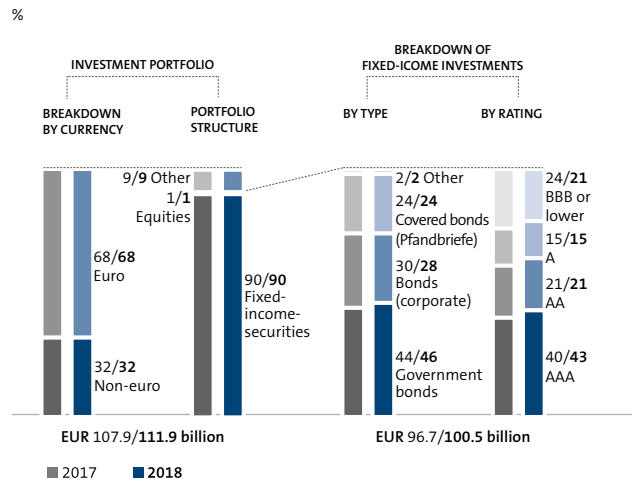
RISK COMPONENTS (TALANX), ECONOMIC VIEW



DETAILS OF THE RISK PROFILE

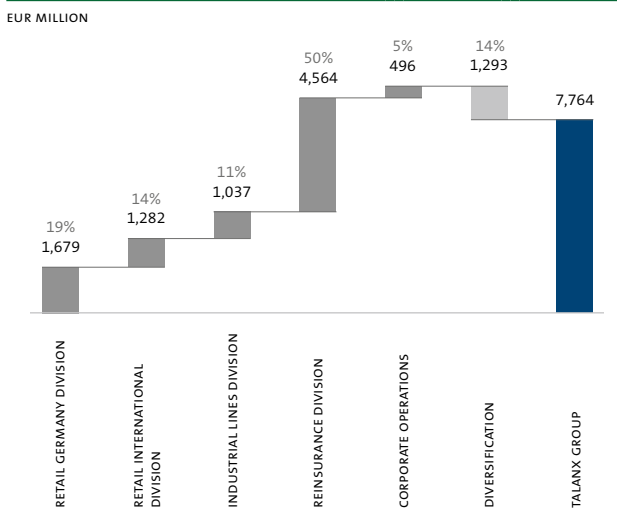
It is clear that market risk constitutes the largest factor in the overall risk. Exposure to this risk is influenced by the investment portfolio structure. The following graphic shows the Talanx Group's portfolio as measured in the IFRS financial statements:

TALANX GROUP PORTFOLIO BY CURRENCY, ASSET CLASS AND RATING



At Group level, we not only focus on the risk categories but also analyse the risk profile for our subsidiaries, which are presented by division (the management unit concerned). The following graphic shows the contribution made by the individual divisions to the Group's SCR:

RISK PROFILE BY TALANX' DIVISIONS, ECONOMIC VIEW



The portfolio is clearly dominated by fixed-income securities, 79% of which have at least an A rating. We selectively supplement bonds with very good credit quality and long durations with high-yield bonds with short maturities. The majority of our investments are denominated in euro, whereas the us dollar dominates in the non-euro area. Our goal is to achieve an appropriate mix of the euro and foreign currencies.

Our investment strategy results in a relatively low-risk portfolio overall. The significant role played by market risk in the Group's risk profile is therefore also partly due to the portfolio's size.

In line with our business model, life and non-life underwriting risk is another key factor influencing our risk profile. The other categories account for a much lower share.

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

ACCUMULATION SCENARIOS (BEFORE TAXES)¹⁾

EUR THOUSAND

	2018
200-year loss Atlantic hurricane	2,293,737
200-year loss US/Canadian earthquake	1,925,768
200-year loss Asia-Pacific earthquake	1,445,700
200-year loss European storm (winter storm)	846,297
200-year loss Central and South-American earthquake	1,504,836
200-year loss European earthquake	1,133,506
200-year loss European flood	776,244

¹⁾ In reality, natural catastrophes may follow a course that differs from assumptions based on models.

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 to this question by analysing changes in material risk factors.

SENSITIVITIES OF THE CAPITAL ADEQUACY RATIO (CAR) AND SOLVENCY II RATIO OF RISK FACTOR STRESSES

%

	CAR (Talanx, economic)	Solvency II ratio (HDI Group, excluding transi- tional)
2018		
Basis	273	209
Equity markets -30 %	271	207
Equity markets +30 %	275	210
Credit spread +50 bp	247	195
Interest rate -50 bp	262	202
Interest rate +50 bp	279	212
NatCat event (200-year event, European storm)	264	205

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

Such market developments and the associated risks are influenced to a greater extent by external events such as political uncertainties than underwriting risk is. This, together with the comparatively high sensitivity to such movements, is a further argument in favour of limiting the proportion of the overall risk accounted for by market risk.

The uncertainties associated with economic models are far greater than those involved in scientific applications using statistical and mathematical forecasting models. The HDI Group expressly takes this factor into account by, among other things, quantifying these uncertainties using 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 as set out in the German Insurance Supervision Act (VAG) with regard both to due and proper management and to supervisory capital requirements. In particular, the Group's capitalisation is well in excess of the level required by the supervisory authority.

The figures in this report are given in thousands of euro (EUR thousand), in line with the regulatory requirements. To the extent that Article 293(2) to (4) of the Commission Implementing Regulation requires reference to be made to the annual financial statements, minor differences to the presentation in the Group's annual financial statements can arise, since the figures there are consistently rounded to millions of euro.

The HDI Group's use of an internal model for regulatory purposes depends on an extremely intensive audit by the supervisory authority. The HDI Group was granted unlimited approval to use its partial internal model (TERM) by way of a letter dated 19 November 2015. Changes to this model are subject to a comprehensive planning and approval process, with the latest changes approved by the letter dated 26 March 2019.

Even before the supervisory audit process, we had undergone corresponding reviews by rating agencies that produced positive results. This means that our models have been validated in a series of external assessments, something that further increases the trust in our internal model for third parties.

Our Solvency Capital Requirement and the volume and composition of our regulatory own funds are presented in section E of this report in particular.

In the course of the transition to the Solvency II supervisory regime, the supervisory authority approved the use of the transitional measure on technical provisions at several HDI Group companies. This is not taken into account in the analysis of the Solvency II ratio at Group level or for related management and external presentation measures and so our ratio is currently 209%. In addition, the dynamic volatility adjustment is permanently applied. The solvency ratio (regulatory view) for the HDI Group after application of the transitional is 252%. The HDI Group clearly exceeds the regulatory Solvency Capital Requirement even without the use of these measures, as can be seen from the table below. Further details can be found in section D.2 of this report.

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

EUR THOUSAND

31.12.2018

	Key indicators including volatility adjustment (VA) and transitional		Key indicators excluding measures		
		Impact of the TR	Including VA and excluding TR	Impact of the VA	Excluding VA and TR
Technical provisions	104,741,617	5,667,846	110,409,463	1,032,325	111,441,787
Basic own funds (HDI Group)	26,889,025 ¹⁾	-3,876,978	23,012,047	-837,673	22,174,374
Eligible own funds for SCR	20,970,337	-3,563,194	17,407,144	-292,545	17,114,598
SCR	8,324,178	20,717	8,344,895	1,189,157	9,534,051
Solvency II ratio	252%	-43%-points	209%	-29%-points	180%

¹⁾ Basic own funds before deducting non-available own funds items and other (see more detailed description in section E. capital management); value after deducting non-available own funds items and other: EUR 20,841,841 thousand.

DESCRIPTION OF THE SOLVENCY AND FINANCIAL CONDITION

A. BUSINESS AND PERFORMANCE

A.1 BUSINESS

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 in Central and Eastern Europe (including Turkey) and Latin America. The Group has business relationships with primary insurance and reinsurance customers in around 150 countries overall. The Industrial Lines, Retail Germany, Retail International and Reinsurance divisions and the HDI Group's Corporate Operations are each responsible for their own business processes. These tasks, which are shared across multiple organisational units, help to create value.

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

The Group's ultimate parent undertaking is HDI Haftpflichtverband der Deutschen Industrie V. a. G. (HDI V. a. G.), a mutual insurance undertaking with a history stretching back more than 110 years.

Talanx AG acts as a financial and management holding company, managing the Group's companies. It ensures that the Group achieves its primary objective – sustainable, profitable growth. Talanx AG uses capital procurement and allocation, goal and target setting, performance benchmarking and suitable incentive systems in its management activities. It is also responsible for optimising the capital structure. Talanx AG uses its own staff departments to implement the measures derived from its strategic goals and targets, and to perform its operating activities. The task of these departments is to continuously enhance the HDI Group's development through systematic management and monitoring.

The responsible supervisory authority is the

Federal Financial Supervisory Authority (BaFin)
Graurheindorfer Str. 108
53117 Bonn
Germany
P.O. Box 1253
53002 Bonn
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 are PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Fuhrberger Straße 5, 30625 Hannover, Germany.

The company was first responsible for auditing the annual and consolidated financial statements as at 31 December 2018.

The solvency balance sheet that is included in the SFCR is also audited by the auditor in accordance with section 35 (2) of the Insurance Supervision Act (VAG); this audit has been performed.

A detailed list of all the undertakings in the Group can be found in template S.32.01.22 ("Undertakings in the scope of the Group", see annex). As the ultimate parent undertaking, HDI V. a. G. does not have any branches.

The following graphic shows the HDI Group structure.

- A. BUSINESS AND PERFORMANCE
- B. SYSTEM OF GOVERNANCE
- C. RISK PROFILE
- D. VALUATION FOR SOLVENCY PURPOSES
- E. CAPITAL MANAGEMENT

LINES OF BUSINESS CATEGORIES
GLOSSARY

QUANTITATIVE REPORTING TEMPLATES (QRTS)

GROUP STRUCTURE

HDI Haftpflichtverband der Deutschen Industrie V.a.G.					
Talanx AG					
Geschäftsbereich Industrieversicherung Industrial Lines Division	Geschäftsbereich Privat- und Firmenversicherung Deutschland Retail Germany Division Schaden/ Unfallver- sicherung Property/ Casualty Insurance	Geschäftsbereich Privat- und Firmenversicherung International Retail International Division	Geschäftsbereich Rückversicherung Reinsurance Division Schaden- Rück- versicherung Property/ Casualty Reinsurance	Personen- Rück- versicherung Life/ Health Reinsurance	Konzernfunktionen Corporate Operations
HDI Global SE	HDI Deutschland AG	HDI International AG	Hannover Rück SE		Amega Asset Management GmbH
HDI Global Specialty SE ¹⁾	HDI Versicherung AG	HDI Seguros S.A. (Argentina)	E+S Rückversicherung AG		Amega Investment GmbH
HDI Versicherung AG (Austria)	Lifestyle Protection AG	HDI Seguros S.A. (Brazil)	Hannover ReTakaful B.S.C. (c) (Bahrain)		Amega Real Estate GmbH
HDI Global Seguros S.A. (Brazil)	neue leben Unfallversicherung AG	HDI Seguros S.A. (Chile)	Hannover Re (Bermuda) Ltd.		HDI Service AG
HDI Global Network AG	PB Versicherung AG	HDI Seguros S.A. (Colombia)	Hannover Reinsurance Africa Limited		HDI Systeme AG
HDI-Gerling de México Seguros S.A.	TARGO Versicherung AG	HDI Seguros de Vida S.A. (Colombia)	Hannover Life Re of Australasia Ltd		Talanx Reinsurance Broker GmbH
HDI Global Insurance Limited Liability Company (Russia)	HDI Lebensversicherung AG	HDI Seguros S.A. de C.V. (Mexico)	Hannover Life Reassurance Bermuda Ltd.		HDI Reinsurance (Ireland) SE
HDI Global SA Ltd. (South Africa)	HDI Pensionskasse AG	HDI Seguros S.A. (Uruguay)	Hannover Re (Ireland) DAC		
HDI Global Insurance Company (USA)	Lifestyle Protection Lebensversicherung AG	TUIR WARTA S.A. (Poland)	Hannover Life Reassurance Africa Limited		
	neue leben Lebensversicherung AG	TU na Życie WARTA S.A. (Poland)	Hannover Life Reassurance Company of America		
	PB Lebensversicherung AG	TU na Życie Europa S.A. (Poland)			
	PB Pensionsfonds AG	TU Europa S.A. (Poland)			
	HDI Pensionsmanagement AG	OOO Strakhovaya Kompaniya „Civ Life“ (Russia)			
	TARGO Lebensversicherung AG	HDI Assicurazioni S.p.A. (Italy)			
		Magyar Posta Biztosító Zrt. (Hungary)			
		Magyar Posta Életbiztosító Zrt. (Hungary)			
		HDI Sigorta A.Ş. (Turkey)			

¹⁾ Until 31 December 2018 as Inter Hannover under the Property/Casualty Reinsurance segment

Nur die wesentlichen Beteiligungen
Main participations only

Stand / As at: 30.01.2019

The individual companies within the Group can be allocated to the divisions shown. Their main activities are set out below.

DIVISIONS	MAIN ACTIVITIES ¹⁾
Industrial Lines	<p>Non-life insurance and reinsurance obligations</p> <ul style="list-style-type: none"> ■ Fire and other damage to property insurance ■ Motor vehicle liability insurance ■ Other motor insurance ■ General liability insurance ■ Marine, aviation and transport insurance
Retail Germany	<p>Non-life insurance and reinsurance obligations</p> <ul style="list-style-type: none"> ■ Motor vehicle liability insurance ■ Other motor insurance ■ General liability insurance ■ Fire and other damage to property insurance <p>Life insurance obligations</p> <ul style="list-style-type: none"> ■ Insurance with profit participation ■ Index-linked and unit-linked insurance
Retail International	<p>Non-life insurance and reinsurance obligations</p> <ul style="list-style-type: none"> ■ Motor vehicle liability insurance ■ Other motor insurance ■ Fire and other damage to property insurance <p>Life insurance obligations</p> <ul style="list-style-type: none"> ■ Insurance with profit participation
Reinsurance	<p>Life reinsurance obligations</p> <ul style="list-style-type: none"> ■ Life reinsurance <p>Non-life insurance and reinsurance obligations</p> <ul style="list-style-type: none"> ■ Fire and other damage to property insurance ■ Motor vehicle liability insurance ■ Other motor insurance ■ General liability insurance ■ Marine, aviation and transport insurance <p>Income protection insurance</p> <ul style="list-style-type: none"> ■ Credit and suretyship insurance ■ Miscellaneous financial loss ■ Workers' compensation insurance <p>Non-proportional reinsurance accepted</p> <ul style="list-style-type: none"> ■ Property ■ Marine, aviation, transport

¹⁾ Divisions as per Annex I Commission Delegated Regulation (EU) 2015/35.

In addition to the divisions listed in the table above, the Group structure also incorporates the Corporate Operations segment. The Corporate Operations segment mainly comprises Talanx AG, which primarily performs strategic tasks and does not have any business activities of its own. The segment also includes the in-house service companies, as well as Talanx Reinsurance Broker, HDI Reinsurance (Ireland) SE and financial services offerings; Ampega Asset Management GmbH, Ampega Investment GmbH and Ampega Real Estate GmbH primarily manage the Group's investments.

BASIS OF CONSOLIDATION AND RISK KERNEL

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

One particular feature of the HDI Group is its "risk kernel". Defining the Talanx Group as the HDI Group's risk kernel makes sense in both economic and regulatory terms. HDI V.a.G. is involved only to an extremely limited extent in the business activities of HDI Global SE (formerly HDI-Gerling Industrie Versicherung AG) in the form of proportional co-insurance. Actual risk compensation within the Group and risk management are performed at the level of the Talanx Group.

TALANX ENTERPRISE RISK MODEL (TERM)

The peculiarity that risk management is performed at the level of the Talanx Group is also reflected in the name of our internal model, TERM (Talanx Enterprise Risk Model). TERM was 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. Operational risk is modelled using the standard formula. This means that TERM is a partial internal model from the regulatory point of view for the HDI Group as a whole.

TERM therefore needs to be viewed from two perspectives: the regulatory view relating to the HDI Group, which is based on a partial internal model, and the economic view relating to the Talanx Group as the HDI Group's risk kernel, in which risk management is based on an internal model.

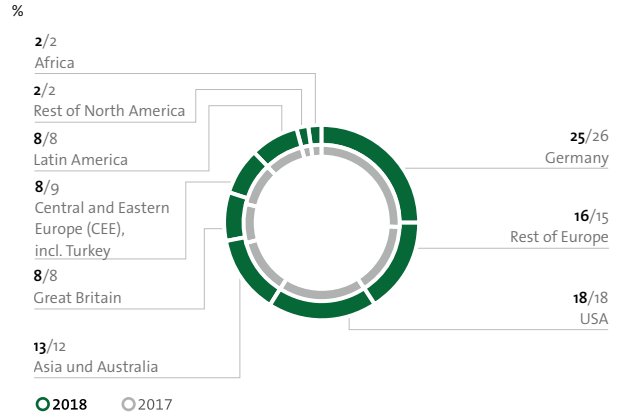
As the HDI Group includes life insurers that are applying transitionals in connection with the introduction of Solvency II, it is necessary to make a distinction at the regulatory level between views including and excluding these transitionals (see section E.2). Both regulatory views are disclosed in the Solvency and Financial Condition Report. When defining the targets for our risk strategy, the focus is on the economic view and on the regulatory view excluding the transitionals. These two views are therefore the dominant ones in the presentation of this report.

The model is subject to continual refinement. As part of a regular model amendment process, changes go through a structured governance process that is defined in the model change guideline. At the end of March 2019, we also requested the extension of the Group model to include the risk category operational risk. We also have several requests for model changes lined up for this year so as to accommodate general economic changes and the structure and organisation of our business as well as to continually improve our models.

A.2 UNDERWRITING PERFORMANCE

The HDI Group is widely diversified, both in terms of its fields of activity and in relation to the regions in which it operates. Additional measures were taken during the reporting year to strengthen the Group's strategic international focus and to consolidate its position in Germany. The Retail International Division focusses primarily on the strategic core markets of Latin America, as well as Central and Eastern Europe (including Turkey). The following graphic illustrates this using a breakdown of the HDI Group's gross written premiums by region:

GROSS WRITTEN PREMIUMS BY REGION



The following list shows the five most important countries other than Germany in which we do business, measured by gross written premiums and divided by non-life and life business:

- Non-life
 - Poland
 - USA
 - Brazil
 - Italy
 - United Kingdom
- Life business
 - USA
 - United Kingdom
 - Italy
 - Australia
 - China

Detailed information about these five key countries and their related premium income, provisions and expenses can be found in template S.05.02.01 (see annex).

The HDI Group's divisions are a material factor in managing the undertaking. They are each active in several lines of business as defined in Annex 1 of the applicable Commission Delegated Regulation (EU) 2015/35.

The table in section A.1 shows how the Group's divisions are allocated.

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

NET TECHNICAL RESULT

EUR THOUSAND

	2018	2017
Industrial Lines	-239,626	-207,176
Retail Germany	-1,410,327	-1,903,871
Retail International	90,395	54,538
Reinsurance	-82,508	-491,084
Corporate Operations	-4,715	3,538
Total	-1,646,781	-2,544,056

The underwriting result throughout the Group improved to EUR -1.6 billion (EUR -2.5 billion) thanks to a 2.4% improvement in the loss ratio which comfortably offset the slight increase in the expense ratio. The combined ratio improved year-on-year to 98.2% (100.4%). Although the large-loss burden remained below the previous year's large losses at EUR 1,244 million (previous year: EUR 1,620 million), it still overshot the annual budget of EUR 1,125 million. In the Industrial Lines Division, numerous frequency and large losses resulted in a high loss burden. In Property/Casualty Reinsurance, the "Camp" and "Woolsey" forest fires in California and Typhoon "Jebi" in Japan were the source of the largest Group-wide losses due to natural disasters.

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

For the presentation in the other sections of the SFCR – and especially in section D – the lines of business required by supervisory law have been grouped into 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 insurance

This breakdown forms the basis for the description of the differences in valuation/measurement between Solvency II and the IFRSs. The way in which the lines have been mapped is presented in detail in the "Additional Information" section of this report.

A.3 INVESTMENT PERFORMANCE

NET INVESTMENT INCOME

There is a EUR 114.5 billion portfolio in the solvency balance sheet, broken down by asset class, and an investment portfolio worth EUR 114.0 billion in the HDI Group's consolidated financial statements based on IFRS. Material differences in valuation/measurement are explained in section D.1.

OVERVIEW OF DIFFERENCES IN VALUATION/MEASUREMENT

EUR THOUSAND		
	IFRS	Solvency
Equities	547,931	338,134
Bonds	99,608,007	93,009,916
Collective investment undertakings	3,632,332	14,289,345
Other investments (including loans and mortgages)	10,188,640	6,851,250

Differences in the presentation of totals arise from the deviating allocation of individual items to other investments and other assets in the consolidation under IFRS or Solvency II.

Net investment income for the reporting year according to the consolidated financial statements was EUR 3,762 (4,482) million and was down on the previous year's figure. Annualised net return on investment of the portfolio of assets under own management fell to 3.2% (3.9%).

NET INVESTMENT INCOME

EUR THOUSAND

	2018	2017
Ordinary investment income	3,451,876	3,402,606
Property (other than for own use)	229,962	201,152
Holdings in related undertakings, including participations	337,328	317,472
Equities	22,792	33,397
Bonds	2,553,142	2,567,718
Collective investment undertakings	110,947	134,719
Derivatives (net)	13,853	10,238
Deposits other than cash equivalents	55,494	42,079
Other ordinary investment income	128,358	95,831
Realised net gains on disposal of investments	587,509	1,243,785
Write-downs/reversals of write-downs of investments	-183,546	-198,144
Unrealised net gains/losses on investments	-21,031	66,050
Property (other than for own use)	—	—
Holdings in related undertakings, including participations	—	—
Equities	-23,141	4,899
Bonds	-25,415	7,516
Collective investment undertakings	8,162	12,065
Derivatives (net)	24,243	54,616
Deposits other than cash equivalents	2	2
Other unrealised net gains/losses on investments	-4,882	-13,048
Other investment expenses	-263,556	-247,478
Income from assets under own management	3,571,252	4,266,819
Net interest income from funds withheld and contract deposits	191,847	219,115
Net income from investment contracts	-1,002	-3,617
Total	3,762,097	4,482,317

DETAILS OF SECURITISATIONS

The HDI Group's portfolio of securitisations in accordance with Solvency II was EUR 1,411,944 thousand as at 31 December 2018 reference date using the asset classification given in the Complimentary Identification Code (CIC).

A.4 PERFORMANCE OF OTHER ACTIVITIES

OTHER INCOME/EXPENSES

Other income/expenses present the other material income and expenses that arose during the reporting period. The following table shows the other income/expenses as reported in the HDI Group's consolidated financial statements.

Insurance contracts that satisfy the IFRS 4 test of a significant risk transfer to the reinsurer but fail to meet the risk transfer test 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").

The "Other income/expenses" item generally does not include the personnel expenses incurred by our insurance companies in that these expenses are attributed to the functions during unit cost accounting and are allocated to investment expenses, claims and claims expenses, acquisition costs and administrative expenses. This also applies to depreciation and amortisation of, and impairment losses on, intangible and other assets at our insurance undertakings.

OTHER INCOME/EXPENSES

EUR THOUSAND

	2018	2017
Other income		
Foreign exchange gains	857,265	773,055
Income from services, rents and commissions	342,445	280,119
Recoveries on receivables previously written off	19,675	38,960
Income from contracts recognised in accordance with the deposit accounting method	211,069	204,587
Income from the sale of property, plant and equipment	1,729	8,609
Income from the reversal of other non-technical provisions	28,402	26,176
Interest income	52,861	73,832
Miscellaneous income	79,679	129,631
Total	1,593,125	1,534,969
Other expenses		
Foreign exchange losses	826,335	768,287
Other interest expenses	65,827	75,105
Depreciation, amortisation and impairment losses	98,627	126,853
Expenses for the undertaking as a whole	338,374	282,668
Personnel expenses	76,994	52,995
Expenses for services and commissions	148,430	145,569
Income from contracts recognised in accordance with the deposit accounting method	6,138	11,906
Other taxes	68,050	63,018
Additions to restructuring provisions	6,770	1
Miscellaneous other expenses	98,672	135,107
Total	1,734,217	1,661,509
Other income/expenses	-141,092	-126,540

LEASES

LESSEE

A large majority of the Group's lease obligations are operating lease agreements. Finance leases are of only minor significance overall. In addition, most of the agreements entered into are real estate leases.

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

HDI GROUP AS LESSEE

EUR THOUSAND

	2018	Subsequent years
Operating leases	67,751	560,600
Finance leases	4,897	41,946
Total	72,648	602,546

Where HDI Group undertakings act as lessees in leases, the latter contain all necessary conditions, and especially the amount of the lease payments, the starting date and duration of the lease, any provisions regarding security deposits and the conditions for their return, any possible lease extensions and the nature of the asset concerned.

LESSOR

The total amount from activities as the lessor in 2018 amounted to EUR 324,621 thousand and totalled EUR 1,056,290 thousand in the following years. This income relates primarily to real estate leasing activities.

HDI GROUP AS LESSOR

EUR THOUSAND

	2018	Subsequent years
Operating leases	324,621	1,056,290
Finance leases	—	—
Total	324,621	1,056,290

The income from lease transactions shown above was mainly due to real estate being leased out by property companies in the Property/Casualty Reinsurance segment, as well as by primary insurance undertakings in Germany (mainly in the Life Insurance segment of the Retail Germany Division).

Where HDI Group undertakings act as the lessors in leases, the latter contain all necessary conditions, and especially the amount of the lease payments, the starting date and duration of the lease, any provisions regarding security deposits and the conditions for their return, any possible lease extensions and the nature of the asset concerned.

No financing leases exist at present.

A.5 ANY OTHER INFORMATION

INTRAGROUP TRANSACTIONS

The undertakings in the HDI Group have business relationships with one another. These are known as intragroup transactions. They include all transactions in which a Group undertaking directly or indirectly assumes responsibility for performing an obligation from another Group undertaking. Such transactions are considered to be intragroup transactions regardless of whether they are contractually documented and of whether they 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.

Intragroup transactions are allocated to one of the following four groups when they are recorded:

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

The key factor determining transaction data acquisition within the Group is a threshold agreed with the supervisory authority. At present, this is 5% of the lowest solo SCR for the Group undertakings involved in the transaction concerned. The internal reporting rules are put into practice by determining the lowest solo SCR for six sub-groups and assigning rounded-down internal threshold values to it. This ensures that all relevant transactions are reported to Group Risk Management in an annual cycle.

In total, intragroup relationships worth EUR 6,965 million were eliminated on the asset side of the balance sheet during consolidation between the divisions as disclosed in the annual financial statements; the corresponding figure on the liability side of the balance sheet was EUR 7,019 million.

MATERIAL BUSINESS TRANSACTIONS OR OTHER EVENTS

As explained in section A.1, the Talanx Group is the HDI Group's risk kernel. No material business transactions that would have altered this structure took place in 2018.

In the interests of greater clarity, all material business transactions or other events in the reporting period that had a significant impact on the Group as a whole are listed in the following under the "Talanx Group" heading.

The Talanx Group has launched a new strategy and set itself more ambitious targets for 2019 onwards. In future, Germany's third-largest insurer will aim for a return on equity (RoE) of at least 800 basis points above the risk-free interest rate and an increase in earnings per share (EPS) of at least 5% per year on average until 2022. This is to be achieved by means of focussed strategies for the divisions, various different growth initiatives, the pooling of intragroup reinsurance at the holding company and more consistent capital management. 35% to 45% of IFRS net income are to be distributed to shareholders. Dividends in absolute terms are envisaged at at least the previous year's level.

The Supervisory Board of Talanx AG appointed Jean-Jacques Henchoz (53) as a member of the Board of Management with effect from 1 April 2019. At the end of the Hannover Rück SE Annual General Meeting on 8 May 2019, he will replace Ulrich Wallin as Chairman of the Board of Management at Hannover Rück SE and will thus be responsible for the Reinsurance Division within the Talanx Group. Ulrich Wallin will retire at the same time, following extremely successful business activities within the Talanx Group.

Dr Christian Hinsch (63), the member of the Board of Management responsible for the Industrial Lines Division, will leave the Talanx Board of Management at the end of Talanx AG's Annual General Meeting on 9 May 2019. Dr Christian Hinsch will retire at the end of HDI V. a.G.'s – Talanx AG's majority shareholder – Annual General Meeting on 19 June 2019. The Supervisory Boards appointed Dr Edgar Puls (45) as his successor for both Boards of Management and as the Chairman of the Board of Management at HDI Global SE. David Hullin (50) will assume responsibility for Dr Edgar Puls's previous areas of responsibility on the HDI Global SE Board of Management.

HDI Systeme AG, the IT service provider within the Talanx Group, will work significantly more closely with the Group Divisions in future. These structural developments have allowed the Talanx Group to lay the foundations for integrating the opportunities presented by digitalisation even more closely into core business processes. In addition, the Talanx Group has strengthened ties between HDI Service AG, responsible for staffing, internal services, purchasing and accounting, and the operating divisions in Germany. For this, Mr Clemens Jungsthöfel, member of the Board of Management at HDI Global SE, and Mr Jens Warkentin, member of the Board of Management at HDI Deutschland AG, were appointed to the Board of Management effective from 1 May 2019. Thomas Belker, the previous Board spokesman at HDI Service AG, has been appointed management spokesman for Precire Technologies GmbH.

The Talanx Group has continued to work on its sustainability agenda over the last financial year: as well as integrating additional companies/branches into the sustainability reporting process, the initial stakeholder survey from 2014 was updated and expanded. In addition, Talanx has analysed the UN Sustainable Development Goals (SDGs) in greater detail and continued to prioritise these at the Group.

Under the umbrella of Talanx AG, Hannover Rück SE and HDI Global SE are launching a joint initiative in global growth and high-margin specialty business, with the two companies merging their specialty activities in a new joint venture. The new company HDI Global Specialty SE will write agency and specialty insurance business in lines such as Errors & Omissions liability insurance, directors' and officers' (D&O) liability insurance, legal protection insurance, sports and entertainment, aviation, offshore energy and livestock insurance.

The first step towards establishing the joint venture HDI Global Specialty involves HDI Global SE acquiring a majority stake in the International Insurance Company of Hannover SE (Inter Hannover), a subsidiary of Hannover Re. The purchase price for the shares comes to around EUR 100 million. Inter Hannover is then to rename itself HDI Global Specialty SE. HDI Global SE will contribute its specialty portfolio to the new company. HDI Global SE will hold a 50.2% stake in the new company, with Hannover Re holding 49.8%. Following regulatory approval for the share purchase, the joint venture began operating together on 1 January 2019.

The Brazilian HDI Seguros S. A., a Talanx subsidiary, launched a digital insurer together with the Spanish Bank Santander at the end of December 2017. The new company will operate under the name "Santander Auto" and will provide exclusively motor insurance using Santander's sales platform.

The Talanx Group assumed 99.4% of shares in Liberty Sigorta A. S., the Turkish property insurance company belonging to the US Liberty Mutual Group. The acquisition in Turkey, agreed on by both companies, marks a step towards further bolstering the Group's presence in one of its core markets.

Within the HDI Group, Talanx AG is to operate as the intragroup reinsurer for our primary insurers, boosting additional earnings potential and better implementing Group-wide coverage. The BaFin issued the company with the corresponding reinsurance license.

MATERIAL TRANSACTIONS WITH SHAREHOLDERS, PERSONS WITH A SIGNIFICANT INFLUENCE ON THE BUSINESS AND MEMBERS OF ADMINISTRATIVE, MANAGEMENT OR SUPERVISORY GOVERNING BODIES

The ultimate parent company of the Group has the legal form of a mutual undertaking. Only those in an insurance relationship with the undertaking may become a member. Any influence on the business is based on the rights associated with membership as conferred by the Articles of Association.

During the reporting period, there were no material transactions with shareholders, persons with a significant influence on the business or members of administrative, management or supervisory governing bodies.

B. SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

BUSINESS ORGANISATION STRUCTURE

The Group's ultimate parent undertaking is HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI V.a.G.), a mutual insurance undertaking with a history stretching back more than 110 years. Through its member companies and organisations and through HDI Global SE's advisory councils, HDI V.a.G. serves as an interface between business and industry on the one hand, and the HDI Group's operational insurance business on the other.

As the permanent strategic shareholder of Talanx AG, the listed financial and management holding company in which it holds an absolute majority of the shares, HDI V.a.G. pursues an independent business policy that is designed to safeguard the company and increase its enterprise value and that ensures the Talanx Group implements a long-term strategy that reflects the interests of all its stakeholders. By regularly retaining its earnings, HDI V.a.G. aims to accumulate sufficient funds to ensure it can participate in any capital increases at Talanx AG and thereby to safeguard the latter's independence in future as well.

We have three primary insurance divisions spanning various lines of business: Industrial Lines, Retail Germany (which comprises the Property/Casualty and Life Insurance segments) and Retail International. Each of these divisions is headed by a member of the Board of Management. Industrial Lines operates worldwide. It is as independent of third-party companies as possible and is therefore able to lead international consortia using its own companies. The Retail Germany Division comprises companies offering insurance to retail clients and small and medium-sized enterprises in Germany. The Retail International Division focusses primarily on the strategic core markets of Latin America, as well as Central and Eastern Europe including Turkey.

The Reinsurance Division consists of The Property/Casualty Reinsurance and Life/Health Reinsurance segments, which are operated by Hannover Rück SE. Property/Casualty Reinsurance targets the markets of Continental Europe and North America, as well as operating various lines of business in the field of global reinsurance and specialty lines worldwide. Life/Health Reinsurance is divided into financial solutions and risk solutions, which in turn is composed of longevity solutions, mortality and morbidity.

The Corporate Operations segment comprises HDI V.a.G. and Talanx AG. Talanx AG has had a reinsurance license since January 2019 and now also conducts business activities. The segment also includes the in-house service companies, as well as Talanx Reinsurance Broker, HDI Reinsurance (Ireland) SE (formerly Talanx Reinsurance (Ireland) SE) and financial services; Ampega Asset Management GmbH (formerly Talanx Asset Management GmbH), Ampega Investment GmbH and Ampega Real Estate GmbH (formerly Talanx Immobilien Management GmbH) primarily manage the Group's investments.

TASKS AND RESPONSIBILITIES

BOARD OF MANAGEMENT, SUPERVISORY BOARD AND GENERAL MEETING

HDI V.a.G. defines good corporate governance as the responsible management and control of the undertaking in order to create sustainable value. In particular, we aim to further enhance the trust placed in us by our business partners, 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 Group employees, and to open and transparent corporate communication. We aim to always apply the highest ethical and legal standards both at a strategic level and in our day-to-day operations.

HDI V.a.G. has three governing bodies: the Board of Management, the Supervisory Board and the Annual General Meeting. Their duties and powers are defined by law, by the undertaking's Articles of Association and by 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 HDI V.a.G. and defines its goals and strategy. Article 7(1) of the Articles of Association provides that the Board of Management shall consist of at least two people. Beyond that, the Supervisory Board determines the number of members. As at 31 December 2018, the Board of Management of HDI V.a.G. consisted of three people.

The Board of Management's activities are governed by the Rules of Procedure issued for it by the Supervisory Board. These define the areas of responsibility of the individual members of the Board of Management. Each Board member is individually responsible for the area(s) assigned to them, subject to the resolutions passed by the full Board of Management. In addition, the Rules of Procedure set out a list of matters where decisions are 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 undertaking'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 for the Supervisory Board. Documents on which decisions have to be made, and particularly the single-entity 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 particularly important decisions by the Board of Management 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 for the Board of Management. For instance, the following actions and transactions require the Supervisory Board's prior approval:

- adoption of strategic principles and targets for the undertaking and the Group
- adoption of the annual planning for the undertaking 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 monitors the undertaking's management. It is also responsible in particular for appointing the members of the Board of Management and for their contracts of service, and for examining 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 undertaking's strategy, business developments and risk management. The Supervisory Board adopted Rules of Procedure governing its work that, among other things, deal with membership of the Supervisory Board and its internal order, as well as rules for committees formed by the Board. The Supervisory Board comprises six members who are elected by the 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 a 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 has a casting vote.

The Supervisory Board has 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 instead of the Supervisory Board on the content, signature, amendment and termination of contracts of service with the members of the Board of Management (with the exception of remuneration issues), and on their implementation. The committee is responsible for extending loans to the group of individuals set out in sections 89 and 115 of the German Stock Corporation Act (AktG), as well as to the representatives of its member groups, for authorising members of the Board of Management to perform other activities as set out in section 88 of the AktG and for approving the contracts with Supervisory Board members in accordance with section 114 of the 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.

GENERAL MEETING

Members exercise their rights in the General Meeting. Voting rights for the General Meeting are determined on the basis of the share of total premiums attributable to the members of HDI V.a.G. from directly written business in the past financial year.

The General Meeting elects the shareholder representatives on the Supervisory Board and resolves to approve 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 intercompany agreements, as well as on the remuneration of the Supervisory Board and on amendments to the undertaking's Articles of Association. The Annual General Meeting, in which the Board of Management and the Supervisory Board report on the last financial year, takes place every year. Extraordinary general meetings can be convened in special circumstances.

KEY FUNCTIONS

Insurance supervision law requires all insurance and reinsurance undertakings to have in place an effective system that ensures "sound, 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. To support this process, the boards of management of HDI V.a.G. and Talanx AG have established and adopted policy guidelines that define the basic principles, tasks, processes and reporting obligations for each key function.

Organisational measures ensure holders of key functions do not perform any other incompatible activities.

Persons holding key functions are subject to specific fit and proper requirements in relation to their professional qualifications and personal reliability, as are members of the Board of Management and the Supervisory Board. More detailed information on this topic can be found in section B.2.

INDEPENDENT RISK CONTROLLING FUNCTION

The independent risk controlling (risk management) function notifies the Board of Management of all risks that must be classified as potentially material in nature and supports it in performing tasks relating to its general responsibility for risk management. To do so, the risk management function continually identifies and evaluates any risks that can be classified as potentially relevant (using the risk strategy as a basis), defines risk limits for approval by the Board of Management and aggregates identified risks for reporting purposes. It should also report to the Board of Management on other specific risks, either on its own initiative or on request. The risk management function is also responsible for further developments to, and the 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 governing bodies at Group companies comply with all applicable laws and regulations and internal rules, and monitors their observance. This function is an integral component of the Group's system of governance and internal control system. The compliance function is headed by the Group's Chief Compliance Officer. Every year, it draws up a Compliance Plan that details all tasks and activities planned by it 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 System of Governance. Through these procedures and the provision of advice, the internal audit function helps ensure that executive management can effectively perform its monitoring role. Group Auditing's activities are based on a comprehensive, risk-oriented audit plan, which is updated annually. As an executive department, Group Auditing is detached from the day-to-day work process and is autonomous and organisationally independent. Group Auditing's independence at the process level is

guaranteed by the fact that it has not been assigned any line duties as a function. Written instructions governing the tasks, powers and responsibilities of Group Auditing have been set out in the "Rules of Procedure for Group Internal Audits".

Additional information on the internal audit function can be found in section B.5.

ACTUARIAL FUNCTION

The HDI Group's actuarial function coordinates activities relating to the valuation of technical provisions under Solvency II and monitors the process used to calculate these provisions. This also includes setting technically consistent minimum standards for methods, models and data quality at Group level. The actuarial function also informs and advises the Board of Management from the perspective of the whole Group concerning the reserve situation, the underwriting and acceptance policy, and the adequacy of reinsurance agreements. In addition, the actuarial function supports the risk management 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 were made to the system of governance during the reporting period.

INFORMATION ON REMUNERATION POLICY AND PRACTICES

The HDI Group's Remuneration Guidelines set out the general framework for its remuneration policy and the key features of the remuneration structure and rules. 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 holders of key Group functions.

REMUNERATION POLICY

The remuneration policy is aligned with the goal of sustainably enhancing the Group's value. The Group's remuneration rules are designed to be competitive and in line with the market. Remuneration structures reflect business developments at the Group and the division in question, while also taking sustainability issues and the competitive environment into account. The remuneration system is aligned with the HDI Group's business and risk management strategy, internal organisational structure, risk profile, and Group and divisional targets and objectives. The remuneration structures are generally designed to prevent unreasonable risk-taking. Carefully selecting the target criteria for the variable remuneration system and caps on the variable remuneration components ensure there are no inappropriate performance incentives that might lead executives to take incalculable risks. Parts of the variable remuneration are normally deferred for a certain period of time in order to ensure that the level of remuneration paid is also in line with sustainable business performance.

The Group companies in Germany and abroad are responsible for implementing the remuneration policy and ensuring the adequacy of the remuneration rules. More specifically, the supervisory boards of the various Group companies determine the remuneration for the executive management of these companies, while the executive management determines the remuneration for their employees with the assistance of the human resources departments concerned.

REMUNERATION STRUCTURE AND REMUNERATION PRACTICES

Remuneration paid to management and key function holders

The remuneration paid to the members of the Board of Management, the holders 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. Some Board of Management members still have defined benefit pension commitments, in which the annual pension payment is calculated as a percentage of the last fixed pensionable remuneration that they received prior to leaving the Board of Management. Individual pension arrangements vary throughout the Group in some cases and are 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.

The annual remuneration paid consists of a fixed and variable component. For Board of Management members, the latter consists of a performance-related annual cash payment, a “bonus bank” where payments are made after three years, and share awards, which are based on the share price. In the case of holders 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 achieve-

ment 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 annual process results in a clear understanding of what is expected to further sustainable business development. Goal agreements measure quantitative, financial and operating results. The development of qualitative measures and initiatives promoting sustainable Group development and specifically formulated behavioural incentives are also included.

Early termination provisions in Board of Management members' contracts of service provide for payment of a “transitional allowance” under certain circumstances; this is calculated using the percentage of fixed remuneration reached by the members in the context of their pensions. A vesting period of eight years generally applies. A proportion of any other income from self-employment or employment is offset against the transitional allowance until the members reach the age of 65.

Supervisory Board remuneration

Members of the supervisory boards of HDI V. a. G. and Talanx AG receive annual fixed remuneration in addition to being reimbursed for their expenses. Additionally, the members of Talanx AG's Supervisory Board receive performance-related variable remuneration, which is linked to the company's long-term success. Each member of Talanx AG's Supervisory Board receives a set amount of variable remuneration for each full million euro by which the average consolidated 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 cap on the amount of variable remuneration that can be paid. Calculating the performance-related remuneration component on the basis of average consolidated net income for the last three financial years ensures that variable remuneration is aligned with the company's sustainable development. The basic remuneration paid to the chairman and deputy chairmen of the Supervisory Board is higher than that paid to ordinary members, reflecting the substantial additional work they need to perform.

Members of supervisory board committees at HDI V. a. G. and Talanx AG also receive additional fixed remuneration. As well as being reimbursed for their expenses, Supervisory Board members receive an attendance allowance for each Supervisory Board or Supervisory Board committee meeting in which they take part.

B.2 FIT AND PROPER REQUIREMENTS

The German Insurance Supervision Act (VAG) stipulates that all individuals who actually head the undertaking or perform other key tasks must meet special requirements with regard to

- their professional qualifications and
- personal reliability (“fit and proper requirements”).

These requirements are described in detail in the version of the “Group Framework Guidelines for Meeting the Fit and Proper Requirements” applicable during the reporting period, as well as the “Professional and Personal Requirements for Members of the Supervisory Board” guideline, which are regularly reviewed and amended where applicable. The objective of these documents is to define a binding framework for fulfilling the fit and proper requirements that apply for individuals who

- actually head relevant Group undertakings and units, or
- are responsible for other key functions.

DESCRIPTION OF THE FIT AND PROPER REQUIREMENTS

The term “fitness” refers to the possession of professional qualifications appropriate to the position in question, as well as to the knowledge and experience required to ensure sound, prudent management and proper execution of the tasks associated with the position. The appropriateness of qualifications is assessed in accordance with the principle of proportionality, taking into account the specific risks faced by the undertaking 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 must be assumed if general life experience suggests that an individual’s personal circumstances justify the assumption that these circumstances could limit their ability to perform their function in a prudent and proper manner.

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

- (1) Individuals who actually manage the undertaking:
 - Members of the Board of Management and executive members of the Administrative Board
 - General managers
 - Authorised agents at branches within the EU/EEA
 - Loss adjustment representatives
- (2) Individuals who perform other key tasks:
 - Members of the governing/supervisory bodies, unless executive
 - Head of Risk Management
 - Head of Internal Auditing
 - Head of Actuarial
 - Head of Compliance
 - Outsourcing officers, as necessary

Given the different roles played by the individuals who actually manage the undertaking and those who perform other key tasks, these persons must provide evidence of their fitness in a variety of areas:

- Education/professional training
- Practical knowledge
- Management experience
- Language skills
- Specialist knowledge
- Knowledge relating to the key function in question
- Collective requirements
- Required expertise in the field in question

Group guidelines define the general requirements to be observed in situations where key tasks are outsourced. The undertaking outsourcing such tasks must take measures to ensure that the staff at the service provider who are 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 oversees events and is responsible for ensuring the proper execution of all activities associated with outsourcing the key task.

PROCEDURE FOR EVALUATING FITNESS AND PROPRIETY

All requirements, responsibilities and reporting processes relating to interaction with the supervisory authority correspond to the current standard processes based on BaFin's Guidance Notices on Fitness and Propriety.

The specified Guideline for Meeting the Fit and Proper Requirements requires detailed CVs to be requested prior to appointments being made to positions in which an individual will actually run the undertaking or perform another key function. In addition, a job profile must be drawn up specifying the necessary qualifications and describing the form of proof that must be provided.

A separate checklist is available for reviewing requirements in the context of appointing a holder of key responsibilities. This includes the binding regulations stated in the specified guidelines and serves as an overview of the existing requirements.

The job profile documents the following minimum requirements:

- (1) Description of the position including key tasks
 - List of requirements (job description)
 - Decision-making powers and authority to issue instructions
 - Degree of personal responsibility
- (2) Professional qualification of the business managers and responsible individuals
 - professional and formal qualifications, knowledge and relevant experience in the insurance sector, other financial sectors, and other companies in the areas of insurance, finance, accounting, actuarial theory, and management
 - a diversity of qualifications, knowledge and relevant experience that is sufficient to guarantee professional management
 - completed professional training, degrees, and courses on subjects including socio-politics, economics, engineering or natural sciences, mathematics, tax law, general law, and the insurance business
 - sufficiently wide-ranging professional experience with further training that is specific to insurance
 - practical experience in insurance transactions
 - holding roles that include instruction and monitoring, including competency in being able to implement decisions, and the corresponding rights to represent in the context of working as a manager
 - in previous work has in particular, planned, organised, and monitored projects, measures, and work processes, and has verifiable skills in managing colleagues and coordinating, delegating, and monitored responsibilities

The collective fitness requirements for individuals who actually head relevant Group undertakings and units include:

- knowledge of insurance and financial markets,
- knowledge and understanding of the corporate strategy and business model,
- knowledge of the system of governance (risk management system and internal control system),
- ability to interpret financial and actuarial data and figures, for the purpose of financing and actuarial analysis,
- knowledge and understanding of the regulatory framework.

The requirements for professional qualification on the part of responsible individuals in key roles arise from the particular circumstances of the respective responsibility within governance tasks, whereby the following key elements should be highlighted in the context of governance:

- expert knowledge,
- market knowledge,
- language skills, and
- analytical understanding.

The following requirements henceforth apply for members of the Supervisory Board:

- the responsibility transferred to the individual member of the Supervisory Board,
- sufficient theoretical and practical knowledge of all Divisions,
- professional qualifications and knowledge (specialist knowledge),
- relevant experience in the insurance sector, other financial sectors, and other companies (market knowledge),
- knowledge and relevant experience in the areas of insurance, finances, accounting, actuarial theory, and management,
- familiarity with the particular circumstances of institutions for occupational retirement provision
- language skills, and
- analytical understanding.

The subject areas of capital investment, underwriting and accounting are subject to an annual self-assessment. Specific requirements that can be found in the specified guideline apply for the chair of the Supervisory Board, and the Audit Committee. A lack of professional suitability can be remedied through corresponding further training.

Job profiles are regularly reviewed by the organisational units responsible in order to ensure that they continue to comply with all relevant requirements. Repeated reviews of reliability in the form of updated certificates of good conduct are not required in this context.

Compliance with the job profile is checked when material changes to the parameters on which it is based occur:

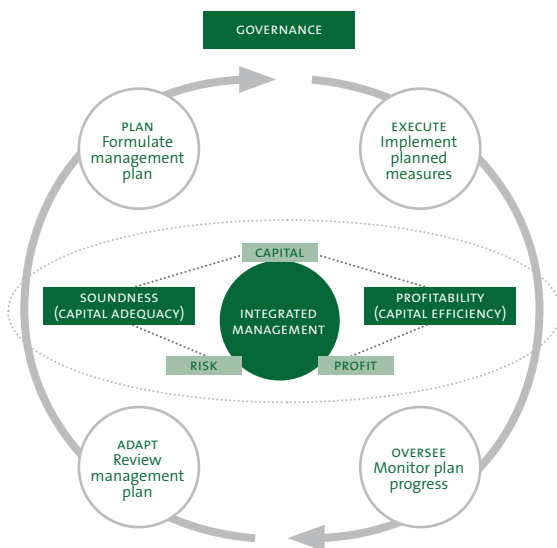
- (1) Attributes relating to the person responsible for key tasks:
 - New information regarding the integrity of the person responsible for key tasks (e.g. pending criminal proceedings)
 - Changes in the personality of managers that would prevent them from representing the undertaking appropriately in public (e.g. improper conduct in public)
 - New information regarding the professional qualifications of the person responsible for key tasks
 - New information about managers that raises doubts about their ability to perform their tasks soundly and prudently
- (2) Attributes relating to the position:
 - Changes to the scope of responsibility for the position (increase in responsibilities)
 - Changes to the professional qualifications required for the position (e.g. changes to the professional qualifications required under supervisory law for persons responsible for key tasks)
 - Persons responsible for key tasks are required to notify the organisational unit that owns the process in question of all relevant changes

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

STRUCTURE OF THE RISK MANAGEMENT SYSTEM

Risk management systems are the sum of all measures in place for identifying, analysing, assessing, communicating, monitoring and steering risks and opportunities at an undertaking. The HDI Group has implemented its risk management system in the form of an enterprise risk management system (ERM) – i.e. a holistic system that also includes measuring performance and systematically identifying any actions that may need to be taken.

PERFORMANCE CONCEPT AND INTEGRATED MANAGEMENT



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

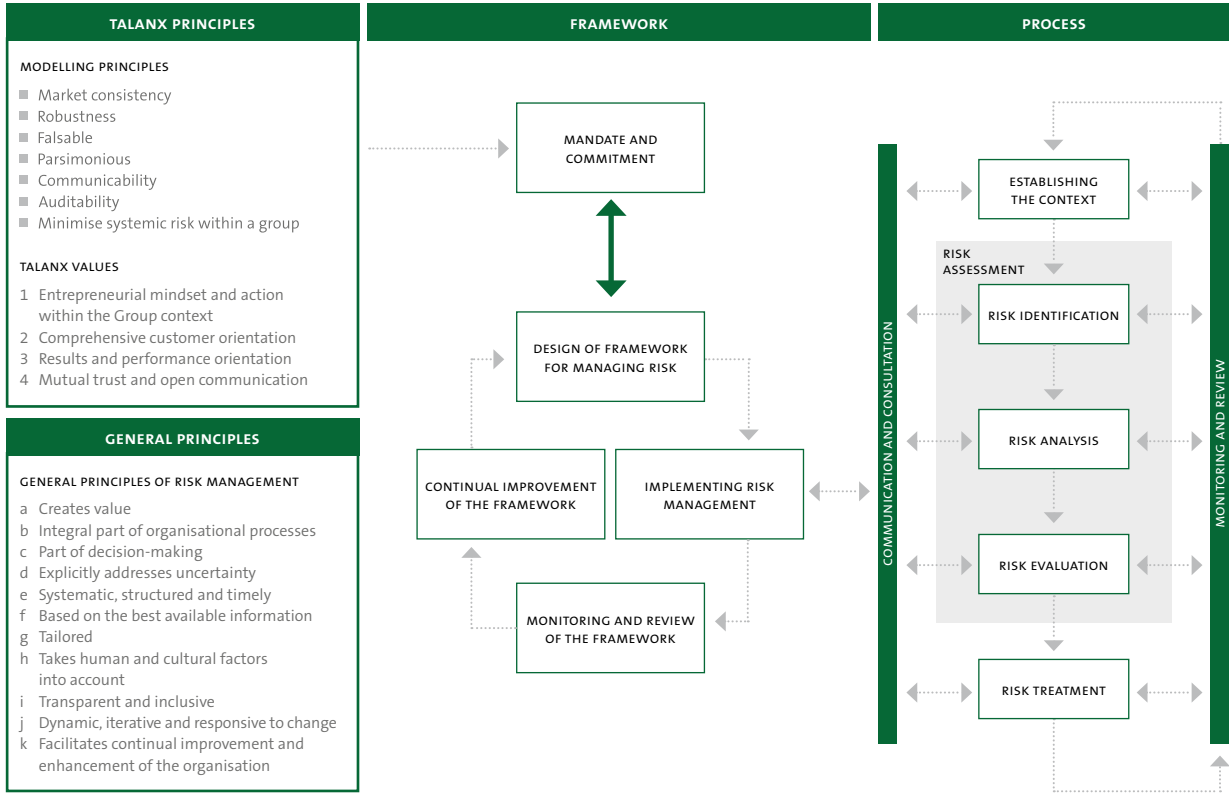
The concept of risk used relates to positive or negative deviations between the results of actions taken and objectives set. In this context, risk is understood to mean uncertainty in respect of events and their consequences.

The following graphic shows the basic components of the risk management system at the HDI Group. These include procedural components and framework guidelines that define the processes and suitable process controls. The implementation of an ERM is based on the company or risk management philosophy, which defines the key cornerstones of the risk culture.

This is followed by general principles that summarise experiences in risk management in terms of best practice. The following diagram is based very closely on the ISO 31000 standard for risk management and provides an overview of the basis structure of our 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 obtaining approval for our internal model. The graphic therefore only shows the key basic structures, which do, however, comply with Solvency II.

The supervisory authority analysed our risk management system in detail during the pre-application phase for our internal model. The approval issued on 19 November 2015 attests to the adequacy of our internal model, and consequently that our risk management system meets Solvency II requirements.

THE GROUP RISK MANAGEMENT SYSTEM – BASED ON THE ISO 31000 STANDARD



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

The HDI Group's risk management system takes the following stakeholders into consideration:

1. The Board of Management and Supervisory Board (economic management of the undertaking, ensuring that different stakeholders' objectives are achieved)
2. Policyholders (at the least: fulfilment of the regulatory solvency requirement)
3. Shareholders (increasing the enterprise value, payout ratios)
4. Rating agencies (specific level of capital for bondholders)
5. Supervisory authorities and watchdogs (consumer protection, systemic risk control)

DIFFERENT VIEWS OF RISK AND CAPITAL

Stakeholder	Risk	Capital	Cover %
Shareholders, Board of Management, Supervisory Board, rating agencies, bondholders	(Full) economic internal model	Basic own funds excluding transitional	273
Board of Management, Supervisory Board, bondholders	Partial internal model	Eligible own funds excluding transitional	209
Supervisory authority, policyholders, bondholders	Partial internal model	Eligible own funds including transitional	252

We use our internal model as the basis for deriving a limit and threshold system that is suited to assessing risks both independently and in their entirety, bearing our risk-bearing capacity in mind. This applies both to risk categories and to participations (subsidiaries). A risk budget that complies with this limit and threshold system is then defined for the HDI Group and its segments. This risk budget describes a contingent risk potential that reflects the Board of Management's risk appetite as derived from the undertaking's goals and targets. The risk budget also takes the segments' risk-bearing capacity into account; this serves as an auxiliary condition in the risk budgeting process.

IMPLEMENTATION OF THE RISK MANAGEMENT SYSTEM WITHIN THE GROUP

In order to ensure that the risk management system is implemented consistently throughout the Group, the Group's risk management function integrates the risk management units at the various divisions and subsidiaries. It does this on the one hand using Group guidelines and on the other by including the subsidiaries, and ensuring their active participation, in the relevant risk management bodies and decision-making and escalation processes that have been established throughout the Group.

The following table describes the roles of key persons in the risk management process, as well as important bodies from the Group perspective. The role of Group CRO meets the supervisory requirements associated with this key function (independent risk controlling function). In addition, the organisational structure and escalation processes comply with Solvency II.

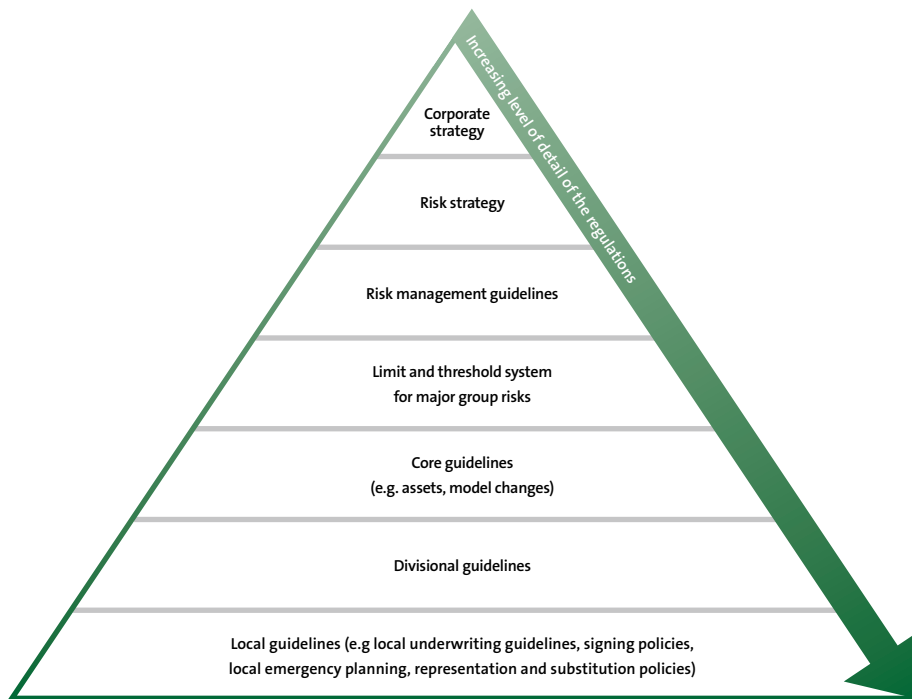
RISK MANAGEMENT SYSTEM

Responsibilities 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 ■ Defining the risk strategy, including limits and thresholds ■ Responsibility for proper functioning of risk management ■ Approval of amendments to models ■ Approval of key Group guidelines
Executive Risk Committee (ERC)	<ul style="list-style-type: none"> ■ Management, coordination and prioritisation of Group-wide risk issues ■ Adjustment of limits within fixed materiality thresholds ■ Approval of guidelines and other regulatory framework 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 ■ 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 (CRO)	<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 ■ Inclusion of the CRO in key Board of Management decisions
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, management 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 specifications for the design and structure of risk management activities and functions at the HDI Group are set out in internal guidelines and detailed rules. In line with the principle of “central strategic management plus local divisional responsibility”, the details of this framework are then fleshed out at the level of the individual divisions and subsidiaries. The figure below shows the hierarchy of rules applicable within the risk management system.

Risk budgeting and the definition of limits and thresholds are other key components of the risk management framework.

HIERARCHY OF RULES FOR THE RISK MANAGEMENT SYSTEM



RISK MANAGEMENT PROCESS AND COMMUNICATION

Specifically, the risk management process relates to the processes in the schematic representation of the risk management system. We identify risks throughout the Group using key indicators and various risk surveys. Qualitative risks are recorded systematically using a Group-wide risk capture system. Risks spanning multiple divisions, such as compliance risks, are addressed by involving the areas or experts concerned. Risk identification at product level is performed at an early stage as part of our 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 from risk analysis in order to ensure 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 keeping with our ISO-based risk management philosophy, we define the inherent model uncertainties associated with the use of any model.

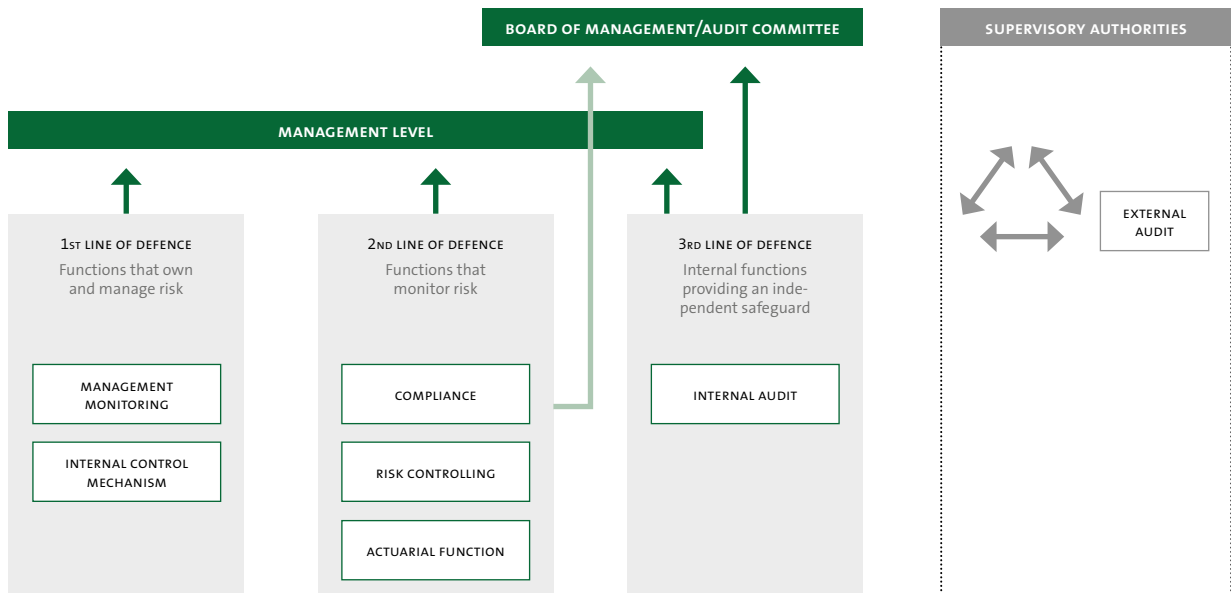
The Board of Management is provided with the results of our functional risk models on a monthly basis, and with the results of our internal model on a quarterly basis. In line with our risk profile, this information is presented by division, undertaking or risk taker, as well as by risk category. The 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. The goal here is to make the core of the HDI Group as robust and resilient as possible against adverse developments.

S&P has rated Talanx’s risk management system as “strong” and has issued an “M-factor” expressing its view of the credibility of our internal model.

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

THE THREE LINES OF DEFENCE FROM THE SUPERVISOR’S AND EXTERNAL AUDITORS’ PERSPECTIVE

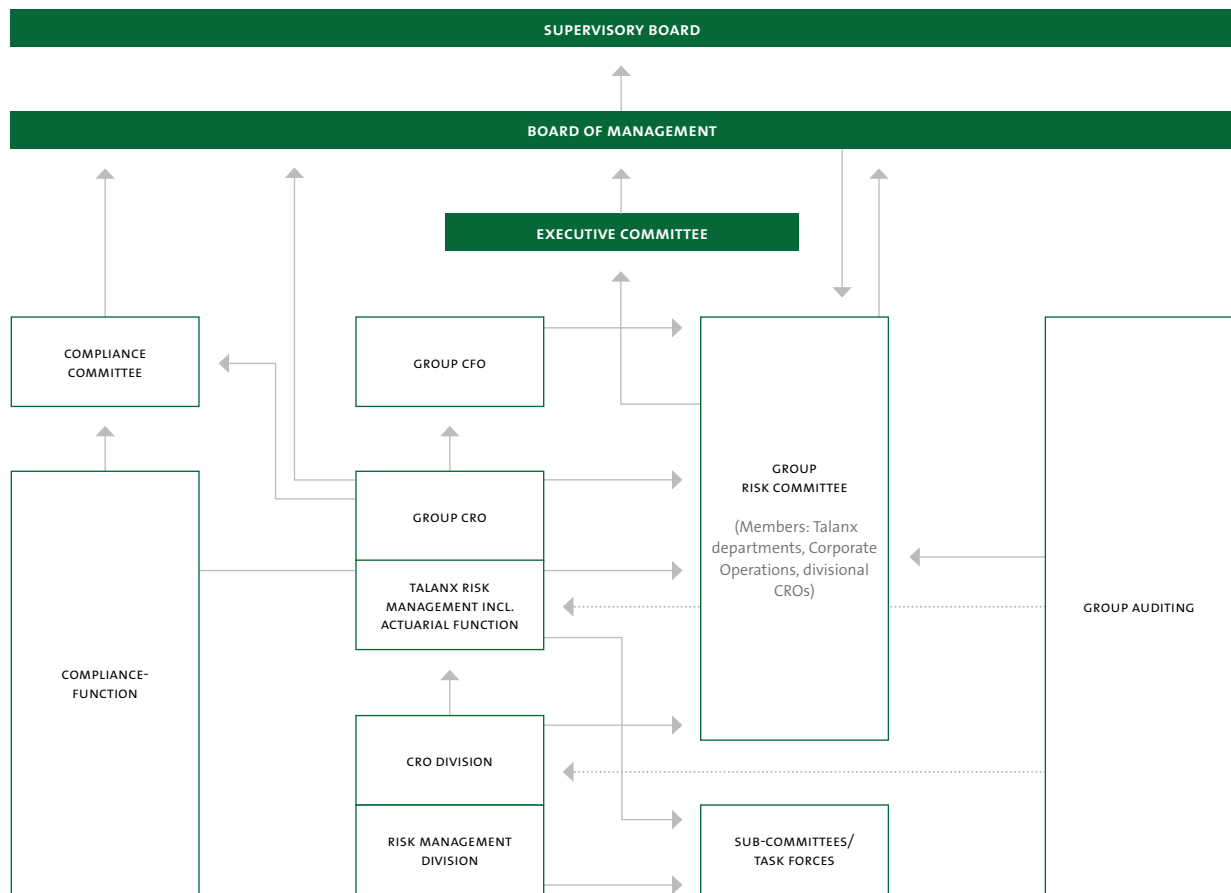


External auditors include the auditors of the financial statements, who under Solvency II also have to issue an audit opinion on the solvency balance sheet, and the supervisory authority, which audited the risk management system for compliance with Solvency II requirements in a pre-application phase lasting several years.

Solvency II also saw the supervisory authority introduce the role of the key functions. The key function for risk management is the

independent risk controlling function. For the last ten years, the tasks associated with this function have been performed at the HDI Group by the Chief Risk Officer, who reports to the Chief Financial Officer and who has been furnished with a number of powers. In particular, HDI's Board of Management obtains the CRO's opinion before making important decisions. The following graphic shows the information flows between the four key functions, with a particular emphasis on those relating to risk management.

FUNCTIONAL ORGANISATION CHART FOR RISK MANAGEMENT



RISK REPORTING

Our risk reporting aims 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, which is designed to keep redundancy to a minimum, comprises the solvency and financial condition reports (SFCRs), regular supervisory reports (RSRs), and own risk and solvency assessments (ORSAs). These core reports are prepared annually.

It is clear that each of these different reports accommodates the 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 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, large 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 Auditing 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 undertaking's risk and solvency position. The focus here is on a forward-looking perspective, since the assessment combines the undertaking's five-year economic planning with its latest model results and associated planning measures. The forward-looking section of the ORSA in-

volves a multi-year evaluation of potential future risks. A variety of scenarios for future macroeconomic developments and our business planning are used to produce a five-year forecast for our own funds and their breakdown, 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 this medium-term planning, we use the results of the risk assessment when deriving risk budgets and defining limits and thresholds. These are set in a manner that ensures that the Group's target capital adequacy ratio can still be achieved even if they are fully utilised. 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. In this way, the insights gained from our risk management processes directly influence the ongoing development of the risk framework and the context for future process runs.

The ORSA also analyses all stakeholders to arrive at an order for the auxiliary conditions and hence achieve consistent target cascading. The results of the rating agencies' capital models play a particularly important role here.

A report on the results of the ORSA (including the forward-looking elements) is produced at least once a year. This report, along with the key methods and assumptions underlying its observations, is discussed in depth and critically examined by the full Board of Management. If its insights indicate a need for action, the process owner in question is notified and implementation of the associated measures is 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 safeguards) designed to ensure that the organisation and its processes function properly. It is deployed at all levels throughout the Group and focuses on process risks and the controls used to monitor them. Group guidelines are used to ensure that the ICS is applied consistently throughout the Group.

The procedures and measures utilised in the ICS aim to ensure:

- Compliance with the legal requirements and other regulations, contracts and internal rules
- Due and proper performance of our business activities
- Asset preservation
- Due and proper and reliable financial reporting
- The prevention and detection of any misappropriation of assets
- A focus on, and particular consideration of, material risks
- The effectiveness and efficiency of risk monitoring and risk avoidance measures within business processes
- The accurate presentation of the undertaking's net assets, financial position, results of operations, and risk position.

The "Three Lines of Defence" concept is essential to the Solvency II system, and it also forms the organisational basis for the Group's control and monitoring system:

- The first line of defence comprises the specialist operating units/departments, which are responsible for safeguarding against, identifying, assessing, managing and monitoring risks at the operational level. These units and departments are therefore responsible for ensuring that the ICS in their respective areas is appropriate.

- The second line of defence comprises functions which ensure that the ICS is appropriate at the superordinate controlling level and which advise the specialist operating units/departments. These functions include the Group Risk Committee, the risk management, compliance and actuarial functions, the Group data protection and anti-money laundering officers, etc.
- The third line of defence is the internal audit function, which is an independent, objective, centrally organised Group function. As part of its auditing activities, the internal audit function monitors the effectiveness and efficiency of the internal control system, the risk management system and the other key functions.

THE COMPLIANCE FUNCTION

HDI V.a.G. has outsourced the Group's compliance function to Talanx AG. The Chairman of the Board of Management of HDI V.a.G. has been appointed as the outsourcing officer and as such is responsible for monitoring the Group's compliance function. BaFin has been notified of the Chairman's responsibility for this function. Additionally, the primary insurers in Germany, along with certain other companies, have outsourced their compliance functions at the individual company level to Talanx AG. All of these companies have also appointed outsourcing officers for their compliance functions and have notified the supervisory authority of them.

The compliance function is part of the second line of defence. In order to ensure sustained compliance with all relevant legal, regulatory and internal rules 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 the Group's internal 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 operations throughout the world are based. The code of conduct is available on the website. All Group employees must ensure that they comply with the code and with the laws, guidelines and instructions governing their individual areas of work.

The code is supplemented in more detail by 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:

- Preventing corruption
- Compliance with Antitrust law
- Sales and product compliance
- Financial sanctions/embargoes
- Investment compliance
- Capital market compliance
- Corporate compliance

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

Another element in ensuring Group-wide compliance is a whistle-blower system that can be accessed 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 the internal audit function required at Group level in accordance with section 275(1) sentence 1 of the Insurance Supervision Act (VAG) in conjunction with section 30(1) of the VAG to Talanx AG. 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. has been appointed as the outsourcing officer for Group Auditing and BaFin has been notified that he is responsible for this. The Group's primary insurers in Germany (and individual companies in the rest of the EU) have also outsourced their internal audit functions to Talanx AG. All of these companies have also appointed outsourcing officers for their internal audit functions and have notified the supervisory authority of them.

Monitoring by the internal audit function focuses on protecting business assets against losses of all kinds for the long term, on supporting the undertaking's business and operating policy – including its risk strategy and the business organisation established for it – and on ensuring the undertaking's continued existence. To do this, Group Auditing autonomously, independently and objectively analyses all material divisions, workflows, procedures and systems from a risk-oriented perspective in line with the principles of security, propriety and economy.

These audit activities are based on an audit plan drawn up by Group Auditing and approved by the company's Board of Management. When executing this audit plan, the internal audit function is not bound by any technical instructions and reports its results and recommendations directly to the Board of Management. Group Auditing's sole task is to perform internal audits, a fact that guarantees its independence from the activities that it audits and ensures it remains independent. A cooling-off period applies to all employees who transfer to Group Auditing from operating units and departments, thus helping to ensure objectivity at the level of the individual auditors.

In order to ensure that it can properly perform the tasks assigned to it, the internal audit function has been granted complete, unrestricted, active and passive rights to information. Its active right to information refers to the fact that the internal audit function has access to all divisions, documents, assets and relevant contacts. Its passive right to information ensures that Group Auditing is automatically included in all information flows at the undertaking that are of relevance to its work.

Group Auditing may conduct unscheduled special audits at any time at short notice if defects or flaws 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 perform its monitoring function for all relevant areas of the undertaking systematically, efficiently and in a 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 areas and topics covered by the audit
- The results of the latest audits
- Legal and organisational changes that relate to the areas and topics covered by the audit
- Knowledge gained from attending meetings of governing bodies and regularly scheduled meetings with staff from other governance functions.

A report is written for each audit, ensuring that the Board of Management and the department, unit or division audited receive the key findings. The reports also set deadlines and assign responsibilities for implementing the measures. The implementation process is monitored, with the Board of Management delegating operational responsibility for this to the internal audit function.

The internal audit function's reporting system also includes quarterly and annual reports that provide recipients (including the Board of Management, the Supervisory Board, Risk Management and the auditors of the annual financial statements) with information on the effectiveness of the internal audit function and on the audit findings. Particularly serious findings must be reported immediately to the responsible member of the Board of Management. Depending on the degree of risk involved, the independent risk controlling function and/or the compliance function may also have to be informed.

Group Auditing's effectiveness is ensured by internal quality assurance measures and by assessments performed by external auditors.

B.6 ACTUARIAL FUNCTION

HDI V.a.G. has outsourced the actuarial function that is also required at Group level in accordance with section 275(1) sentence 1 of the Insurance Supervision Act (VAG) in conjunction with section 31 (1) of the VAG to Talanx AG. Talanx AG has assigned this function to an independent area that is part of Risk Management from an organisational perspective but that operates independently and reports directly to the Board of Management. At HDI V.a.G., the Chief Financial Officer acts as the outsourcing officer for the actuarial function; the supervisory authority has been notified of the outsourcing officer's internal responsibility for the function. At the divisional level, the German companies belonging to the divisions have outsourced the actuarial function for the individual companies to separate areas. In order to create clear responsibilities within the Retail International Division, an actuarial function has been voluntarily established at HDI International AG and an employee has been appointed as the person with internal responsibility for this key function. A Group committee has been established to coordinate the activities of the actuarial functions operating at Group and individual level.

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 within the HDI Group can be grouped together in the following thematic areas:

COORDINATION TASKS

The actuarial function coordinates activities relating to the valuation of the technical provisions for Solvency II purposes. This primarily includes 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. This 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 Group as a whole on the situation regarding the reserves, underwriting and acceptance policy, and the appropriateness 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 discrepancies and ensures that these are remedied.

SUPPORT TASKS

The actuarial function supports the risk management function in its tasks, and particularly regarding issues relating to the internal model and the own risk and solvency assessment (ORSA). It also provides actuarial expertise.

B.7 OUTSOURCING

Various service functions within the HDI Group are bundled in a number of central service companies. Apart from Talanx AG, which also operates as a holding company, the most important of these are HDI Service AG, HDI Systeme AG, Ampega Asset Management GmbH and Ampega Real Estate GmbH. Within HDI Deutschland AG, HDI Kundenservice AG in particular acts as a central service provider. In some cases, key functions or what are known as "important functions" have also been outsourced to the above-mentioned service providers.

For example, Talanx AG provides services to all domestic primary insurers in the compliance and internal audit key functions that are required by insurance law, as well as acting as a service provider for HDI V.a.G. in the risk management (Group level) and actuarial (Group level) functions. The aim of bundling activities at a central service provider was to ensure standardised, high-quality services that can be offered as economically as possible throughout the Group. Bundling the internal audit and compliance key functions at a single company within the Group enables a high degree of professionalism to be achieved and hence ensures that all activities associated with the functions are performed optimally.

HDI Kundenservice AG provides services in the area of the actuarial and risk management key functions for insurance companies belonging to HDI Deutschland AG. Here, too, the main reason for centralisation was to establish standardised, high-quality services that could also be offered as economically as possible by bundling qualified staff at a single company.

HDI Global SE provides services relating to the actuarial (solo undertakings) and risk management (solo undertakings) key functions to HDI V.a.G. and HDI Global Network AG. HDI V.a.G. writes primary insurance business only as a co-insurer with HDI Global SE. HDI Global Network AG serves as a "platform" for HDI Global SE's international insurance business. In view of the considerable similarity/partial overlap in terms of content between HDI V.a.G.'s and HDI Global Network AG's business and the relevant operations at HDI Global SE, it makes sense to transfer the tasks to HDI Global SE in order to maximise efficiency and professionalism.

Ampega Asset Management GmbH is responsible for managing the Group companies' financial investments, while Ampega Real Estate GmbH manages their real estate assets. Consolidating all Group-wide asset management expertise in this way allows investment services to be provided in a highly professional and efficient manner.

Hannover-based HDI Systeme AG is a key central service provider at Group level for all information technology issues. It provides IT services to the Retail Germany and Industrial Lines divisions and to the Group functions (Talanx AG, HDI Service AG, Ampega Investment AG, Ampega Asset Management GmbH, Ampega Real Estate GmbH and Talanx Reinsurance Broker GmbH). Consolidating IT services at a single company increases the level of professionalisation that can be provided and allows it to provide Talanx Group companies with even more reliable, effective and efficient support by offering innovative IT services that are tailored to meet their requirements.

Another important centralised service provider within the Group is HDI Service AG, which, among other things, provides the complete range of accounting and collections/disbursements services to virtually all domestic Group companies in Germany. Here, too, the main reason for outsourcing was to be able to provide standardised, high-quality services throughout the Group while leveraging existing synergies, and hence to offer them more economically than would be possible for the individual companies.

Due diligence is conducted on service providers that are shortlisted for outsourcing contracts as part of the preparatory process – i.e. in all cases before a decision is made. This review serves to clarify whether the service provider in question is suited to performing the tasks to be outsourced.

As a result, due diligence focuses on the following criteria in particular:

- The service provider's financial strength
- The service provider's technical capabilities
- The service provider's personnel capacity, which will enable it to perform the outsourced tasks
- Employee qualifications and reliability
- The service provider's control mechanisms and contingency planning
- Potential or existing conflicts of interest at the service provider that could impair its ability to perform the outsourced tasks

The due diligence process should regularly include at least one and, if necessary, multiple inspections of the business premises occupied by the service provider or providers being considered for the outsourced tasks. The on-site inspection(s) should be supplemented by requests, which should be appropriate in scope and which the service provider(s) under consideration should be able to reasonably meet, for information, explanations and documents enabling an assessment of the above-mentioned criteria in particular. Objective sources, including reports from credit bureaus and rating agencies, must also be used to an appropriate extent in the review, in line with the principle of proportionality. Reviews of Group-owned service providers performed prior to outsourcing can generally be less detailed than those required in the case of external service providers, in view of the principle of proportionality and the Group risk management processes in force at the HDI Group. However, potential conflicts of interest and concentration risks should 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. As part of outsourcing preparations, an analysis is performed with the help of the responsible risk management department to determine whether and how the outsourcing undertaking's business operations can be maintained if a service provider is 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 decision to outsource and during the ongoing outsourcing process. This risk analysis is used to identify appropriate, specific monitoring and control processes in line with the circumstances of the particular case and to draw up 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 the service providers and the Group companies that have commissioned them are represented on these committees. Along with evaluating the quality of the services provided, the committees aim to facilitate targeted information sharing at a commercial level and to promote a common understanding of the details of the services provided, as well as a discussion of other key issues.

Where no monitoring committees have been set up for services outsourced by 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. In the process, the Board of Management member draws upon the expertise of various units at Talanx AG for support and to validate the service provider's activities.

B.8 ANY OTHER INFORMATION

The 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, as well as the audits of business units (including audits of other key functions) that are performed by the internal audit function in its capacity as an independent key function, are carried out regularly on the basis of internal guidelines.

The organisational units responsible for preparing Board of Management decisions initially perform individualised self-assessments. These should then be circulated among the heads of the organisational units and discussed, after which the Board of Management is informed of the results of the discussions and provided with a recommendation for its own assessment.

The adequacy assessment is a decision of material importance for the senior management of the companies concerned, which is why the full management body is responsible for it rather than individual members.

As regards financial year 2018, the initial emphasis was on reviewing the relevant guidelines to check they were up to date and adequate. The review of guidelines focused in particular on the need for amendments or additions in the light of the administrative opinion expressed by BaFin and published in the circular on Minimum Requirements under Supervisory Law on the System of Governance of Insurance Undertakings (MaGo).

After the Board of Management received confirmation that the governance guidelines were up to date – even taking into account current administrative opinions – the managers responsible at an organisational level, and key function holders in particular reviewed the following issues in the first instance, in the form of a self-assessment:

- Are the current governance guidelines being implemented and actually complied with across the Group?
- Prompted by a static view associated with the content of the guidelines: As regards business organisation issues, were any deficiencies identified – or indications of possible deficiencies – that might cast doubt on the adequacy of the business organisation?

The Group Risk Committee, on which all four key functions are represented, met to discuss and deliberate on the results of these self-assessments. The resulting findings were that the business organisation is indeed adequate at Group level.

Having thoroughly deliberated on and appraised the preliminary report, the Board of Management duly found that the business organisation at Group level is consistent with what supervisory law requires in terms of an adequate business organisation.

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 HDI Group's risk profile is characterised by a variety of different aspects, particularly in terms of the respective stakeholder, the time schedule, the confidence level and the analysed risk sources: Risk categories and holdings in risk takers.

Quantifiable risks are defined and calculated on the basis of the changes in the basic own funds, which are defined as the balances contained in the solvency balance sheet over the one-year period stipulated by the supervisory authority. The assets reported in the solvency balance sheet primarily consist of investments, whereas the liabilities mainly comprise liabilities due to future payment obligations to policyholders arising from the insurance business. These two items – underwriting risk and market risk – are the key factors determining the risk profile.

The market risk associated with investments is broken down by the various asset classes. For our underwriting activities, it is subdivided into non-life and life premium and reserve risk.

As explained in the introduction, the Talanx Group represents the HDI Group's risk kernel; to this extent, the details presented refer to the Talanx Group's risk profile.

The following items materially influence the risk profile:

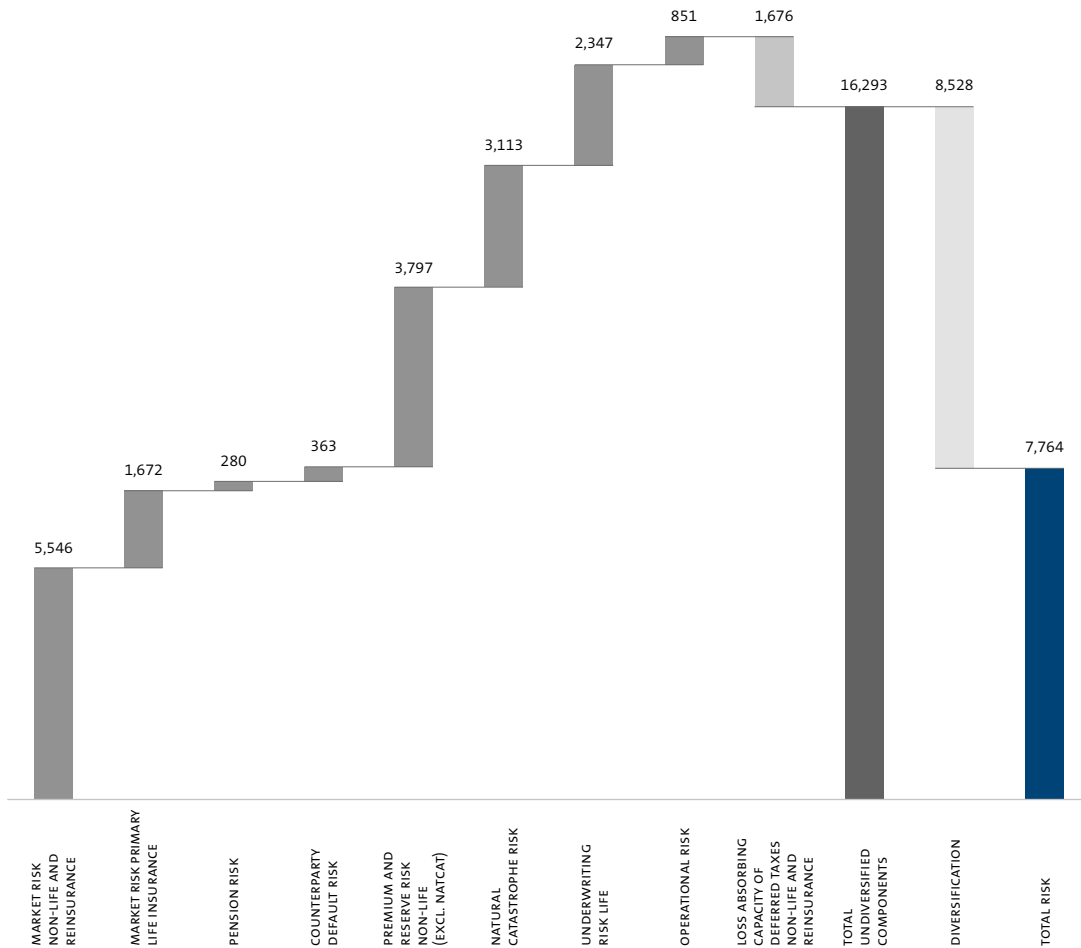
- Market and credit risk
- Underwriting risk – non-life, and particularly natural catastrophe risk
- Underwriting risk – life
- Diversification

A variety of risk factors are allocated to the risk categories in TERM. This makes it possible to forecast not only changes in individual risk categories over time but also how these behave collectively. This collective behaviour has a significant impact on diversification.

The following graphical representations of the risk profiles give an initial impression of the materiality of the risks involved and of any risk concentrations.

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

EUR MILLION



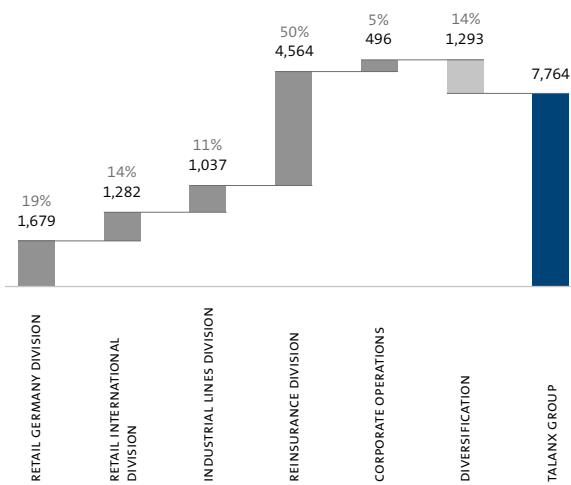
The diagram shows that diversification is particularly important for assessing the overall risk. This is due to our geographical diversity and the diversity of our business (see section A.2). These lead to a risk reduction due to diversification of approximately 50%. As the

key risk categories shown above are only loosely correlated, this high degree of diversification is well founded and is based on intrinsic rather than on theoretical model considerations.

At Group level, we not only focus on the risk categories but also analyse the risk profile for our subsidiaries, which are presented by division (the management unit concerned). The following diagram gives an overview. The nature of diversification given in this presentation differs to that in the previous graphic, as diversification in the individual divisions has already been taken into account in the risk categories for the division concerned.

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 divisions. The main purpose here is to achieve the targets set out in the risk strategy (e.g. risk-bearing capacity).

C.1 UNDERWRITING RISK

Underwriting risk refers to the danger of an unexpected negative change in the value of the insurance liabilities in the solvency balance sheet. Such deviations may be due to random chance, error or changes in the assumptions underlying the calculation (e.g. biometrics, loss amounts, payout duration or loss adjustment costs).

Exposure to such risks essentially depends on the size of the technical provisions and on the type of underlying insurance business concerned (primary life insurance, property/casualty primary insurance, reinsurance). As a result, it is spread across the Group, particularly in geographical and divisional terms.

We **assess** underwriting risk using TERM, as described in section E.4. We make a distinction between the following **material risks**:

- Underwriting risk – non-life, including:
 - Premium and reserve risk excl. NatCat
 - NatCat risk
- Underwriting risk – life

In this context, we see a potential **risk concentration** in the area of natural catastrophes in particular. We accommodate this in several ways, including by using standardised Group-wide scenarios in the model and by setting appropriate limits and thresholds. We also define specifications for other global events such as pandemics, in order to model any related concentration effects.

In addition to claims analysis, actuarial modelling, selective underwriting, specialist audits, regular review of the claims experience and limits and thresholds for managing, capping and monitoring risk, appropriate reinsurance cover is a material **risk mitigation** technique.

Our risk analyses regularly determine the **sensitivity** of our capitalisation ratios to a 200-year maximum annual loss from natural catastrophes. According to the analyses performed as at 31 December 2018, such an isolated event reduced the CAR (Talanx) by 9 percentage points and the Solvency II ratio excluding transitional (HDI Group) by 4 percentage points.

Supplementary information about the individual underwriting risks is provided below.

UNDERWRITING RISK – NON-LIFE

RESERVE RISK

Reserve risk refers to unexpected negative changes in the value of insurance liabilities that impact the loss adjustment amount. The cause for such an unexpected change may in particular be the loss amount, the payout duration or loss adjustment costs. Any loss events that occurred before the reporting date are taken into account in the reserve risk.

In order to manage the risk, the undertakings 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 negative changes in the value of insurance liabilities arising from fluctuations in the occurrence, frequency and severity of insured events. In contrast to reserve risk, premium risk is used to accommodate loss events (with the exception of 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

Like premium risk, natural catastrophe risk deals with future loss events. Such risk is handled separately, due to the possibility of an extremely high impact on the loss events due to natural disasters. 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, and supplemented by the experience of the various technical areas.

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

ACCUMULATION SCENARIOS (BEFORE TAXES)¹⁾

EUR THOUSAND

	2018
200-year loss Atlantic hurricane	2,293,737
200-year loss US/Canadian earthquake	1,925,768
200-year loss Asia-Pacific earthquake	1,445,700
200-year loss European storm (winter storm)	846,297
200-year loss Central and South-American earthquake	1,504,836
200-year loss European earthquake	1,133,506
200-year loss European flood	776,244

¹⁾ In reality, natural catastrophes may follow a course that differs from assumptions based on models.

Other accumulation scenarios are also regularly tested. In addition, carefully and individually selected reinsurance cover is taken out to protect against peak exposure from accumulation risks. This enables the Group to effectively limit large individual losses and the impact of accumulation events and thus make them plannable.

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

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 2018 and the large loss budget for the Talanx Group:

LARGE LOSSES AND LARGE LOSS BUDGET 2018

EUR THOUSAND, NET

		Primary Insurance	Reinsurance	Talanx Group
Cyclone "Frederike" (also called Storm "David")	17 - 18 Jan	30,276	24,349	54,625
Earthquake, Papua New Guinea	25 - 26 Feb	9,216	12,855	22,071
Heavy rainfall, Colombia (dam)	28 Apr - 11 June	38,821	48,384	87,205
Cyclone "Mekunu", Oman	24 - 26 May	3,986	7,657	11,643
Typhoon "Prapiroon", Japan	29 June - 6 July	—	10,958	10,958
Tornado "Iowa", USA	19 - 20 July	—	22,292	22,292
"Carr" forest fire, California USA	23 July - 30 Aug	—	7,975	7,975
Typhoon "Jebi", Japan	4 Sep	6,786	134,699	141,485
Typhoon "Mangkhut", Philippines, China	10 - 19 Sep	2,583	12,313	14,896
Hurricane "Florence", USA	14 - 20 Sep	18,058	37,390	55,448
Typhoon "Trami", Japan	28 Sep - 1 Oct	306	26,870	27,176
Hurricane "Michael", USA	10 - 16 Oct	1,339	46,288	47,627
Storms, southern eastern Europe	27 - 30 Oct	1,475	11,447	12,922
"Woolsey" forest fire, California USA	8 - 22 Nov	—	63,819	63,819
"Camp" forest fire, California USA	8 Nov - 3 Dec	—	129,502	129,502
Hailstorm, Australia	20 Dec	—	12,340	12,340
Total natural disasters		112,846	609,138	721,984
Property losses		280,844	90,517	371,361
Liability losses		—	16,435	16,435
Transport losses		—	31,194	31,194
Credit losses		—	102,514	102,514
Total other large losses		280,844	240,660	521,504
Total large losses		393,690	849,798	1,243,488
Large loss budget		300,000.0	825,000.0	1,125,000.0

The losses which occurred exceeded the large loss budget in financial year 2018.

UNDERWRITING RISK – LIFE

In life insurance, insurance policies commit the insurer to pay either a lump sum or a regularly recurring benefit. In classic life insurance, the premium is calculated on the basis of an actuarial interest rate and of a number of biometric factors such as the age of the insured person at policy inception, the policy period and the sum insured. The main insured events are the death of the insured person or the 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 for the entire policy period at the inception of the life insurance policy, the underlying bases for calculation such as biometric assumptions (i.e. the assumptions relating to the insured person such as mortality or life expectancy), the exercise rate for the repurchase option and the costs may change. With the exception of the interest rate, which is allocated to market risk, the impact of these possible deviations from the underlying actuarial assumptions on the calculation of own funds is referred to as underwriting risk and is measured with TERM, as described in section E.4.

Underwriting risk – life – for the Group is heavily influenced by the biometric risks of the Life/Health Reinsurance segment. The following comments therefore apply primarily to the Reinsurance Division.

The main aim is to offset the biometric risks arising from mortality and longevity. In addition, 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 cedants' acquisition costs are partially pre-financed, counterparty default risk is also of material significance. Reserves are determined on the basis of validated biometric actuarial assumptions, taking the reports from the cedants into account. The appropriateness of the biometric actuarial assumptions that are used and any lapse assumptions are reviewed continuously and adjusted, if necessary. This is performed using the undertaking's internal experience data and market-specific findings. The current life insurance risk profile is dominated by mortality and longevity risk. This is due to the fact that a large pro-

portion of the contracts must pay death benefits while others must pay survival benefits. The size of the reinsurance annuity portfolio has continued to increase and this contributes to diversification within Life/Health Reinsurance. The diversification effect between mortality and longevity risk is calculated prudently, as the policies are usually arranged for various regions, age groups and persons.

Diversification is a core management tool. The aim is to achieve the widest possible risk spread across different risk classes and regions. Pricing incentives are used in reinsurance contracts in order to further increase diversification.

Quality assurance measures guarantee that the reserves calculated by cedants in accordance with local accounting principles satisfy all requirements with respect to the calculation methods used and assumptions made (e.g. the use of mortality and morbidity tables, and assumptions regarding the lapse rate).

Above and beyond this, the division and the HDI Group are exposed to catastrophe risk, particularly in relation to events with a large number of fatalities in the (re-)insurance portfolio (e.g. pandemics). Such events are analysed using stress tests and simulations, which also take into account their impact on the capital markets.

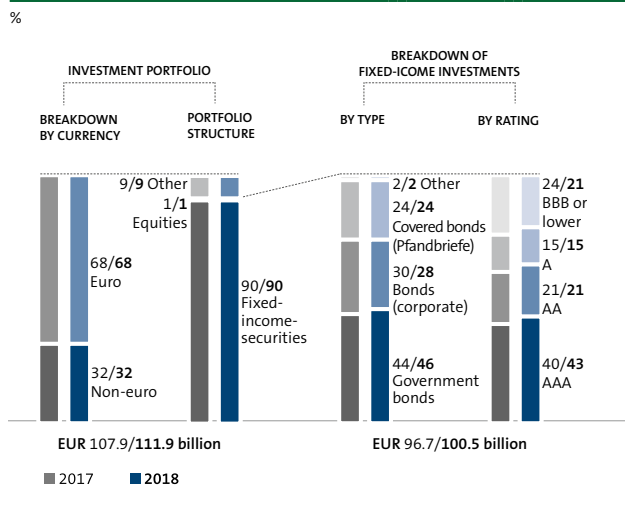
Concentration effects occur mainly in the case of catastrophe risk and in the German primary life insurance market, where several HDI Group companies are active. These effects are included in the risk assessment using shared scenarios for biometric risk factors that are specified by the Group.

C.2 MARKET RISK

One aspect of market risk involves the unbalanced net, consisting of fluctuations in the value of investments on the asset side; effects on the underwriting risk also arise on the liabilities side (discounting of reserves, valuation at exchange rates) due to changes on the capital markets as a result of economic accounting.

Exposure to these risks is influenced in particular by the structure of the investment portfolio. The following table shows the Talanx Group's portfolio, broken down by currency, asset class and rating according to measurement under IFRS for annual financial statements.

TALANX GROUP PORTFOLIO BY CURRENCY, ASSET CLASS AND RATING



The portfolio is clearly dominated by fixed-income securities, 79% of which have at least an A rating. We selectively supplement bonds with very good credit quality and long durations with high-yield bonds with short maturities. The majority of our investments are denominated in euro, whereas the us dollar dominates in the non-euro area.

Government bonds account for 45% of fixed-income securities. They are modelled in TERM with a risk exposure, in contrast to the procedure used in the standard formula.

The following table provides an overview of our investments in fixed-income securities from issuers based in countries with a rating of less than A-.

EXPOSURE TO BONDS WITH A RATING OF LESS THAN A-

EUR THOUSAND

	Rating	Debt securities issued by governments	Debt securities issued by quasi-governmental entities	Debt securities issued by financial institutions	Corporate bonds	Covered bonds/asset-backed securities	Other	Total
31.12.2018								
Italy	BBB	2,318,893	—	552,943	502,941	466,004	—	3,840,781
Spain	A-	—	—	—	—	—	—	—
Brazil	BB-	269,545	—	42,379	353,634	—	3,626	669,184
Mexico	BBB+	120,423	3,409	59,196	266,554	—	—	449,583
Hungary	BBB-	541,041	—	2,469	11,448	26,133	—	581,090
Russia	BBB-	238,570	15,336	24,953	146,457	—	—	425,316
South Africa	BB+	146,690	—	5,085	52,145	—	2,403	206,323
Portugal	BBB	37,760	—	10,552	52,587	20,231	—	121,131
Turkey	BB-	17,922	—	26,345	32,002	2,871	—	79,140
Other BBB+		72,820	—	52,008	69,956	—	—	194,783
Other BBB		160,794	6,029	124,096	113,822	—	275	405,016
Other <BBB		197,447	26,249	107,738	139,376	—	254,773	725,583
Total		4,121,905	51,023	1,007,764	1,740,922	515,239	261,077	7,697,930

The proportion of this portfolio in relation to the total investments of the Group is less than 3,7%. Within this category, there is a certain concentration on Italy (and especially on government bonds, which are held in particular by the Italian subsidiaries) and Spain.

The current capital market environment poses 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 remained 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 **assess** the market risk with TERM, as described in section E.4. The primary **material risks** in this context are interest rate risk and investment credit risk. 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.

INVESTMENT POLICY GOALS

To safeguard the interests of our policyholders and to accommodate future capital market requirements, we align our investment policy with the following goals:

- Optimising the return on investment while at the same time maintaining a high level of security
- Ensuring that liquidity requirements are satisfied at all times (solvency)
- Diversifying (mixing and spreading) risk to mitigate concentration risk

PRUDENT PERSON PRINCIPLE

Investments are made in accordance with the prudent person principle. This means that the necessary care is always taken in all processes used to develop, approve, implement and monitor the investment strategy. The requisite employee expertise, which is indispensable for prudent asset management, is guaranteed in full.

In particular, application of the prudent person principle means that the Group invests exclusively in assets and instruments whose risks we can adequately identify, analyse, monitor, manage and control. The crucial criteria for investment decisions are the security, quality, liquidity and profitability of the portfolio as a whole, as well as an appropriate level of risk mixing and spreading. Investments that are held as cover for technical provisions are invested in such a way that their nature and maturity are aligned with the interests of policyholders and beneficiaries. Should potential conflicts of interest arise, mechanisms are in place to ensure that investments are made in the interests of policyholders and beneficiaries.

Additionally, when managing market risk, we do not rely exclusively on external ratings, but validate and mirror these using our own internal appraisals. The risk indicators deployed and our limit system ensure continuous management and monitoring. They are designed in such a way that all material risks associated with the asset portfolio can be monitored and managed.

Any concentrations of assets and any dependencies on issuers or on specific groups of enterprises are avoided as far as possible. Where innovative investments are acquired for the first time or other non-standard investment situations arise in relation to asset valuations for investments, defined processes specify how to arrive at a decision and how to assess whether the Group is able to make and manage such investments. We also exercise the necessary prudence in relation to investments in derivatives, structured products and assets that are not admitted to trading on a regulated market, and maintain such assets at an appropriate, risk-adequate level.

Ampega Asset Management GmbH's Risk Controlling unit 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, which must also bring the issue to the attention of its supervisory board.

Market risk is primarily limited using a system of limits and thresholds and our investment guidelines, and is continuously monitored. SCR budgets are allocated to the market risk category at Group and divisional level. They are broken down into greater detail for implementation using appropriate operational management metrics. In addition, structural limits are set in order, for example, to cap the contribution that individual issuers can make to counterparty risk. Utilisation of these limits is also monitored by Group Risk Management and regularly reported to the Board of Management.

The main material market risks are interest rate risk and investment credit risk.

INTEREST RATE RISK

Our portfolio of fixed-income securities is exposed in general 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. Lower interest rates can also reduce investment income, especially when money is reinvested at lower interest levels over a relatively long period of time.

This means that the Group's insurance companies are exposed to interest rate risk in two ways. Life insurance policies in particular sometimes have very long terms. Since the capital market offers a limited supply of long-term fixed-income securities, it is not always possible to match the maturities of these interest rate liabilities. As a result, fixed interest rates on the assets side may regularly have a shorter term than those on the liabilities side (this is known as a duration mismatch or an asset-liability mismatch). This results in interest rate risk, which may negatively impact the Group companies concerned and hence the entire Group if interest rates remain low or continue to fall.

The products offered by primary life insurers may include guaranteed interest rates. 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 generated may not be sufficient to cover the interest cost.

If the current low level of interest rates – which was caused among other things by the economic and sovereign debt crisis in the eurozone and associated low interest rate policies – persists or falls even further, the reinvestment risk for life insurance companies with classic guarantee products, which is already considerable, will continue to rise. In this case it will become increasingly difficult to generate the guaranteed return. The main ways in which the Group mitigates this interest guarantee risk are by regularly analysing its

assets and liabilities, constantly monitoring its investment portfolios and the capital markets, and taking appropriate measures to manage the situation. Interest rate hedges such as forward purchases are also used to a certain extent. Additionally, we are extending durations on the assets side and adding moderate volumes of higher-yield securities, including from selected peripheral eurozone states.

Above and beyond this, traditional life insurance companies are exposed to the risk of a rapid and substantial increase in interest rates, due to the rules on guaranteed repurchase values when insurance contracts are terminated prematurely. Thus in certain scenarios with increasing interest rates, the fair value of the investment could be lower than the guaranteed repurchase value.

When developing new “modern classic” products with significantly more restricted guarantees, we took account during development of the impact that the individual products would have on the Solvency Capital Requirement cover and were able to tweak the risk profile to improve this.

As part of risk management, we allocate the risk arising from changes in the risk-free yield curve (depending on the currency) to the interest rate risk and so this is included in the market price risk (ALM-VaR). The risk of changes to the credit spread is also allocated to market price risk. Change to a credit rating is included in credit risk (CVaR) (see following section).

INVESTMENT CREDIT RISK

The term credit risk here comprises the following sub-risks: migration and default risk and correlation and concentration risk. While migration and default risk can be quantified at the level of

the individual assets, correlation and concentration effects can only be observed in the context of a specific portfolio. Dependencies on various issuers’ credit quality is shown via correlations. The correlation and concentration risks measures the concentration of investments with individual issuers, taking into account these dependencies on credit quality.

These risks are mainly limited using the limit and threshold system, and are continuously monitored. This is done by setting limits at portfolio, issuer/counterparty and in some cases at asset class level, ensuring a broad mix and spread in the portfolio. Exceeding these limits triggers predefined escalation processes. Issuer credit quality is the key criterion when deciding whether to invest. Credit quality is analysed 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, another rating agency. An early warning system based on market information (and in particular on credit spreads and equity prices) has been put in place to spot the signs of a crisis at undertakings at an early stage and to identify potential migration risks.

SENSITIVITY TO MARKET RISK

Since market risk is of considerable significance for the Group’s risk profile, we perform a variety of sensitivity analyses in this area in order to analyse the impact of larger market movements on the SCR and our own funds.

The following graphic shows the results of our **sensitivity analyses** detailing the impact of changes in the key drivers, the underlying risk-free interest rate and the spreads, as well as of fluctuations on the equity markets, on the ratios in the economic view and the regulatory view excluding the transitional.

EFFECT OF RISK FACTOR STRESSES ON THE CAPITAL ADEQUACY RATIO (CAR) AND SOLVENCY II RATIO

EUR THOUSAND

	Economic view (Talanx)			Regulatory view (HDI Group, excluding transitional)		
	BOF	SCR	CAR	EOF	SCR	Solvency-II-Ratio
Basis	21,173,809	7,764,337	273%	17,407,144	8,344,895	209%
Equity markets –30%	21,026,375	7,764,337	271%	17,271,002	8,344,895	207%
Equity markets +30%	21,319,441	7,764,337	275%	17,541,528	8,344,895	210%
Credit spread +50 bp ¹⁾	20,322,088	8,221,259	247%	17,009,083	8,722,816	195%
Interest rate –50 bp	20,944,066	7,990,246	262%	17,276,628	8,568,957	202%
Interest rate +50 bp	21,264,833	7,625,212	279%	17,447,357	8,217,880	212%

¹⁾ Corporate and government bonds.

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

Section c.3 Credit risk contains a description of the counterparty 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 regulatory reporting structure is used to account for possible losses arising from an unexpected default or a deterioration in the credit quality of counterparties and debtors (counterparty default risk), insofar as they are not already included in market risk. In section E.2 and in template s.25.02.22 (see the annex), this category is designated as “Credit risk (counterparty default risk)”, in agreement with the supervisory authorities.

The **exposure** depends on the extent of the cooperation with the relevant counterparties. For the HDI Group and its subsidiaries, the counterparty default risk associated with reinsurers is **material**. This also includes the risk of default by retrocessionaires at Hannover Re. We **analyse** this risk using TERM, as described in section E.4. The portion of the Solvency Capital Requirement attributable to this risk is comparatively low, both for the Group and for our divisions. However, we pay particularly close attention to this issue in our risk management processes, as we see substantial correlations with other risk categories. For example, the default of a significant reinsurer coupled with the occurrence of a large loss could have relatively severe effects on the situation at affected subsidiaries. Standardised scenarios for reinsurance defaults are specified in the model at Group level in order to map **concentration risks**.

Group-wide instructions and guidelines have been implemented to **mitigate** the risk of default for accounts receivable from reinsurers and retrocessionaires. Our reinsurance partners are carefully selected by security committees, which are staffed by experts, and their credit quality is continually monitored. A Group-wide rating information system ensures the consistent, uniform use of rating information as at specific reporting dates. To limit concentrations, caps are set on each reinsurance group's share of the provisions for claims outstanding. 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, operational security and placement guidelines are used to manage contractual reinsurance cessions. In addition to its traditional retrocession arrangements in the Property/Casualty Reinsurance segment, Hannover Rück SE also transfers risk to the capital market.

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

Within the unsecured portion, over 84% of our reinsurance partners/retrocessionaires are rated A or above. The large proportion of reinsurers with good ratings reflects our efforts to avoid credit 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 in time to meet our financial obligations as they fall due. The **exposure** here is dependent on the level of the liabilities. For example, illiquid markets might mean we could not sell holdings at all (or only after a delay), or that we could not close out open positions (or only at a discount). **Analysis** of this risk is also heavily based on qualitative analyses. We regard the risk as relevant in its entirety. We do not see any risk **concentration**.

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 are 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 allowing for the run-off pattern of the reserves.

The operational insurance undertakings 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 terms of underwriting payment obligations are usually of longer duration. 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 for 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 comprise both equity and debt. (IFRS) equity can be generated by issuing additional registered shares. Debt capital is procured by issuing senior and subordinated bonds with a variety of maturities.

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.

Standard & Poor's has classed the liquidity of both the primary insurance group and Hannover Re as "exceptional".

We therefore expect to be able to comply with even relatively large, unexpected payout requirements in a timely manner.¹⁾

¹⁾ We explicitly do not use the "Total expected profits included in future premiums (EP1FP)" key indicator for liquidity management. The theoretical amount is given in the annex (template s.23.01., item R0790 – Total expected profits included in future premiums [EP1FP]).

C.5 OPERATIONAL RISK

The German Insurance Supervision Act (VAG) defines operational risk as follows: "the loss risk that arises from the unsuitability or failure of internal processes, employees or systems or due to external events."

On the one hand, this very general definition, which covers all aspects of the organisational structure and workflows, suggests that any Group-wide, standardised risk management process for this risk category will run up against a range of challenges. On the other, this is itself an opportunity, as the process features numerous interfaces to the participants along the individual lines of defence and is therefore extremely important for implementing a positive risk culture.

The operational risk associated with the workflows was identified by recording, describing and assigning them control and measurement points within the internal control system. There are numerous interactions during the review of the systems and checks between the Auditing and Compliance departments, the auditors, the supervisory authorities and the Risk Management. In many ways, operational risk turns out to be a residual risk that remains after a large number of process and control techniques have been applied. As a learning system, the HDI Group adapts its processes based on operational risks that have occurred, so as to prevent potential recurrences.

Operational risk is an inevitable by-product of doing business; our **exposure** also depends on our business activities and cannot be avoided entirely.

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

Risk **concentrations** can arise from the shared use of service providers, processes and systems by several subsidiaries (e.g. in the field of IT in the case of our German primary insurance companies).

We have identified operational risks relating to business continuity and IT service continuity – i.e. the risk that business operations could be threatened or disrupted by natural catastrophes or hazards caused by people. 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 at Group level).

Operational risk also includes the risk of loss that can arise from the potential inadequacy or failure of internal processes, or from inadequate data quality. An effective internal control system, as described in section B, is a key way of mitigating such risks. We have also established Group-wide process management standards that are continuously enhanced. In the process we also regularly identify potential sources of errors in the processes and implement the necessary checks. legal, tax and compliance risk are highly significant components of operational risk for the Group. This also explicitly includes the risk of legal change. Since Our subsidiaries operate in different jurisdictions and under different supervisory regimes, the Group needs to comply with a large number of regulatory requirements overall. There are also specific requirements that apply to groups. A number of central Group functions, and particularly Compliance and the Legal and Tax departments, monitor the risk situation closely and provide our subsidiaries and technical departments with appropriate advice.

The risk that laws or internal regulations will be deliberately infringed by our own employees (internal fraud cases) and/or by third parties (external fraud cases) for personal advantage also falls under operational risk. Here, too, we mainly counter this risk using the measures in our internal control system (ICS). For example, Group Auditing may also perform special audits where fraud is suspected.

Operational risk can also arise in the area of human resources, for example due to a lack of qualified experts and managers needed to run an increasingly complex business with a strong client focus and to implement important projects. The Group therefore considers training and continuous professional development to be highly important. 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 permitted under collective wage agreements – appropriate (monetary and non-monetary) incentive schemes help boost employee motivation.

Information and IT security risk covers risks that could potentially endanger the completeness, confidentiality or availability of our 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, HDI Systeme AG, is certified to ISO 27001 – Information Security, and external partners are obliged to comply with high standards.

We also classify outsourcing risk under operational risk: this refers to the risk that arises from outsourcing functions or (re-)insurance activities that could otherwise be performed by the undertaking itself, either directly or as a result of further outsourcing. These risks are integrated into our risk management processes and the Group's ICS. In addition, specific rules for managing the outsourcing process have been drawn up, as described in section B. A significant proportion of the outsourcing relationships entered into by subsidiaries are with other Group undertakings.

In the economic view, operational risk is **analysed** on the basis of scenarios derived from expert surveys. In the regulatory view, we use, for primary insurance, the procedures governed by the Solvency II standard formula, while for the Reinsurance Division – again in the regulatory view – we already use the internal model. 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.

The standard formula quantifies operational risk using factors that must be applied to the premium and reserve volume, and does not permit a differentiated analysis using sub-categories for operational risk. In particular, the standard formula also does not permit any diversification between operational risk and other risk categories or within operational risk, for example between individual companies. For that reason alone, the standard formula tends to overestimate operational risk at Group level. Internal assessments of operational risk losses that have actually occurred and the results of the internal model that is applied to this risk category as well in the economic view support our view that using the standard formula for operational risk leads to an excessive capital requirement. We have therefore requested approval to use the internal model to calculate operational risk in the regulatory view as well.

C.6 OTHER MATERIAL RISKS

We have identified emerging risk, 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 whose hazard potential is not yet known with certainty and whose potential impact is difficult to assess. 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 evaluate 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 mismatches between our corporate strategy and the constantly changing general business environment. Such imbalances may be caused, for example, by inappropriate strategic decisions, failure to consistently implement defined strategies, inadequate implementation of strategic projects or increased management complexity due to the need to deal with multiple different views on capital and risks. We therefore review our corporate strategy and risk strategy annually and adjust our processes and structures as required.

Reputational risk is the risk associated with possible damage to the undertaking’s reputation as a consequence of a negative public image (e.g. on the part of clients, business partners or government agencies). These may result, for example, from the inadequate implementation of legal requirements or from delays or errors in publishing the undertaking’s figures. We use set communication channels, professional corporate communications, tried-and-tested processes for defined crisis scenarios and established operating principles to help manage this risk.

At Group level, model risk receives particular attention. For us, this means the risks associated with inappropriate decisions caused by uncertainty resulting from a partial or total lack of information that affects 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 assumptions 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 results. In addition, we rely on estimates of future model calculations in some of our measurements, 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 above and beyond the details given above in the rest of section C is relevant for understanding our risk profile. The establishment of Talanx AG as an intragroup reinsurer as described in section A does not materially alter the Group’s risk profile at this time.

D. VALUATION FOR SOLVENCY PURPOSES

BASIC SOLVENCY II VALUATION PRINCIPLES

The provisions of section 74ff. of the VAG are applied when valuing assets and liabilities, ensuring a market-consistent approach.

Group companies begin with the fair values used in the IFRS reporting. If no fair values can be taken over from the annual financial statements, the reporting undertaking measures the assets and liabilities concerned using either available market prices or valuation models that comply with the Solvency II requirements.

The German life insurance companies in particular have insurance portfolios containing a high level of financial options and guarantees, and these can be measured adequately using stochastic corporate models. These enterprise models use the best possible procedures to measure the fair value of insurance contracts in line with Solvency II.

CONSOLIDATION AND IMPACT ON INTRAGROUP RELATIONSHIPS

Group solvency for the HDI Group is defined using the consolidation method (Method 1, section 261 of the VAG), which calculates Group solvency on the basis of the consolidated financial statements. This assumes that the Group is a single economic entity, which means that receivables and payables between companies within the Group may not have an effect on the Group's results. Consolidation ensures that intragroup relationships resulting from receivables and payables between individual Group entities are omitted for Group purposes.

The following table shows the most important revaluation effects resulting from a reconciliation between consolidated IFRS equity and basic own funds.

RECONCILIATION BETWEEN CONSOLIDATED IFRS EQUITY AND THE TALANX GROUP'S BASIC OWN FUNDS

EUR THOUSAND		
	Including transitional	Excluding transitional
Talanx Group's IFRS equity in accordance with the consolidated financial statements	14,261,254	14,261,254
Elimination of goodwill and other intangible assets	-1,953,479	-1,953,479
Revaluation of investments	4,450,241	4,450,241
Revaluation of liabilities other than technical provisions	873,222	873,222
Revaluation of items in connection with underwriting activities	10,264,524	4,596,679
Revaluation of other assets	-1,345,930	-1,345,930
Deferred taxes	-3,703,150	-1,912,283
Other effects	69,209	69,209
Excess of assets over liabilities (Talanx)	—	19,038,913
Subordinated liabilities	2,918,475	2,918,475
Foreseeable dividends	-783,579	-783,579
Basic own funds of the Talanx Group	—	21,173,809
HDI V. a. G.	1,838,239	—
Basic own funds of the HDI Group before non-availability restrictions	26,889,025	—

In a first step, consolidation for the Talanx Group is performed. After this, the Talanx Group is combined with HDI V. a. G. to form the HDI Group. This entails adjusting the balance of assets and liabilities at HDI V. a. G. (with all items being measured in a market-consistent manner) by the carrying amount of the participation in Talanx AG, and then reporting the result under the "Any other assets, not elsewhere shown" item of the balance sheet. This procedure permits a transparent reconciliation from the Talanx Group, as the risk kernel that is the dominant element in economic terms, to the HDI Group.

D.1 ASSETS

All assets and the valuation methods used to measure them are described on the basis of asset materiality classes. 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 the individual balance sheet items and the complexity involved in its measurement compared to the consolidated financial reporting in accordance with the IFRS.

BREAKDOWN OF ASSETS BY VALUATION METHOD

EUR THOUSAND

	Solvency II	IFRS
2018		
Deferred tax assets	1,340,424	1,196,492
Net investments (including loans and mortgages)	114,488,645	113,976,910
Assets held for index-linked and unit-linked contracts	10,740,642	9,989,630
Receivables	11,257,884	18,504,388
Other assets	5,412,580	5,879,019

The reinsurance recoverables amounting to EUR 6,476,844 thousand are discussed in section D.2 in connection with the 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 1,340,424 thousand were recognised in the solvency balance sheet.

NET INVESTMENTS

The HDI Group’s net investments comprise the following asset classes:

NET INVESTMENTS

EUR THOUSAND

	2018
Equities	338,134
Collective investment undertakings	14,289,345
Bonds	93,009,916
Other investments (including loans and mortgages)	6,851,250
Total	114,488,645

The provisions of section 74ff. of the VAG are applied when valuing assets and liabilities, ensuring a market-consistent approach.

When valuing investments within the framework of Solvency II, we generally use quoted prices in active markets for identical or similar assets and liabilities, adjusting these as necessary. The provisions for calculating fair value set out in section 74 of the VAG are consistent with the corresponding rules in the International Financial Reporting Standards (IFRS).

A market is considered to be active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In addition, an active market must meet all of the following criteria:

- the items traded within the market are homogeneous
- willing buyers and sellers can normally be found at any time, and
- prices are available to the public.

A market is inactive if market liquidity is no longer observable because buyers and/or sellers have withdrawn in full and for the longer term from the market. An inactive market is also indicated where activity can be proven to consist solely of forced transactions, involuntary liquidations, or distressed sales.

The definition of an active market 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 for similar assets quoted directly in active markets. This method is not used in the Group.
- c) "Inputs other than quoted prices in active markets for identical or similar assets that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices)":
 - Assets that are measured using observable market data and are not allocated to category 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) "Inputs 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 are primarily measured using valuation models and methods.

EQUITIES

ASSET CLASS: EQUITIES

EUR THOUSAND

	2018
Equities	338,134
Equities – listed	156,395
Equities – unlisted	181,739

BASES FOR VALUATION

The value of listed shares is measured on the basis of the most recent available share prices, provided that these were determined in active markets. As mentioned above, a market is considered to be active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Alternative measurement methods are employed if such an active market does not exist or if the shares are not listed. This applies in particular to the reporting of special investment vehicles for alternative investments (e.g. private equity investments), which for business policy reasons at the insurance providers are consolidated as participations in companies established specifically for this purpose. They are therefore considered to be unlisted equity investments.

METHODS

Listed equities are valued at the level of the individual holdings. The standard approach uses the quoted price on the security's home exchange. However, if expedient (e.g. due to more liquid trading) the price quoted on another exchange can be used instead.

The alternative investment vehicles mentioned above are measured using the net asset value method. Net asset value is the total value of all assets (in this case primarily the target investments and bank balances and deposits) less the value of any liabilities. Target investments are equity investments (only an interest in a target investment is usually held); these are included in the measurement of the entire alternative investment vehicle at the value reported in 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

Equities are measured at fair value both under Solvency II and in the consolidated financial statements. Under IAS 39, they are assigned on initial recognition to either the "Financial assets available for sale" or the "Financial assets at fair value through profit or loss" category and are therefore measured at fair value, as is also the case under Solvency II.

COLLECTIVE INVESTMENT UNDERTAKINGS

ASSET CLASS: COLLECTIVE INVESTMENT UNDERTAKINGS

EUR THOUSAND

	2018
Collective investment undertakings	14,289,345

BASES FOR VALUATION

This balance sheet item is primarily used to report units in investment funds (retail investment funds) and interests in companies whose business purpose is to invest in unlisted companies (private equity investments). The units in retail investment funds reported here are treated differently for Solvency II reporting purposes to units in special funds because the latter are recognised using the look-through approach. Under this approach, the individual assets and liabilities of the special fund rather than the units themselves are recognised in the balance sheet in those cases in which an investor exercises a controlling influence over a fund's material business activities.

Investment funds are valued at the official redemption price.

METHODS

The redemption price is regularly calculated and published by the investment company (asset management company) using a defined methodology. Redemption prices can also generally be obtained automatically from pricing service agencies. Alternatively, the net asset value method can be used. Net asset value is the total value of all assets (in this case primarily the investments and bank balances and deposits) less the value of any 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 those reported in the consolidated financial statements is primarily due to differences in the way certain investment funds are treated under Solvency II (recognition of the fund units) and the IFRSs (look-through approach) in some European Economic Area (EEA) countries.

BONDS

ASSET CLASS: BONDS

EUR THOUSAND

	2018
Government bonds	38,143,579
Corporate bonds	52,791,213
Structured notes	663,180
Collateralised securities	1,411,944
Total	93,009,916

BASES FOR VALUATION

Bonds are measured primarily on the basis of quoted prices in active markets. If no publicly available quoted prices exist, or if the markets from which they are taken are not considered active, the mark-to-model method is employed, i.e. valuation models are used.

The rules for defining an active market are the same as those described in the "Equities" section.

METHODS

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

If no publicly available quoted prices exist, or if the markets from which they are taken are not considered active, the bonds are measured on the basis of parameters derived from observable market data (including interest rate term structures and spread curves) using appropriate valuation models and procedures, and taking the issuer's credit rating into consideration. This approach is also used for structured notes and collateralised 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 payouts for the instrument in question are discounted to the current date. The discount rates used consist of a term-dependent underlying component (derived from the risk-free interest rate) and an issuer/issue-specific risk premium that takes spread, migration and default risk into account.

Interest rate structure models are used to measure the value of structured notes. Interest rate structure models use stochastic processes to describe the probability distribution of future interest rates, based on a current market state to which the model is calibrated. The price of the instrument can generally be determined from the probability distribution of future interest rates using algorithms that take the instrument's payout profile into account.

Any collateral furnished is treated as a risk-mitigating factor when calculating the valuation, although spread, migration and default risk is still taken into account.

Theoretical valuations using derived market inputs for bonds for which no publicly available quoted prices exist are based on the assumption that price differences as regards the risk, term and credit quality of listed bonds that are comparable in transparent markets are primarily due to issue-specific features and lower liquidity.

The use of interest rate structure 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 collateralised securities such as collateralised debt obligations (CDOs) or collateralised loan obligations (CLOs), assumptions are made about prepayment speed and recovery rates.

DIFFERENCES

The difference between the Solvency II values and those reported in the consolidated financial statements is due to the fact that different valuation processes are used for the bonds in some cases. Whereas under Solvency II financial instruments – including bonds – are measured at fair value, measurement of financial assets under the IFRSs depends on the category assigned to them under IAS 39 on initial recognition. Depending on the category selected – “loans and receivables”, “financial instruments held to maturity”, “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 following initial recognition. Subsequent measurement at amortised cost leads to differences in comparison 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 under Solvency II, the investments

concerned must be reclassified from that balance sheet item to “Assets held for index-linked and unit-linked contracts”, and the presentation in the solvency balance sheet will differ as a result.

OTHER INVESTMENTS

ASSET CLASS: OTHER INVESTMENTS

EUR THOUSAND

	2018
Property (other than for own use)	3,335,438
Deposits (other than cash equivalents)	1,540,556
Loans and mortgages	525,955
Holdings in related undertakings, including participations	673,631
Derivatives	98,182
Other investments	677,488
Total	6,851,250

BASES FOR VALUATION

The “Other investments” category groups together different types of investments that are of secondary importance in terms of their volumes. All of these investments are measured at fair value under Solvency II, but there are differences in the ways that this is calculated.

In contrast to the consolidated financial statements, property is recognised at fair value (market value) in the solvency balance sheet. Additionally, there are differences between Solvency II and the IFRSs as to when property should be considered as held for own use or as investment property. In the solvency balance sheet, properties are classified as investment property if less than 50% of the total space is used by the owner.

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

The Solvency II value for loans and mortgages is fair value, which is calculated including accrued interest using valuation models.

The “Holdings in related undertakings, including participations” item consists primarily of strategic assets (participations in the true sense of the word).

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

The value of financial derivatives (e.g. options or futures) is measured on the basis of quoted prices in active markets. If no quoted prices are available, the theoretical value of the items is measured using recognised procedures.

METHODS

Property – i.e. developed and undeveloped properties and land rights – is measured objectively in accordance with standardised market principles and methods. To do this, the market value of the land, land rights and buildings (including buildings on third-party land) is calculated using the discounted cash flow method in those cases in which the purpose of ownership is to generate income for the long term – i.e. for longer than the remaining useful life.

Market value must be measured once a year at the reporting date or, in the case of unusual changes, at the time such changes occur. All calculations must be based on the general values pertaining on the property market at the time the valuations are performed. A qualified external appraisal is obtained every five years as at the reporting date to determine the applicable fair value. Internal appraisals of the value of all properties are prepared as at the other reporting dates to review the values; these reports are also based on the discounted cash flow method.

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

Mortgage valuations take options such as break options into account using a flat-rate allowance.

As far as possible, derivatives are valued on the basis of quoted prices in active markets. The standard approach uses the quoted price on the security's home exchange. However, if expedient (e.g. due to more liquid trading) the price quoted on another exchange can be used instead.

If no quoted prices are available, the theoretical value of the derivatives is measured on the basis of inputs derived from observable market data (interest rate term structures and spread curves, volatilities, spot and forward rates, and other inputs) using appropriate valuation models and procedures. Examples of the valuation methods used include:

- 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 properties uses the fair values reported in the most recent annual financial statements. If significant changes potentially impacting the value occur, an additional intrayear fair value measurement is performed as at the time of their occurrence and is used for interim reporting from the measurement date onwards. Examples of significant changes potentially impacting the value include changes in vacancy rates 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.

In line with the relevant rules, we measure non-Group participations at their economic value; this should correspond to the quoted price in an active market where such quoted prices exist for non-HDI Group participations.

DIFFERENCES

There are two reasons for the differences in property valuations between Solvency II and the consolidated financial statements. First, there are differences in the way properties are defined as held for own use or as investment property. Whereas under Solvency II, property is considered to be held for own use if the owner uses 50% or more of the total space, under the IFRSs property is considered to be owner-occupied if more than 10% of the total space is used by the owner. In addition, under the IFRSs property is always measured at amortised cost.

Another difference between the values under Solvency II and those recognised in the consolidated financial statements stems from the different treatment applied to individual derivatives connected with reinsurance contracts. 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. Derivatives that are recognised separately in both reporting systems do not exhibit any differences in value because fair value is the main measurement category in both cases and therefore no such differences in value can arise.

ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED CONTRACTS

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

EUR THOUSAND

	2018
Assets held for index-linked and unit-linked contracts	10,740,642

This item is also known as “Investments for the benefit of life-assurance policyholders who bear the investment risk”. The changes in the value of the insurance depends primarily on those for the underlying investment funds. The assets in these investment funds are held separately from the other investments. Both these separate assets and the associated liabilities are measured at fair value.

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

RECEIVABLES

ASSET CLASS: RECEIVABLES

EUR THOUSAND

	2018
Deposits to cedants	3,207,702
Insurance and intermediaries receivables	6,173,003
Reinsurance receivables	569,527
Receivables (trade, not insurance)	1,307,652
Total	11,257,884

BASES FOR VALUATION

Deposits to cedants consist of receivables due to reinsurers from their customers in the amount of the contractually withheld cash payments by customers. These are measured at their nominal amount under the IFRSs. The IFRS carrying amounts need to be remeasured at fair value under Solvency II.

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

METHODS

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

The Solvency II value of the other receivables is derived from the corresponding value under the IFRSs. The receivables are generally measured initially at their full nominal amount in accordance with the IFRSs. If a problem with the debtor’s credit quality is reported, the receivable in question is written down to the recoverable amount. This valuation approach is currently also used to determine the carrying amount under Solvency II.

The other receivables are mainly classified as current receivables, which means that there are no significant discounting effects.

DIFFERENCES

The difference in deposits to cedants results from the fact that these deposits are offset against the technical provisions.

The difference in the remaining provisions between the Solvency II values and those reported in the consolidated financial statements is due on the one hand to the fact that, under Solvency II, reinsurance receivables/payables only consist of past due balances. Balances that are not past due form part of the reinsurance recoverables – which determine future cash flows – and must therefore be included in the technical provisions.

On the other hand, a reclassification also has to be made between the “Insurers and intermediaries receivables” and “Reinsurance receivables” items because under Solvency II only outstanding claims from ceded reinsurance are recognised as reinsurance receivables.

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

OTHER ASSETS**ASSET CLASS: OTHER ASSETS**

EUR THOUSAND

	2018
Intangible assets	37,232
Cash and cash equivalents	2,976,127
Property, plant & equipment held for own use	659,766
Any other assets, not elsewhere shown	1,739,455

BASES FOR VALUATION

Solvency II reporting requires the use of the definitions contained in IAS 38 “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 in an active market.

Cash and cash equivalents consist of deposits, cash at banks and cash-in-hand. These are recognised at their nominal amounts in Solvency II.

Property held for own use is valued using the same principles as for investment property.

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

METHODS

Property held for own use is measured objectively in the same way as investment property.

Under the IFRSs, operating and office equipment is recognised at cost less depreciation and, if necessary, impairment losses. Low-value assets are written off in full in the year of acquisition. The carrying amounts for operating and office equipment in the IFRS annual financial statements were also used in the solvency balance sheet.

DIFFERENCES

The differences in other assets between the Solvency II values and those in the consolidated financial statements have a number of causes, due to the heterogeneous nature of this item.

First, there are differences in the way properties are defined as held for own use or as investment property. Whereas under Solvency II, property is considered to be held for own use if the owner uses 50% or more of the total space, under the IFRSs it is considered to be owner-occupied if more than 10% of the total space is used by the owner. In addition, under the IFRSs property is always measured at amortised cost.

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

Another reason for the differences in values has to do with the fact that, under Solvency II, this balance sheet item is used to recognise the balance of assets and liabilities at HDI V.a.G. at fair value after elimination of the participation in Talanx AG. Other, minor reclassifications are also performed.

D.2 TECHNICAL PROVISIONS

Technical provisions totalled EUR 104.7 billion as at 31 December 2018. The solvency balance sheet (see also template s.02.01.02 in the annex) 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 used as line of business categories in this Solvency and Financial Condition Report.

Recoverables from reinsurance contracts and special purpose vehicles total EUR 6.5 billion, which corresponds to 6.2% of gross technical provisions. In the solvency balance sheet, recoverables from

reinsurance contracts and special purpose vehicles are broken down in line with the above-mentioned categories for technical provisions.

Unless otherwise indicated, this classification format, which aggregates the lines of business into categories in accordance with the method set out in Annex I of Commission Delegated Regulation (EU) 2015/35, is applied throughout section D.2. The annex contains a detailed assignment of the lines of business to the categories.

Unless otherwise stated, there are no material differences within these individual categories in the valuation approach adopted.

In the life (excluding health and index-linked and unit-linked) category, the two lines of business (1) Insurance with profit participation and (2) Life Reinsurance are particularly relevant to the amount of provisions.

The provisions in the non-life (excluding health) category are mainly influenced by the four lines of business (1) General liability insurance, (2) Fire and other damage to property insurance, (3) Motor vehicle liability insurance and (4) Non-proportional property reinsurance.

The individual amounts are shown in the following table:

SOLVENCY BALANCE SHEET – TECHNICAL PROVISIONS

EUR THOUSAND

	2018
Technical provisions (excluding index-linked and unit-linked)	89,322,307
Technical provisions – non-life (excluding health)	37,718,077
Technical provisions calculated as a whole	–
Best estimate	36,444,392
Risk margin	1,273,685
Technical provisions – health (similar to non-life)	2,145,803
Technical provisions calculated as a whole	–
Best estimate	2,078,829
Risk margin	66,974
Technical provisions – health (similar to life)	4,195,194
Technical provisions calculated as a whole	–
Best estimate	3,132,240
Risk margin	1,062,954
Technical provisions – life (excluding health and index-linked and unit-linked)	45,263,233
Technical provisions calculated as a whole	–
Best estimate	43,482,701
Risk margin	1,780,532
Technical provisions – index-linked and unit-linked	15,419,310
Technical provisions calculated as a whole	530,217
Best estimate	14,430,678
Risk margin	458,415
Technical provisions	104,741,617

The table above provided a breakdown of the technical provisions as a first step. The following table reports the recoverables from reinsurance contracts and special purpose vehicles in more detail.

SOLVENCY BALANCE SHEET – RECOVERABLES FROM REINSURANCE CONTRACTS AND SPECIAL PURPOSE VEHICLES

EUR THOUSAND

	2018
Non-life and health similar to non-life	5,386,092
Non-life excluding health	5,340,273
Health similar to non-life	45,819
Life and health similar to life, excluding health and index-linked and unit-linked	703,170
Health similar to life	376,496
Life excluding health and index-linked and unit-linked	326,674
Life index-linked and unit-linked	387,583
Recoverables from reinsurance contracts and special purpose vehicles	6,476,844

BASES FOR VALUATION, METHODS AND 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 the technical provisions – defined as one that is consistent with the information provided by the financial markets and with generally available data – and calculations that are performed in a cautious, reliable and objective manner. The Group's technical provisions comprise the provisions at the individual companies after adjustment for intragroup business. The individual companies calculate their technical provisions at the level of homogeneous risk groups using actuarial procedures. The latter generally include simulations and deterministic and analytic methods, or combinations of these. The calculations take into account the costs of meeting the insurance and reinsurance obligations.

The value of the technical provisions comprises 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 utilising the applicable risk-free interest rate term structure prescribed by EIOPA. The risk margin ensures that the value of the technical provisions corresponds to the amount that another insurance undertaking would demand for assuming and fulfilling the insurance obligations. This methodology

is used to take into account the cost associated with making available eligible own funds in the amount of the Solvency Capital Requirement. Diversification effects between companies and between the life and non-life insurance business are not included here.

Where future cash flows from insurance obligations can be reliably replicated using financial instruments, the value of the 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 the 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 are a major component of the best estimate. Key options for policyholders that are modelled include the following:

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

The value of these financial options and guarantees that also contain spread risks is measured using stochastic corporate models on the basis of risk-neutral economic scenarios. These scenarios and the associated discount rates are market-consistent. This approach models the dependency of the portion of the gross surplus that is attributable to shareholders on the undertaking's position. It also takes capital market-driven behaviour on the part of policyholders and opportunities for compensating adjustments (e.g. management decisions regarding investments or profit participation) into account. This allows the financial options and guarantees granted to policyholders in their contracts to be measured as part of the technical provisions.

The information given above demonstrates the importance of assumptions in the valuation of technical provisions. These have a significant influence on the amounts recognised. Key assumptions in this area are as follows:

- Economic developments, and particularly the risk-free interest rate term structure published by EIOPA that is used for discounting
- 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, policyholders' future behaviour and management actions and reactions, including in response to capital market developments

LEVEL OF UNCERTAINTY

The bases of valuation, methods and assumptions that have been described here make it 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 quality and propriety of the actuarial methods utilised to calculate technical provisions are regularly reviewed by external actuarial and auditing firms. In addition, risk margins are used to take uncertainties into account 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

In the non-life (excluding health) and health (similar to non-life) line of business categories, uncertainties regarding the bases of the business and the assumptions made primarily relate to:

- Information about additional losses above and beyond those already reported,
- The size of and payment periods for losses that have occurred (both known and as yet unreported),
- Loss adjustment costs for these losses.

In addition to these uncertainties, methodological uncertainties are particularly significant in the case of relatively recent occurrence years. These uncertainties are due on the one hand to actuarial projections that are scaled back over time as additional information becomes available and on the other to the fact that large losses need in part to be adjusted on a case-by-case basis.

LIFE

In the life (excluding health and index-linked and unit-linked), health (similar to life) and index-linked and unit-linked line of business categories, uncertainties relate to the long contract durations and the long projection periods that are required as a result. In particular, significant uncertainties exist here in relation to assumed interest rate developments, changes in biometric assumptions and the extent to which potential options are exercised by policyholders.

In addition, there are limitations to the valuation of technical provisions in that the simplifications and approximations needed for 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 basically long-term contracts with a discretionary profit participation feature. The safety margins included in the actuarial assumptions are used to offset relatively small changes in the assumptions about biometric factors, interest rates and costs that underlie the calculations. If these safety margins are not required, they generate surpluses, which by law must be passed on to policyholders to a large extent. Thanks to these basic

business practices, the impact on earnings of uncertainties can be mitigated by adjusting policyholders' future profit participations in response to changes in risk, cost or interest rate expectations.

COMPARISON WITH THE VALUATIONS IN THE HDI GROUP'S FINANCIAL STATEMENTS

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

Institutions for occupational retirement provision are included as participations in line with the regulations, in contrast to the basis of consolidation used in the annual financial statements. This reduces technical provisions by EUR 2,017 million (gross) and EUR 2,014 million (net).

Another fundamental difference to the treatment in the financial statements results from the different contract boundaries involved. Among other things, Solvency II bases the scope of contracts to be valued on the point in time when the contract is entered into rather than when it actually takes effect. For example, in the case of a contract offering policyholders the non-cancellable option of a future increase (dynamic premium), a realistic probability of acceptance is modelled for this.

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

Valuing the technical provisions therefore leads to deviations from the values recognised in accordance with the IFRSs. The material differences can be outlined as follows:

ASSUMPTIONS

Unless they can be explicitly replicated using financial instruments, technical provisions are calculated using the best estimate and the risk margin. This means that, unlike the situation with the IFRSs, the assumptions used to calculate the best estimate for the provisions are not based on the conservative assumptions (e.g. interest rates, biometric actuarial assumptions) that are contractually guaranteed or included in the calculation of surrender values. They therefore need to be updated regularly to reflect the latest available information.

Another difference involves the methodology used for 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 and simply takes the nominal value in others.

RISK MARGIN

The risk margin is used, on the one hand, to account for the uncertainty associated with the insurance portfolio run-off and, on the other, to recognise the cost of capital needed to make available eligible own funds to meet the Solvency Capital Requirement until the run-off has been completed.

The risk margin is primarily calculated at the level of the individual companies in the HDI Group. The future Solvency Capital Requirements needed to determine the risk margin are calculated approximately using undertaking-specific inputs such as the expected development of key risks or the technical provisions. The risk margin has an increasing effect of EUR 4,463 million and has no equivalent in IFRS.

RISK MARGIN

EUR THOUSAND

Category	2018
Non-life (excluding health)	1,273,686
Health (similar to non-life)	66,975
Health (similar to life)	1,062,954
Life (excluding health and index-linked and unit-linked)	1,780,532
Index-linked and unit-linked	458,415
Total	4,462,562

PREMIUM RESERVES

In the non-life insurance business, the best estimate comprises the provisions for claims outstanding and the premium reserves. The provisions for claims outstanding reflect the future cash flows for losses that have already occurred. Premium reserves consist of the future cash flows for premiums and losses that have not yet occurred. To simplify the calculation of the premium reserves, the individual companies in the HDI Group also use inputs taken from the annual report in some cases.

Gross premium reserves amount to EUR 4,386,056 thousand for “Non-life (excluding health)” and EUR 122,798 thousand for “Health (similar to non-life)”. Premium reserves under Solvency II have no equivalent in the IFRS framework.

IMPACT OF PREMIUM RESERVES

EUR THOUSAND

	Gross premium reserves ¹⁾	Net premium reserves ¹⁾
Non-life (excluding health)	4,386,056	4,186,902
Health (similar to non-life)	122,798	114,448
Health (similar to life)	—	—
Life (excluding health and index-linked and unit-linked)	—	—
Index-linked and unit-linked	—	—
Total	4,508,854	4,301,350

¹⁾ Including discount.

OFFSETTING DEPOSITS TO CEDANTS AGAINST TECHNICAL PROVISIONS

Deposits from reinsurers/deposits to cedants are created when reinsurers furnish collateral to their prior insurers. In some cases, cash flows relating to deposits are offset against corresponding cash flows from the technical provisions; specific requirements have to be met in the process. Offsetting deposits in this way reduces the technical provisions by EUR 1,879,760 thousand for “Non-life (excluding health)” and EUR 5,663,755 thousand for “Life (excluding health and index-linked and unit-linked)”.

IMPACT OF OFFSETTING DEPOSITS TO CEDANTS

EUR THOUSAND

	2018
Non-life (excluding health)	-1,879,760
Health (similar to non-life)	—
Health (similar to life)	—
Life (excluding health and index-linked and unit-linked)	-5,663,755
Index-linked and unit-linked	—
Total	-7,543,515

VALUING PRIMARY LIFE INSURANCE

One of the features of primary life insurance are options and guarantees that policyholders can exercise or assert. These financial options and guarantees are explicitly measured. In particular, measurement takes into account the asymmetry of the business model – e.g. as regards guaranteed surrender values or the profit participation – using a stochastic simulation based on risk-neutral economic scenarios. Under the IFRSs, technical provisions in the life insurance business are valued in accordance with SFAS 60, while SFAS 97 and SFAS 120 are used for selected types of primary insurance contracts.

The value of contracts in the primary life insurance business is measured under the IFRSs using the universal life model in complete accordance with SFAS 97 (US GAAP). This entails measuring the value of units in unit-linked contracts on the basis of the funds’ total assets. Under Solvency II, these contracts along with any “classic” units are valued using an integrated approach. This assignment of “classic” units held under the contracts to the “Index-linked and unit-linked” line of business and the different methodologies used lead to differences in the valuations.

In the case of primary life insurance contracts offering traditional profit participation, which are measured under the IFRSs in accordance with SFAS 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 for technical provisions in the solvency balance sheet takes all expected claims and surpluses into account, despite the fact that future surpluses are not contractually guaranteed. This approach is based on a forecast of future management decisions relating to profit participation. The only item not included in this valuation is the surplus fund eligible as own funds, whose economic value (the probability-weighted present value of future cash flows paid from the surplus fund eligible as own funds to policyholders) is recognised in the “Surplus funds” equity item.

REINSURANCE RECOVERABLES

Reinsurance recoverables are measured in accordance with the same principles as were described for valuing technical provisions. Unlike in the IFRSs, any material risk of default by the counterparty is explicitly taken into account in the valuation. This lowers technical provisions (net) by EUR 28 million.

PROHIBITION ON RECOGNITION OF IFRS ITEMS

Technical provisions are generally valued on the basis of expected cash flows in Solvency II. For this reason, the Solvency II rules contain an indirect prohibition on the recognition of the “Unearned premium reserve” accrual items that are required to be reported in the IFRS consolidated financial statements. This effect reduces (gross) technical provisions by EUR 8,751,435 thousand and (net) technical provisions by EUR 8,212,189 thousand.

IMPACT OF THE PROHIBITION ON RECOGNITION

EUR THOUSAND

	Gross	Net
	2018	
Non-life (excluding health)	-6,724,557	-6,224,483
Health (similar to non-life)	-113,681	-107,584
Health (similar to life)	—	—
Life (excluding health and index-linked and unit-linked)	-327,424	-327,011
Index-linked and unit-linked	-1,586,069	-1,553,111
Total	-8,751,435	-8,212,189

In addition, no deferred acquisition costs are reported.

MATCHING ADJUSTMENT

The matching adjustment is not used at the HDI Group.

VOLATILITY ADJUSTMENT

The volatility adjustment is used to counter-cyclically dampen the effects of short-term credit market volatility on the solvency of insurers with long-term liabilities – i.e. life insurers in particular. 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, HDI Global SE, HDI Versicherung AG, neue leben Lebensversicherung AG, neue leben Unfallversicherung AG, PB Lebensversicherung AG, PB Versicherung AG, TARGO Lebensversicherung AG, TARGO Versicherung AG and Hannover Re companies.

The utilisation of the volatility adjustment reduces technical provisions in the life insurance category by EUR 595 million and in the non-life insurance category by EUR 437 million. For a more detailed overview of the effects of the volatility adjustment on various key indicators, see the table at the end of the current section. It should be noted at this point that the HDI Group has sufficient own funds at its disposal to cover its Solvency Capital Requirement even without the volatility adjustment.

TRANSITIONAL ON RISK-FREE INTEREST RATES

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

TRANSITIONAL ON TECHNICAL PROVISIONS

After obtaining approval from BaFin, insurance and reinsurance undertakings can make a temporary deduction from technical provisions at the level of the homogeneous risk groups. Given life insurance companies' long-term liabilities, the goal of this transitional on technical provisions is to enable a gradual transition to be made from the valuation of technical provisions in accordance with the previous Solvency I regulatory regime to valuation in accordance with Solvency II. The temporary deduction corresponds to the difference between the technical provisions after reinsurance in line with Solvency II as at 1 January 2016 and the corresponding technical provisions after reinsurance in line with Solvency I at the affected individual companies as at 31 December 2015. This deduction must be systematically reduced on a straight-line basis at the end of each calendar year. As a result of this gradual reduction it will be eliminated completely as from 1 January 2032.

Approval to use the transitional on technical provisions was granted for all homogeneous risk groups at the following material companies: HDI Lebensversicherung AG, neue leben Lebensversicherung AG, PB Lebensversicherung AG and TARGO Lebensversicherung AG.

In 2018, the total deduction across all companies resulting from the use of the transitional on technical provisions amounted to EUR 5,668 million; it primarily affected the "Life (excluding health and index-linked and unit-linked)" and "index-linked and unit-linked" categories. Use of the transitional reduces the best estimates for the companies by the corresponding amount. In line with EIOPA's opinion

on disclosure of information related to the use of transitionals in the calculation of technical provisions dated 21 December 2016, we also provide information on the changes due to be implemented immediately after the reporting date. As at 1 January 2019, the deductions made using the transitional on technical provisions will be reduced by one-sixteenth as planned. These deductions total EUR 5,263 across all companies in 2019. Due to the fact that operational risk measured in accordance with the standard formula depends on the size of the premiums and reserves, the transitional also has a slight impact on the regulatory Solvency Capital Requirement.

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

EUR THOUSAND

	31.12.2018				
	Key indicators including volatility adjustment and transitional	Key indicators excluding measures			
		Impact of the TR	Including VA and excluding TR	Impact of the VA	Excluding VA and TR
Technical provisions	104,741,617	5,667,846	110,409,463	1,032,325	111,441,787
Basic own funds (HDI Group)	26,889,025 ¹⁾	-3,876,978	23,012,047	-837,673	22,174,374
Eligible own funds for SCR	20,970,337	-3,563,194	17,407,144	-292,545	17,114,598
SCR	8,324,178	20,717	8,344,895	1,189,157	9,534,051
Solvency II ratio	252%	-43% points	209%	-29% points	180%

¹⁾ Basic own funds before deducting non-available own funds items and other (see more detailed description in section E. capital management); value after deducting non-available own funds items and other: EUR 20,841,841 thousand.

CHANGES FROM THE PREVIOUS REPORTING PERIOD

The companies HDI Global SE, HDI Versicherung and Hannover Re have received approval from the supervisory authority to use the volatility adjustment and apply this to calculate their obligations starting from the reporting date 31 December 2018.

Hannover Re took over a large Life/Health Reinsurance portfolio in 2009. The mortality experience for this portfolio in 2018 was better than initially expected. Rate adjustments were introduced for the portfolio in question as part of portfolio management.

D.3 OTHER LIABILITIES

DEFERRED TAXES

As with the recognition of deferred tax liabilities in accordance with IAS 12, Solvency II requires that all measurement differences between the local tax base and the Solvency II balance sheet be reviewed to establish whether deferred taxes need to be recognised. In general, deferred taxes must be recognised on all changes in value. However, some exceptions under specific local tax laws 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 (with the exception of life insurance companies, for example). This means that deferred tax liabilities only need to be recognised on the 5% of the gains that are taxable. Losses resulting from the sale of shares in corporations are not generally tax-deductible in Germany (with the exception of life insurance companies, for example), which means that no deferred tax liabilities need to be recognised on negative revaluation effects. Additionally, no deferred taxes generally have to be recognised on the remeasurement of goodwill where this is from an initial valuation. Some local tax laws provide for different rules that override the general rule given here. As is the case with IAS 12, deferred items are not discounted in the solvency balance sheet.

Normally deferred taxes are defined at the level of the individual undertaking, except in the case of consolidated tax groups. If a profit and loss transfer agreement (and hence a consolidated tax group) exists, the tax rate used by the corresponding consolidated tax group parent is applied. In addition, the deferred taxes are calculated at the level of the ultimate consolidated tax group parent. Deferred taxes are recognised at the level of the consolidated tax group subsidiary only if a tax sharing agreement exists between it and the consolidated tax group parent.

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

Deferred tax assets are recognised if the asset values are lower or the liabilities higher in the solvency balance sheet than in the tax base and these temporary differences will reduce the future amount of tax charged.

Deferred tax liabilities are recognised if the asset values are higher or the liabilities lower in the solvency balance sheet than in the tax base and these temporary differences will increase the future amount of tax charged.

After this, deferred tax assets can and should be offset against deferred tax liabilities (as for IAS 12) if a legal right to offset actual claims for tax refunds against actual tax liabilities exists and the deferred tax assets and the taxes are levied by the same tax authority.

Deferred tax assets that have been recognised are tested for impairment. Impairment losses are recognised where it is unlikely that the net value of the deferred tax assets can be realised. As is the case with the IFRSs, impairment testing must take into account the applicable local tax laws (e.g. minimum taxation requirements, time limits on loss carryforwards).

Deferred tax liabilities totalling EUR 6,226,810 thousand were recognised in the solvency balance sheet.

OTHER LIABILITIES

OTHER LIABILITIES

EUR THOUSAND

	2018
Contingent liabilities	35,957
Pension benefit obligations	2,111,403
Provisions other than technical provisions	833,205

BASES FOR VALUATION AND METHODS

Under Solvency II, contingent liabilities are recognised where these constitute possible or existing obligations but it is either not probably that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured reliably.

The amount recognised relates to pending actions for recourse where, in the opinion of the HDI Group, the probability of the other side winning the action is 50% or less.

In the case of proceedings where the probability of a judgement in favour of the other side is thought to be higher than this, the amounts are recognised under "Miscellaneous other provisions". The amounts are measured using a probability-weighted best estimate. Provisions for pension commitments granted by Group undertakings to their employees are disclosed under "Pension benefit obligations". Generally, pension benefit obligations are valued in the solvency balance sheet in line with the projected unit credit method set out in IAS 19 "Employee benefits".

The amount recognised as a defined benefit liability in accordance with the IFRSS is the balance of the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets, where available, at the reporting date.

Pension benefit obligations are recognised in line with IAS 19 in both Solvency II and the IFRSS.

The following items are recognised in the solvency balance sheet under “Provisions other than technical provisions”:

- Partial retirement obligations
- Vacation and overtime pay
- Bonuses and jubilee payments
- Interest on late tax payments
- Outstanding invoices
- Remuneration paid to members of the Board of Management and Supervisory Board
- Expected losses
- Provisions for integration expenses or restructuring measures
- Miscellaneous other provisions

Miscellaneous other provisions generally include all provisions that meet the requirements for establishing provisions in accordance with IAS 37 and are not technical provisions, pension provisions or tax provisions. The accounting policies in IAS 37 are consistent with section 74 of the VAG.

Under the IFRSS, miscellaneous other provisions and tax and restructuring provisions are recognised in the amount 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 Solvency II requirements for the approach to be used for contingent liabilities do not apply to the consolidated financial statements.

Because IAS 37 serves as the yardstick for both Solvency II and the consolidated financial statements, there are no basic differences in value for the miscellaneous other provisions. However, the asset tax that Polish companies must take into account in the solvency balance sheet under the regulations adopted by KNF, the Polish supervisory authority, is an exception to this rule.

MEDIUM AND LONG-TERM FINANCIAL LIABILITIES

MEDIUM- AND LONG-TERM FINANCIAL LIABILITIES

EUR THOUSAND

	2018
Subordinated liabilities	2,918,475
Debts owed to credit institutions	490,514
Financial liabilities other than debts owed to credit institutions	1,997,981

BASES FOR VALUATION AND METHODS

Subordinated liabilities are loans which in the event of insolvency or liquidation are only satisfied after the claims of other creditors have been settled. From an economic viewpoint, such liabilities possess some of the attributes of equity. To the extent that they form part of own funds, subordinated liabilities are recognised in the “Subordinated liabilities in BOF” item of the solvency balance sheet (EUR 2,918,475 thousand). Under Solvency II, subordinated liabilities can be classified as an own-funds item if the requirements of articles 69 subsection (b), 72 subsection (b) or 76 subsection (b) of Commission Delegated Regulation (EU) 2015/35 are met. These requirements are met by nearly all external subordinated liabilities at the HDI Group.

The economic valuation is performed in the solvency balance sheet by adjusting the instrument’s economic value as determined at its time of issue for changes in value resulting exclusively from changes in the market situation. Unlike with the fair value approach in accordance with IAS 39, changes in value resulting from changes to an entity’s own credit spread (OCS) are not adjusted after issuance. In other words, the OCS is maintained at a constant level for subsequent valuations. Solvency II valuations are performed uniformly throughout the HDI Group as at the first call date.

A number of Group undertakings have in the past issued long-term and in some cases listed subordinated debt instruments in order to optimise the Group’s capital structure and to ensure the liquidity (solvency) required by the supervisory authorities. The following table shows all non Group-level subordinated liabilities.

SUBORDINATED LIABILITIES

EUR THOUSAND

Issuer	Nominal value	Maturity	31.12.2018	
			IFRS value	Solvency II value
Talanx AG	750,000	2017/2047	750,000	753,223
Hannover Finance (Luxembourg) S. A.	500,000	2010/2040	499,346	531,878
Hannover Finance (Luxembourg) S. A.	500,000	2012/2043	498,150	547,129
Hannover Rück SE ¹⁾	450,000	2014/no final maturity	445,872	484,322
Talanx Finanz (Luxemburg) S. A.	500,000	2012/2042	500,000	555,524
HDI Assicurazioni S. p. A.	27,740	2026	27,137	27,835
HDI Assicurazioni S. p. A. (formerly CBA Vita S. p. A.) ²⁾	13,500	2020	13,637	14,426
HDI Global SE	2,736	no final maturity	2,736	2,848
Magyar Posta Életbiztosító Zrt.	1,002	2015/2045	965	1,290
Total			2,737,843	2,918,475

¹⁾ At the reporting date, Group companies additionally held bonds with a nominal value of EUR 50 million (consolidated in the consolidated financial statements).

²⁾ CBA Vita S. p. A. merged with HDI Assicurazioni S. p. A. in 2017.

Insofar as undertakings made use of the transitionals (“grandfathering”) when Solvency II came into force, it must be noted that their duration is limited to a maximum of ten years after 1 January 2016 if they were issued prior to 17 January 2015 and insofar as the own-funds items could be used 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 issued by Hannover Finance (Luxembourg) S. A. and Hannover Rück SE have been recognised as grandfathered.

Solvency II requires that financial liabilities must be recognised at the expected 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 “Debts owed to credit institutions” item consists of mortgages and loans.

The “Financial liabilities other than debts owed to credit institutions” item can comprise bonds, mortgages and loans from other undertakings that are not credit institutions. Liabilities here can include an undertaking’s self-structured debt securities (i.e. securities that are not structured by a special purpose vehicle).

DIFFERENCES

The difference between the Solvency II values for financial liabilities and the carrying amounts in the consolidated financial statements is largely attributable to those liabilities that are measured at amortised cost rather than at fair value in the consolidated financial statements. However, even if they were to be recognised at fair value

in the consolidated financial statements as well, differences between the values reported would still arise if the company’s own credit quality changes, since such changes are only taken into account in the IFRS consolidated financial statements.

SHORT-TERM LIABILITIES

SHORT-TERM LIABILITIES

EUR THOUSAND

	2018
Insurance & intermediaries payables	1,786,483
Reinsurance payables	1,126,571
Payables (trade, not insurance)	1,244,610

BASES FOR VALUATION

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

METHOD

Solvency II requires that liabilities be recognised at the expected present value of future cash flows. Where necessary, discounting is performed using the interest rate term structure published by EIOPA.

The Solvency II value for reinsurance payables is derived from the corresponding value under the IFRSs. The portion covering the future cash flows is already contained in the technical provisions. The remaining portion of the IFRS liability, which contains the cash flows prior to or on the valuation date, is shown in this item.

Solvency II requires that liabilities be recognised at the expected 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. Balances that are not past due form part of the reinsurance recoverables – which determine future cash flows – and must therefore be included in the technical provisions.

Additionally, a reclassification has to be made between the “Insurance & intermediaries payables” and the “Reinsurance payables” items, because under Solvency II only outstanding liabilities resulting from ceded reinsurance are recognised as “Reinsurance payables”.

OTHER LIABILITIES

OTHER LIABILITIES

EUR THOUSAND

	2018
Deposits from reinsurers	1,126,398
Any other liabilities, not elsewhere shown	542,062
Derivatives	70,513

BASES FOR VALUATION AND METHODS

Deposits from reinsurers are recognised and valued in the same way as the corresponding asset-side item; this has already been explained in the “Receivables” section.

Solvency II requires that liabilities be recognised at the expected present value of future cash flows. Discounting is performed using the interest rate term structure published by EIOPA.

Measurement in accordance with the IFRSs is described in the “Medium and long-term financial liabilities” section.

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

DIFFERENCES

The difference between the Solvency II values and those in the consolidated financial statements is due to the different approaches used to recognise and measure funds and deposits described in the “Receivables” section. The difference with regard to deposits to cedants results from offsetting deposits against deposits to cedants or technical provisions. In addition, some contracts in the Life/Health Reinsurance business are measured under IFRS 4 as financial instruments in accordance with IAS 39, whereas in Solvency II they are treated as insurance contracts.

D.4 ALTERNATIVE METHODS FOR VALUATION

The alternative valuation methods that can be used for certain solvency balance sheet items in accordance with Article 263 in conjunction with Article 10(5) of Commission Delegated Regulation (EU) 2015/35 have already been described in sections D.1 to D.3. This primarily relates to assets reported in the balance sheet items grouped under the “Investments (other than assets held for index-linked and unit-linked contracts)” heading and to financial liabilities on the liabilities side of the solvency balance sheet, to the extent that no quoted market prices are available.

D.5 ANY OTHER INFORMATION

All material and relevant information on valuations for solvency purposes that is required to be reported 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 undertaking's internal and externally communicated corridors and limits for ratios is crucially important:

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

CAR CORRIDORS AND LIMITS

For TERM 2018, the capital adequacy ratio (CAR) in the economic perspective (Talanx) stands at 273%, while the HDI Group's Solvency II ratio excluding the transitional is 209%. The capital adequacy ratios are therefore within or slightly above the set ranges.

CHANGES TO THE SOLVENCY RATIO IN 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). This medium-term planning is based on the HDI Group's planning assumptions, which include macroeconomic assumptions for changes in gross domestic product, inflation and interest rates. This is covered by the undertaking's own risk and solvency assessment.

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

The Solvency II requirements provide for two main categories of own funds – basic own funds and ancillary own funds. From the regulatory viewpoint, the total own funds cannot be used in full to meet the Group SCR.

RECONCILIATION OF THE TALANX GROUP'S ECONOMIC EQUITY (IFRS) TO THE HDI GROUP'S ELIGIBLE OWN FUNDS

The HDI Group is analysed from the regulatory viewpoint. The Solvency Capital Requirement and own funds are calculated on the basis of fully consolidated data for the HDI Group. Restrictions on the availability of own funds are taken into account in the process. HDI V.a.G. itself only conducts a minimal amount of insurance business. All risks that have to be taken into account are already included in the Talanx Group, which is the HDI Group's risk kernel. The availability restrictions are therefore applied at the level of the risk kernel, whereas HDI V.a.G. itself is only integrated in a subsequent step.

The following table shows the reconciliation of the Talanx Group's IFRS equity to the HDI Group's eligible own funds:

THE HDI GROUP'S OWN FUNDS

EUR THOUSAND

	2018	2017
IFRS equity (Talanx)	14,261,254	14,246,285
Goodwill and intangible assets	-1,953,479	-1,994,756
Revaluation effects	5,074,599	4,784,270
Surplus funds	1,656,540	1,625,499
Excess of assets over liabilities (Talanx)	19,038,913	18,661,298
Subordinated liabilities (incl. minority interests)	2,918,475	2,920,609
Own shares	—	—
Foreseeable dividends, distributions and charges	-783,579	-730,436
of which to HDI V. a. G.	-289,710	-279,720
Basic own funds (Talanx) before deductions	21,173,809	20,851,471
Transitional measures	3,876,978	4,198,718
Basic own funds (Talanx) before deductions incl. transitional	25,050,786	25,050,189
HDI V. a. G. (extension of Talanx Group to produce HDI Group)	1,838,239	1,563,803
of which foreseeable dividends from Talanx AG	289,710	279,720
Basic own funds (HDI Group) before deductions	26,889,025	26,613,992
Non-available own-funds items	-6,029,007	-5,839,981
Other	-18,177	-17,769
Ancillary own funds	—	—
Own funds of other financial sectors	128,496	123,495
Available own funds (HDI Group)	20,970,337	20,879,737
Tiering restrictions	—	—
Eligible own funds (HDI Group)	20,970,337	20,879,737
Transitional	-3,876,978	-4,198,718
Non-available own-funds items arising from transitional	313,784	326,873
Eligible own funds excluding transitional (HDI Group)	17,407,144	17,007,892

The starting point for the reconciliation is the Talanx Group's IFRS equity. Under Solvency II, goodwill is valued at zero; intangible assets are only permitted to be recognised under certain conditions. These and other revaluation effects between the IFRS balance sheet and the economic (solvency) balance sheet, together with the surplus funds, produce the "Excess of assets over liabilities" item. In contrast to the residual value for the assets and liabilities in the solvency balance sheet, this line item does not take the transitional into account.

In addition to the excess of assets over liabilities, the basic own funds include subordinated liabilities and own shares. Foreseeable dividends, distributions and charges that are paid by the Talanx Group to third parties are deducted from the basic own funds. The "Basic own funds before deductions" item does not take any availability and eligibility restrictions into account. This is performed in a later step. The basis of consolidation corresponds to that used for the IFRSs.

Lawmakers have provided for a gradual transition to Solvency II. This is reflected in the present table by the application of the transitional on technical provisions at the German life insurance companies in the Group.

The HDI Group's basic own funds before deductions contain both the Talanx Group's basic own funds before deductions (including the transitional) and HDI V. a. G.'s excess of assets over liabilities. The participation in Talanx AG is deducted from this excess amount to avoid the double use of own funds. In addition, the dividends that will foreseeably be paid by Talanx AG to HDI V. a. G. are included in the HDI Group's basic own funds before deductions.

Certain own-funds items are only available for covering the Group Solvency Capital Requirement under Solvency II subject to restrictions. These include non-controlling interests and surplus funds, among other things. Further details on the approach used to calculate the non-available own-funds items are provided at the end of this section.

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

Ancillary own funds are irrelevant at the level of the Talanx Group and/or of the HDI Group as at the 2018 year-end.

The “Own funds of other financial sectors” item 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: “Non-available own-funds items”, “Other”, “Ancillary own funds” and “Own funds of other financial sectors”. The non-available own funds are calculated within the Talanx risk kernel.

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 need to make any deductions for tiering as at the 2018 year-end.

CALCULATING NON-AVAILABLE OWN-FUNDS ITEMS

From the regulatory viewpoint, own funds cannot be used in full to meet the Group Solvency Capital Requirement. Items affected include minority interests, deferred tax assets, surplus funds, hybrid capital (subordinated liabilities) and ancillary own funds. The last four basic own funds items are only eligible if they are permitted to be used to meet the solo Solvency Capital Requirement for the company concerned. Moreover, in total they must not exceed the contribution made by the company concerned to the (diversified) Group Solvency Capital Requirement. Similarly, non-controlling interests that are included in subsidiaries’ own funds may only be taken into account at Group level up to the amount corresponding to the non-controlling interests’ contribution to the Group Solvency Capital Requirement.

The contribution to the Group Solvency Capital Requirement is determined by allocating the (diversified) Group Solvency Capital Requirement to the companies in the Talanx Group. The Solvency II Framework Directive requires the SCR to be apportioned proportionally: i.e. the portion of the diversified Group Solvency Capital Requirement accounted for by a particular company must correspond to the portion of the undiversified Group Solvency Capital Requirement accounted for by the individual solo Solvency Capital Requirement. Undertakings with an internal model are permitted to use this model to allocate the (diversified) Group Solvency Capital Requirement.

The regulatory restrictions on the own funds are applied on the basis of the contribution made by the solo undertakings to the Group Solvency Capital Requirement. The following table shows the breakdown of the “Non-available own-funds items” item. The minority interests are the largest item to which possible restrictions may be applied. They are mainly attributable to the reinsurance segment. Moreover, a considerable proportion of the surplus funds are not available to meet the capital requirements at Group level.

NON-AVAILABLE OWN-FUNDS ITEMS

EUR THOUSAND

	2018	2017
Surplus funds	451,755	362,003
Subordinated liabilities	—	—
Net deferred taxes	51,396	39,634
Non-available minority interests	5,525,856	5,438,343
Total non-available own-funds items (including effect of transitional)	6,029,007	5,839,981

“TIERING” OF OWN-FUNDS ITEMS

Own funds are divided into three classes (“tiers”). Tiering of the own-funds items is based on the extent to which they are available to offset losses. A distinction is also made between basic own-funds items and ancillary own-funds items.

Basic own-funds items are allocated to “Tier 1” if they are available or can be called on demand to fully absorb losses on a going-concern basis, as well as in the case of winding-up (permanent availability). In the case of winding-up, “Tier 1” own-funds items are available to meet obligations arising towards policyholders and beneficiaries of insurance and reinsurance contracts. The holders of the own-funds items are repaid on a subordinated basis (subordination).

Basic own-funds items are classified as “Tier 2” if they possess the characteristics of subordination, but are not permanently available. Ancillary own-funds items that substantially possess the characteristics of permanent availability and subordination can be classified as “Tier 2”. All other basic own-funds items and ancillary own-funds items are classified as “Tier 3”.

As can be seen from the following table, 88% (88%) of the Group’s own funds are unrestricted Tier 1 funds: the structure of own funds has not materially changed in comparison to the previous reporting period:

THE HDI GROUP’S OWN FUNDS

EUR THOUSAND

	Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
2018					
Basic own funds before deduction for participations in other financial sectors					
Ordinary share capital (gross of own shares)	–	–	–	–	–
Share premium account related to ordinary share capital	–	–	–	–	–
Surplus funds	1,656,539	1,656,539	–	–	–
Non-available surplus funds at Group level	451,755	451,755	–	–	–
Reconciliation reserve	21,831,911	21,831,911	–	–	–
Subordinated liabilities	2,918,475	–	487,171	2,431,304	–
An amount equal to the value of net deferred tax assets	356,100	–	–	–	356,100
The amount equal to the value of net deferred tax assets not available at the Group level	51,396	–	–	–	51,396
Other items approved by supervisory authority as basic own funds not specified above	126,000	126,000	–	–	–
Non-available minority interests at Group level	5,525,856	4,909,565	104,377	520,910	–8,996
Deductions					
Deduction for participations in other financial undertakings	18,177	18,177	–	–	–
Total non-available own funds items	6,029,007	5,361,320	104,377	520,910	42,400
Total deductions	6,047,184	5,379,497	104,377	520,910	42,400
Total basic own funds after deductions	20,841,841	18,234,953	382,794	1,910,394	313,700
Own funds of other financial sectors					
Credit institutions, investment firms and financial institutions, alternative investment funds managers	7,919	7,919	–	–	–
Institutions for occupational retirement provision	120,577	120,577	–	–	–
Total own funds of other financial sectors	128,496	128,496	–	–	–
Total available own funds to meet the minimum consolidated Group SCR	20,841,841	18,234,953	382,794	1,910,394	313,700
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)	20,970,337	18,363,450	382,794	1,910,394	313,700

THE HDI GROUP'S OWN FUNDS

EUR THOUSAND

	Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
2017					
Basic own funds before deduction for participations in other financial sectors					
Ordinary share capital (gross of own shares)	–	–	–	–	–
Share premium account related to ordinary share capital	–	–	–	–	–
Surplus funds	1,625,499	1,625,499	–	–	–
Non-available surplus funds at Group level	362,003	362,003	–	–	–
Reconciliation reserve	21,719,591	21,719,591	–	–	–
Subordinated liabilities	2,920,609	–	484,155	2,436,454	–
An amount equal to the value of net deferred tax assets	222,293	–	–	–	222,293
The amount equal to the value of net deferred tax assets not available at the Group level	39,634	–	–	–	39,634
Other items approved by supervisory authority as basic own funds not specified above	126,000	126,000	–	–	–
Non-available minority interests at Group level	5,438,343	4,794,500	100,449	505,497	37,897
Deductions					
Deduction for participations in other financial undertakings	17,769	17,769	–	–	–
Total non-available own-funds items	5,839,981	5,156,503	100,449	505,497	77,531
Total deductions	5,857,750	5,174,273	100,449	505,497	77,531
Total basic own funds after deductions	20,756,243	18,296,817	383,706	1,930,957	144,762
Own funds of other financial sectors					
Credit institutions, investment firms and financial institutions, alternative investment funds managers	7,919	7,919	–	–	–
Institutions for occupational retirement provision	115,576	115,576	–	–	–
Total own funds of other financial sectors	123,495	123,495	–	–	–
Total available own funds to meet the minimum consolidated Group SCR	20,756,243	18,296,817	383,706	1,930,957	144,762
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)	20,879,737	18,420,312	383,706	1,930,957	144,762

The present value of benefits to policyholders as included in technical provisions for life insurance (see also section D.2) is reduced in the provision for premium refunds by a portion of available unrestricted funds of an adequate amount to cover losses. This so-called surplus fund specifically contains no portions that are not adequate to make good losses or not available, such as surplus components already established, and remains available without restriction and for an unlimited amount of time, free of costs or other charges, to cover Solvency Capital Requirements. This is therefore a Tier 1 own-funds item under Solvency II in accordance with section 91 of the VAG and section 93 (1) of the VAG.

Any excess cover arising from the difference between assets and liabilities, less any dividends envisaged and the surplus fund, forms the so-called reconciliation reserve.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

SOLVENCY CAPITAL REQUIREMENT

The following table gives an overview of the HDI Group's own funds, capital requirements and capital adequacy ratios according to Solvency II, including and excluding the transitional on technical provisions. Fluctuations during the course of a year are not deemed material.

SOLVENCY RATIOS FOR THE HDI GROUP

EUR THOUSAND

	2018
Eligible own funds including transitional on technical provisions	20,970,337
Solvency Capital Requirement	8,324,178
Solvency II ratio (including transitional)	252%
Eligible own funds excluding transitional on technical provisions	17,407,144
Solvency Capital Requirement	8,344,895
Solvency II ratio (excluding transitional)	209%

The SCR for the HDI Group is calculated using the partial internal model (TERM). All risks except operational risk for primary insurance are modelled internally. Operational risk for primary insurance is calculated on the basis of the standard formula.

The values in the table above are given including and excluding the transitional on technical provisions. In accordance with section 352 of the VAG, insurance and reinsurance undertakings can temporarily deduct an amount from the technical provisions, subject to approval; this deduction is applied at 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 for the HDI Group consists of the following risks:

EXCERPT FROM TEMPLATE S.25.02 FOR THE HDI GROUP

EUR THOUSAND

Description of component	2018
Market risk non-life and reinsurance	5,607,000
Market risk – primary life insurance	1,610,938
Pension risk	288,563
Credit risk (counterparty default risk)	362,951
Premium and reserve risk (excl. NatCat)	3,796,747
Natural catastrophe risks	3,113,406
Underwriting risk life	2,346,924
Operational risk	1,243,554
Loss absorbing capacity of deferred taxes non-life and reinsurance	-1,801,835
Total undiversified components	16,568,247
Diversification	-8,342,878
Solvency Capital Requirement for undertakings using the consolidated method	8,225,370
Capital requirement for other financial sectors (non-insurance capital requirements)	98,808
Solvency Capital Requirement	8,324,178

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 credit and migration risk relating to investments.
- **Market risk, primary life insurance:** Risk exposure of primary life insurers due to market developments. This also includes credit and migration risk relating to investments.
- **Pension risk:** This shows the influence of changes in the pension provisions on own funds. The main drivers of pension risk are changes in 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 insurance and reinsurances in the HDI Group, insofar as such risks are not contained in the market risk. This is essentially a reinsurance default risk (including the risk of default by retrocessionaires).
- **Premium and reserve risk (excl. NatCat):** Shown for non-life insurers, primary insurers and reinsurers.
- **Natural catastrophe risks:** All risks for property/casualty primary insurers and reinsurers 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 operational risk – as determined for primary insurance using the specifications for the standard formula and as determined for the Reinsurance Division using an internal model.
- **Loss-absorbing capacity of deferred taxes non-life and reinsurance:** This item contains the loss-absorbing effect of taxes for all companies, with the exception of primary life insurers, 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 minimum Group Solvency Capital Requirement from a regulatory view. The HDI Group's Minimum Capital Requirement comprises the aggregate company-specific minimum capital requirements (MCRs), which in the case of companies based in the European Economic Area (EEA) are a maximum of 45% and a minimum of 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 intermediate result for the MCR calculation (Article 250 and Article 251 of Commission Delegated Regulation [EU] 2015/35) exceeds the limit. A cap based on the (partial) internal model applies to those companies that have been granted approval to use the (partial) internal model at the solo level. In the case of the other EEA companies, the cap is applied on the basis of the standard formula. For companies based outside the EEA, the local Minimum Capital Requirement is applied.

The following table shows that the Minimum Capital Requirement for the HDI Group is adequately met by own funds. Fluctuations during the course of a year are not deemed material.

CONSOLIDATED MINIMUM CAPITAL REQUIREMENT FOR THE HDI GROUP

EUR THOUSAND

	2018
Consolidated Minimum Capital Requirement for the HDI Group	5,936,531
Eligible own funds to meet the consolidated MCR	20,528,141
Surplus capital	14,591,610

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

Germany has opted not to allow the use of a duration-based sub-module for equity risk. The HDI Group thus does not use a duration-based sub-module for the equity risk.

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

The HDI Group uses a partial internal model to calculate the regulatory Solvency Capital Requirement. The internal modelling covers the market risk, non-life and life underwriting risk, and credit risk (counterparty default risk). Measurement of operational risk uses the methods associated with the standard formula for primary insurance and an internal model for the Reinsurance Division. Unlike the standard formula, the HDI Group's partial internal model allows the underlying risks for a strongly diversified insurance group that offers both reinsurance and primary insurance to be modelled in a manner that is best adapted to the undertaking.

The HDI Group's partial internal model comprises all companies included in the IFRS basis of consolidation with the exception of the institutions for occupational retirement provision and Ampega Investment GmbH, which do not fall under the Solvency II regime. The effects of intragroup transactions are taken into account.

The internal model has numerous applications within the HDI Group in addition to being used to calculate the Solvency Capital Requirement. These cover both economic (i.e. management) aspects and the supervisory law requirements for the use test (section 115 of the VAG). Core applications include strategic programme planning, performance management, estimates made in the context of acquisitions, and the limit and threshold system. The limit and threshold system and the related risk-bearing capacity analysis are key pillars of the risk management system, both from an economic (implicit earning limits) and from a regulatory (use test) perspective.

RISK MEASUREMENT IN THE HDI GROUP'S INTERNAL MODEL

The concept behind the HDI Group's partial internal model is based on determining the economic own funds for every individual company on a fair value basis as at the reference date, forecasting changes in these own funds over the one-year horizon applicable under Solvency II, and then aggregating these at Group level.

The starting point for this approach is a solvency balance sheet prepared as at the valuation date. Once this economic balance sheet has been prepared, the stochastic distribution of the economic solvency balance sheet has to be projected for a one-year horizon. Different mathematical techniques are used for life and non-life insurance in the internal models at the companies providing the information, in line with 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.

Simulations are used to consolidate all economic balance sheets over the one-year horizon; this results in a forecast distribution for the own funds. In the case of the HDI Group's partial internal model, the special role played by operational risk in aggregation – or to be more precise, in the integration of a partial internal model with the standard formula for the Solvency Capital Requirement in accordance with Article 239 of Commission Delegated Regulation (EU) 2015/35 – must be taken into account (see below).

Then, using the forecast distribution for the own funds over the one-year horizon, the Solvency Capital Requirement is calculated as the difference between the expected value and the value at risk at the confidence level of 99.5% of the forecast distribution required by supervisory law. In conceptual terms, this means that there is a 99.5% probability of a potential loss of own funds (measured in terms of the expected value) being met by the Solvency Capital Requirement. The expected value and the quantile are estimated on the basis of the forecast distribution values simulated using the Monte Carlo method. The capital adequacy ratio (CAR) and the Solvency II ratio are derived from the own funds ratio as at the valuation date and the Solvency Capital Requirement according to the forecast distribution for the partial internal model.

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

MATERIAL ASSUMPTIONS

The most important assumption for the HDI Group's internal model is that the key risks relate to negative changes in the capital market, the occurrence of natural catastrophes and the risk of a simultaneous chance default by the reinsurers. Based on this assumption, the scenarios used in the companies' risk models for these events – i.e. natural catastrophes, reinsurer default and the related economic issues – are standardised throughout the Group and are processed in identical order in order to be able to aggregate the model results. In particular, this requirement includes fundamental assumptions about dependencies that are critical for diversification within the HDI Group's internal model:

- Analyses do not indicate any significant, sustained impacts of NatCat events on economic developments. To this extent, it is assumed that the natural catastrophe scenarios and the economic scenarios for capital market developments are independent of one another.
- The reinsurance default scenarios are incorporated under the premise that defaults and/or rating downgrades for reinsurers are induced by negative developments on the capital markets and/or high losses due to natural catastrophe events.
- Pandemics and other global events are also standardised for the primary insurers and correlated between primary insurance and reinsurance. In addition, these scenarios are coupled with the economic scenarios in order to model adverse economic developments due to pandemic events.

Apart from being used to specify fundamental requirements for Group-wide correlations between risk categories, assumptions are also significant for the economic scenarios. Examples include the use of the initial interest rate term structure published by EIOPA, which in particular extrapolates the interest rate term structure for long-term interest rates to an ultimate forward rate, as well as of a volatility adjustment in accordance with section 82 of the VAG. These two 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's internal model, and to this extent influence the capital adequacy ratio.

DATA USED

The partial internal model and its calibration are based on a large number of internal data items (such as loss expenses or mortalities for the underlying portfolios) and external data (such as rating information for investments and reinsurance counterparties, or time series for capital market data and mortality trends). The adequacy of such data is tested using internal checks and in the course of the validation process.

SCENARIOS

The starting point for modelling in the solo undertakings' internal risk models are scenarios based on event models that map the HDI Group's risk factor universe. These include the following in particular

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

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

The economic scenarios are generated using an economic scenario generator. This simulation software, which is based on a stochastic financial market model, produces simulated economic scenarios that represent a full range of future economic developments. In particular, the components modelled include the risk-free interest rate term structure, spread curves, equity indices, real estate indices, changes in inflation and currency exchange rates. One key aspect is modelling dependencies between risk factors and economies, which is used to manage market risk diversification within the HDI Group's internal model.

In the area of natural catastrophe risk, Group-wide standard scenarios taken from the global event set assist aggregation across the Group. Natural catastrophe models are used to produce the global event set. Updates to this global event set are made available each year to all 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

In the case of internal models in the life insurance companies and of the Hannover Re Group's life insurance business, the forecast distribution is determined using actuarial approximation techniques. This is due to the complexity of the cash flows, for which a valuation of various possible changes in economic and underwriting risk factors has to be performed over the one-year horizon. The key factor in the case of primary life insurance is the technique of portfolio replication; this is used in particular to model the fluctuations in market risk due to changes in the value of guarantees and

options. The Hannover Re Group's life reinsurance module is based on cash flow forecasts for an appropriate number of economic and biometric risk factors. Suitable mathematical methods (e.g. curve fitting) are used to select scenarios and ensure that the forecast distribution is sufficiently accurate.

INTERNAL MODELS – NON-LIFE

In the internal models for non-life, the economic balance sheet is updated using standardised, Group-wide "real-world" scenarios for the economy, natural catastrophes and reinsurance defaults, plus individual modelling of the underwriting risk (premium and reserve risk) over a one-year horizon. The modelling takes place in modular fashion at 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 in the loss expenses actually incurred during loss adjustment as against the estimates made when calculating the premium. NatCat events are treated separately during modelling due to their nature and to the Group-wide standard scenarios. Premium risk, excluding natural catastrophes, is initially modelled from the gross point of view using relevant actuarial procedures – such as the collective risk theory model – based on the companies' business lines.

Reserve risk describes the danger of inadequate provisions for claims outstanding having been calculated in previous years. Run-off triangles for claims amounts are used as the starting point for modelling reserve risk. Changes in claims amounts per occurrence year are projected over the one-year horizon on a stochastic basis in order to calculate the one-year reserve risk. This results in simulated run-off triangles that have been extended to include a diagonal that are used for loss adjustment. Gross reserves are derived from the resulting simulated triangles and the gross reserve risk can then be calculated from their distribution.

The premium risk (excluding natural catastrophes and the reserve risk) and the premium and reserve risk in a company's internal model are calculated for the gross point of view by generating a dependency structure using a copula at the level of the business lines. This starts with the forecast distributions for the business lines' premium risk and reserve risk. Applying the reinsurance structure that is represented in the model then leads downstream to the forecast distribution for the premium and reserve risk from a net perspective.

The NatCat risk is predominantly modelled using externally licensed models. These NatCat models generally consist of three components – natural hazard, vulnerability and financial module/contract structure – and result in simulated event losses that are then processed further in the individual companies' internal models. A consistent Group-wide approach is pursued within the Group at the level of individual events, permitting decentralised risk modelling. This standardised Group approach revolves around the global event set, which contains the majority of the hazard regions to which the Group is exposed. Model regions for which no licensed or otherwise available models are used are taken into account using in-house developments at the subsidiaries and by making approximations.

Market risk involves, on the one hand, fluctuations in the value of investments on the asset side while, on the other hand, effects on the underwriting risk arise on the liabilities side (discounting of reserves, valuation at exchange rates) due to changes on the capital markets as a result of economic accounting. On the asset side, modelling is performed by grouping the investment portfolio into largely homogeneous model points. The fair values of the model points for 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 horizon.

Counterparty default risk for reinsurance counterparties is calculated on the basis of 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 horizon); such deductions are combined 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 may lead to losses.

AGGREGATION IN THE GROUP MODEL

The forecast distribution for internally modelled risks in the HDI Group's partial internal model is primarily arrived at by aggregating the forecast distributions for own funds in the solo companies' internal models – i.e. by adding together the companies' simulated values for each of the simulations implemented. Additionally, in particular non-material companies in the HDI Group that do not possess an internal model as defined by Solvency II are modelled stochastically and included in the HDI Group's internal model based on the results of the standard procedures. Overall, the Solvency Capital Requirement is calculated on the basis of the fully consolidated data for the "risk kernel", i.e. the Talanx Group including minority interests.

The tax model is used to reflect the loss-absorbing impact of tax effects in the forecast distribution for the HDI Group.

INTEGRATION OF THE PARTIAL MODEL WITH THE STANDARD FORMULA

The HDI Group uses a partial internal model to calculate the Solvency Capital Requirement, and quantifies operational and external risk for all divisions apart from reinsurance according to the standard formula methodology. Aggregation of operational risk for primary insurance in the HDI Group's internal model – or, more precisely, integrating a partial internal model into the standard formula for the Solvency Capital Requirement in accordance with Article 239 of Commission Delegated Regulation (EU) 2015/35 – is performed by adding operational risk as modelled in accordance with the standard formula, including the loss-absorbing impact of the tax effect, to the Solvency Capital Requirement, which comprises the internally modelled risk, taking diversification and the loss-absorbing impact of taxes into account. This means that the HDI Group uses one of the standard integration procedures set out in Article 239 of Commission Delegated Regulation (EU) 2015/35.

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

In line with the regulatory requirements, calibration of both the partial internal model and the standard formula aims to determine the level of any negative 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, substantially – the results of the Solvency Capital Requirement and also lead to downstream differences in the own funds and the capital adequacy ratio between the two models. In the case of own funds, the deviations result from the risk margin, which is the present value of the Solvency Capital Requirement in question 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 its methodology, the standard formula follows a modular approach. First, the entire risk is subdivided at the highest level into operational risk for primary insurance, based on the standard formula, and the following risk modules, based on the internal model:

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

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

The standard formula and undertaking-specific modelling lead to differing risk assessments at the level of the sub-modules, which in some cases can be considerable. Firstly, the main reason for this is the undertaking-specific calibration of the partial internal model, which is based on the undertaking's specific risk profile; however, the standard formula can only take this profile into account to a limited extent due to its universality. Secondly, discrepancies arise due to different allocations to sub-modules or even to different treatment of the matters involved. For instance, European government bonds are not subject to credit risk in the standard formula, whereas in the internal model they have to be assigned a risk for supervisory law reasons.

Differences in the calculation of the Solvency Capital Requirement at the sub-module level affect the following aspects, among others:

- The German primary life insurance companies' internal models use a dynamic volatility adjustment, whereas in all cases the standard formula only takes the volatility adjustment into account via an upward or downward 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 market risk – life.
- In market risk, there are differences in the measurement of credit concentration and correlation risk as, in contrast to the methodology used in the standard formula, the internal model includes not just the impact of issuer concentration but also effects relating to 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, the level of interest rates and interest rate volatility are correlated.

- In the standard formula, property risk is calibrated on the basis of data records for Great Britain. This leads to different stress levels compared to the internal model.
- The standard formula does not take geographical diversification into account for non-proportional reinsurance. However, this aspect is included in the internal model used by the globally diversified HDI Group.
- In the internal models, data from the underlying portfolios is used to derive the stress levels for life underwriting risk. Using corporate data for calibration results in deviations from the results obtained using the standard formula.
- In order to calculate the capital requirement for every risk module and, downstream, for the HDI Group's overall risk, the capital requirements at 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 hence also diversification effects – arise between risk categories in the partial internal model; this is due in part to dependencies modelled between risk factors (e.g. in the economic scenario generator) via copula-modelled dependencies (e.g. between the premium risk in a company's business lines) or explicit assumptions of independence (e.g. between market and natural catastrophe risks). To this extent, the Solvency Capital Requirements produced using the standard formula methodology and the partial internal model differ in terms of their dependency modelling and the diversification effects induced by it, in addition to the different allocations to risk modules and the different calculation methodology for risk modules used.

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 pending undercapitalisation. In addition, an established limit and threshold system is used to ensure the Group's risk-bearing capacity at all times; this is expressed as a Minimum Capital Requirement in excess of the statutory requirements.

E.6 ANY OTHER INFORMATION

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

FURTHER INFORMATION

LINE OF BUSINESS CATEGORIES

LINE OF BUSINESS CATEGORIES

EUR THOUSAND

	Line of business 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
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 insurance					■
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

ACCUMULATION RISK

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

ALLOCATION

Generally speaking, the assignment of limited resources to potential users. In the present report, the term is used in relation to (solvency) capital and/or the > Solvency Capital Requirement (SCR).

ASSET MANAGEMENT

The administration and management of investments based on risk and return criteria.

ASSET/LIABILITY MISMATCH

A term used to describe the different maturity structures of items on the asset and liability sides of the balance sheet; mostly expressed by different > durations.

BASIC OWN FUNDS

Excess of assets over liabilities less the amount recognised for own shares in the solvency balance sheet and the subordinated liabilities, as defined in section 89(3) of the German Insurance Supervision Act (VAG).

BASIS OF CONSOLIDATION

In accounting, the group of companies that must be included in the consolidated financial statements.

BASIC SOLVENCY CAPITAL REQUIREMENT – BSCR

Defined in section 100 of the German Insurance Supervision Act (VAG) as the aggregation of the following individual risk modules: (1) non-life insurance risk, (2) life insurance risk, (3) health insurance risk, (4) market risk and (5) counterparty default risk. The details of how these must be aggregated to calculate the BSCR are specified in Annex 3 of the VAG.

The formula defined in Annex 3 of the VAG is used under Solvency II to mathematically aggregate individual SCRs to produce an overall BSCR.

BEST ESTIMATE

According to section 77(1) of the German Insurance Supervision Act (VAG), the best estimate corresponds to the probability-weighted average of future > cash flows, giving due consideration to the time value of money (expected > present value of future cash flows) and using the appropriate risk-free > interest rate term structure.

CALIBRATION

A data-based procedure for setting model parameters.

CAPITAL ADEQUACY RATIO (CAR)

From an economic perspective, the ratio of basic own funds (including > hybrid capital) to the > Solvency Capital Requirement (SCR).

CASH FLOW

The name given to inflows/outflows of funds (e.g. claim payouts, premium payments and investment income such as interest and dividends) within a specified time horizon. To this extent, the timing and amount of the relevant inflows/outflows of funds are crucial.

CEDANT

A > primary insurer or > reinsurer that passes on (cedes) portions of its insured risks to a reinsurer in exchange for a premium.

COMPLEMENTARY IDENTIFICATION CODE – CIC

A standardised classification system for types of investment instruments (see Annexes V and VI of Commission Implementing Regulation [EU] 2015/2450).

CONCENTRATION RISK

Defined according to section 7 no. 17 of the German Insurance Supervision Act (VAG) as all risk exposures that involve a potential for default significant enough to threaten the solvency or the financial position of the insurance companies concerned.

CONFIDENCE LEVEL

In the context of Solvency II, the Solvency Capital Requirement corresponds 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. The confidence level p corresponds to the percentage $1-p$ at which the variable to be assessed (such as the solvency capital required) is not exceeded.

COST-OF-CAPITAL RATE

Article 77(5) of Directive 2009/138/EC defines this as the underlying cost-of-capital rate, which shall be equal to the additional rate, above the relevant risk-free interest rate, that an insurance or reinsurance undertaking would incur holding an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support insurance and reinsurance obligations over the lifetime of those obligations. Article 39 of the Commission Delegated Regulation provides that the cost-of-capital rate shall be assumed to be equal to 6%.

DELEGATED REGULATION

Shorthand for 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).

Article 288(2) of the Treaty on the Functioning of the European Union (TFEU) provides that EU regulations are legal acts that are directly applicable in all Member States. Delegated Regulation (EU) 2015/35 therefore serves as a legal basis for this report.

DEPOSITS TO CEDANTS/DEPOSITS FROM REINSURERS

Collateral provided to cover insurance liabilities that insurers retain from the cash funds they must pay reinsurers under reinsurance treaties. In such cases, insurers report the funds held under the treaty (deposits from reinsurers), while reinsurers report the funds held by the ceding companies (deposits to cedants). Interest is payable/receivable on these funds.

DISCOUNTING

A procedure in mathematical finance in which a specific interest rate is used to determine the > present value of a > cash flow.

DIVERSIFICATION

A way of reducing the potential risk for insurance companies and groups. It is based on the idea that the negative impact of a risk can be offset by the more favourable impact of a different risk, provided that these two risks are not fully dependent with one another.

DIVISION

A business segment as defined by the HDI Group's internal classification structure.

DURATION

A ratio in mathematical finance 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 the present value of a bond in the event of a change in interest rates, and as such expresses the interest rate risk associated with a particular financial instrument.

EQUITY (IFRS)

A residual amount representing the difference between the asset and liability items on the balance sheet, measured according to the applicable accounting standards (> International Financial Reporting Standards (IFRSs)).

ERM/ECM REVIEW

An assessment procedure, generally performed by external rating agencies, in which an organisation's enterprise risk management (ERM – i.e. its company-wide risk management operations) and/or its economic capital management (ECM – i.e. the way in which it determines, allocates and manages its economic capital) are assessed.

EXPERT ESTIMATE

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

EXPERT JUDGEMENT

The technical expertise of individuals or committees with relevant knowledge, experience and understanding of the inherent risks in the insurance and reinsurance business. The use of expert judgements is regulated in Solvency II in the context of internal/partially internal models.

EXPOSURE

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

EXTRAPOLATION

The name given to a mathematical procedure used to estimate the value of a variable above and beyond its original observation range, based on its relationship to another variable. In the context of the SFCR, extrapolation refers to how > interest rate structures are calculated above and beyond the period of time that can be derived directly from the capital markets, down to the "ultimate forward rate" that is used to discount extremely long-term liabilities (> discounting).

FAIR VALUE MEASUREMENT

A valuation method that determines 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

A class of capital investments in which the debtor must make payments to the creditor in accordance with a specified schedule and in a predefined 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 deducting liabilities.

GROSS

In insurance: before the deduction of passive reinsurance. The latter comprises existing reinsurance programmes designed 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 test required to be performed under the IFRSs in order to ensure that assets are not measured at more than their recoverable amount. Recoverable amount is the higher of the fair value of an asset less costs to sell or of the value in use.

INITIAL INTEREST RATE TERM STRUCTURE

> interest rate term structure.

INTEREST RATE STRUCTURE

Describes the relationships between different interest rates applying to different maturities. Generally, rates depend both on the maturity and on the associated risk. In most cases, the long-term interest rate is higher than the short-term interest rate. Forms the basis for > discounting.

INTEREST RATE TERM STRUCTURE (ALSO: INITIAL INTEREST RATE TERM STRUCTURE)

This depicts the structure of interest rates over time, i.e. how an interest rate depends on the fixed interest rate period for an asset or on the term of an interest rate derivative.

INTERNATIONAL FINANCIAL REPORTING STANDARDS – IFRS

Internationally recognised accounting standards, previously known as IASs (International Accounting Standards); these accounting standards have been applied at Talanx since 2004.

LAPSE ASSUMPTIONS

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

LARGE LOSS (ALSO: MAJOR LOSS)

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

LIMIT AND THRESHOLD SYSTEM

Used to implement and monitor management metrics within the company. Failing to reach, or exceeding, limits or thresholds triggers predefined actions.

LINE OF BUSINESS

A business segment according to the supervisory definition contained in Annex I of Commission Delegated Regulation (EU) 2015/35.

MATCHING ADJUSTMENT

With the approval of the supervisory authority, insurance companies may apply a matching adjustment to reflect the relevant risk-free interest rate term structure when calculating the best estimate of the portfolio of life insurance or reinsurance liabilities, including annuity insurance, arising from non-life or reinsurance contracts. A precondition for this is that the requirements of section 80(1) no. 1ff. of the German Insurance Supervision Act (VAG) have been met.

MATERIALITY

Missing or incorrect information on items is deemed to be material if it could influence – either individually or cumulatively – the economic decisions of the addressees.

MINIMUM CAPITAL REQUIREMENT – MCR

According to section 122(1) of the German Insurance Supervision Act (VAG), the Minimum Capital Requirement (MCR) corresponds to the amount of eligible basic own funds (> own funds) below which policyholders and eligible parties would be exposed to an unacceptable level of risk were the insurance company to continue with its business activities.

The consolidated Minimum Capital Requirement (SCR floor) is the minimum Group Solvency Capital Requirement from a regulatory perspective. The HDI Group's Minimum Capital Requirement comprises the aggregate company-specific Minimum Capital Requirements (MCRs), which in the case of companies based in the European Economic Area (EEA) are a maximum of 45% and a minimum of 25% of the > Solvency Capital Requirement.

NET

In insurance: after the deduction of passive reinsurance. The latter comprises existing reinsurance programmes designed to protect the insurer against underwriting risks.

OCCURRENCE YEAR

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

OWN RISK AND SOLVENCY ASSESSMENT – ORSA

The undertaking's own assessment of its risk and solvency in accordance with section 27 of the German Insurance Supervision Act (VAG).

OWN FUNDS

According to section 89(2) of the German Insurance Supervision Act (VAG), an insurance company's own funds comprise basic own funds and ancillary own funds.

Section 89(3) of the VAG defines basic own funds as the surplus of assets over liabilities minus the amount of own shares in the solvency balance sheet, plus subordinated liabilities.

Ancillary own funds are funds that are not classified as basic own funds and that can be called upon to absorb losses (section 89 [4] of the VAG).

Insurance companies must classify own funds into three quality categories (tiers). The classification of own funds components depends on whether they are basic own funds or ancillary own funds and the extent to which they are available or callable in order to fully absorb losses on a going-concern basis or in the event of liquidation, as well as whether, in the event of such liquidation, they are subordinated to all other liabilities. Maturity is also taken into account in this classification, as is the extent to which own funds components are free of any obligations or incentives to repay the nominal amount, mandatory fixed costs and any other charges (section 91 of the VAG).

PORTFOLIO

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

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

PRESENT VALUE

The fair value of a > cash flow arrived at by > discounting.

PRIMARY INSURER

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

PROHIBITION ON RECOGNITION

Due to the discrepancy between > Solvency II and the > International Financial Reporting Standards (IFRSs), certain items contained in the published financial statements are not permitted to be recognised in the solvency balance sheet under Solvency II; to this extent, there is a de facto prohibition on their recognition.

PROPORCIONATE CO-INSURANCE

The underwriting of a technical risk by several risk takers. In proportionate co-insurance, risk takers share the same percentage of the underlying risk. As a rule, this percentage also determines the proportion of the premium that can be claimed and the share of any losses to be paid out.

QUANTILE

A value that breaks down a sample into subsets. For a quantile p , p of the sample will be smaller than the quantile and the remaining amount, $1-p$, will be greater than the quantile.

REAL-WORLD SCENARIOS

Scenarios representing realistic developments for risk factors that are used for risk assessment in internal models, among other things.

REINSURER

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

REPLICATING PORTFOLIO

An actuarial approximation technique used in life insurance for risk assessment in internal models. It consists of a number of financial instruments whose market-consistent value can easily be determined analytically in the risk step for various occurrences of economic inputs in real-world scenarios. 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

A reinsurer to which another reinsurer cedes certain risks or portions of a risk.

RISK BUDGET

Risk budgeting is part of the management and monitoring process. Risk capital is allocated (> allocation) to individual units and its utilisation is managed/monitored.

RISK KERNEL

Talanx AG is the risk kernel for the HDI Group, as risk balancing and risk management within the Talanx Group is performed at Group level.

RISK MARGIN

In accordance with section 78(1) of the German Insurance Supervision Act (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 assume and fulfil the insurance obligations.

RUN-OFF TRIANGLE

A table showing how claim expenses or claim payments are forecast to change as of a particular reporting date compared to the relevant past > underwriting years or > occurrence years. Actuarial techniques are used to monitor the appropriateness of the run-off triangles used.

SCR BUDGET

The > risk budget for the Solvency Capital Requirement for the material risk categories.

SENSITIVITY

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

SFCR

The Solvency and Financial Condition Report required by section 40 of the German Insurance Supervision Act (VAG).

SIMULATION

The use of models to analyse generally complex issues.

SOLVENCY

The amount of free uncommitted own funds needed to ensure that liabilities under insurance policies can be met at all times.

SOLVENCY II

A European Union Directive for insurance companies that fundamentally reformed European insurance supervision law. The focus is on expanded publication obligations and more sophisticated 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 (VAG).

SOLVENCY II RATIO

The ratio from a regulatory perspective between > own funds and the > Solvency Capital Requirement (SCR). Expressed as a percentage, it shows the degree to which the Solvency Capital Requirement is met by own funds. A distinction is made for the purposes of disclosure between the Solvency II ratio (including transitional) and the Solvency II ratio (excluding transitional). The transitional in question is the transitional measure on technical provisions that has been approved by the supervisory authority for use by a number of Group companies.

SOLVENCY BALANCE SHEET

A comparison of assets and liabilities prepared in accordance with Solvency II valuation requirements.

More specifically, the solvency balance sheet represents a comparison of the assets and liabilities in accordance with sections 74 to 87 of the German Insurance Supervision Act (VAG), the purpose of which is to determine the available own funds. The structure of the items 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 an internal model. It reflects all quantifiable risks to which an insurance company is exposed.

SPREAD

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

STANDARD FORMULA

A calculation method required by section 99 of the German Insurance Supervision Act (VAG) that specifies how companies that do not use a partial or full internal model approved by the supervisory authorities must calculate the > Solvency Capital Requirement (SCR) from the > Basic Solvency Capital Requirement, after adjusting for the loss absorbing capacity of technical provisions and deferred taxes, as well as the operational risk.

STOCHASTIC ENTERPRISE MODEL

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

SURPLUS FUNDS

Section 93 of the German Insurance Supervision Act (VAG) defines surplus funds as a Class 1 own funds component (> own funds) consisting of that part of the provision for premium refunds that is permitted to be used to cover losses and that is not attributable to defined profit shares (life insurance, health insurance practised on a similar technical basis to life insurance and casualty insurance with premium refunds).

TECHNICAL PROVISIONS

Liability item in the balance sheet of insurance companies used to report liabilities from the insurance business.

TERM

The name given to the Talanx Enterprise Risk Model – the HDI Group’s internal integrated risk model. This distinguishes between economic aspects and regulatory aspects. From an economic perspective, TERM represents a full internal model for the Talanx Group. From a regulatory perspective, operational risk is determined using the standard formula.

TIER/TIERING

> Own funds

TRANSITIONALS (ALSO: TRANSITIONAL MEASURES)

Temporary adjustments to risk-free interest rates in accordance with section 351 of the German Insurance Supervision Act (VAG) and to technical provisions in accordance with section 352 of the VAG, which can be applied following approval by the supervisory authority.

TRANSITIONAL (MEASURE) ON TECHNICAL PROVISIONS

One of the transitional measures associated with the entry into force of Solvency II. Under it, BaFin can permit insurers to gradually migrate to full Solvency II valuations over a period of 16 years rather than having to value their reserves immediately in accordance with Solvency II.

ULTIMATE FORWARD RATE

> Extrapolation

UNDERWRITING YEAR

The year in which the original policy was underwritten.

USE TEST

Where insurance companies use internal models, the use test provides proof that the internal model is used for management purposes at the company and that it plays an important role in the system of governance, and specifically in risk management, decision-making processes, and internal own risk and solvency assessments.

VALIDATION PROCESS

Validation aims to ensure that the internal model permits a realistic and robust evaluation of all the material risks to which an insurance company is exposed. Validation is an iterative process in which model restrictions are identified and improvements are systematically implemented.

VALUE AT RISK (VAR)

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

VOLATILITY

In general, a term used to describe the amount by which a parameter can fluctuate. The meaning depends on the context. Among other things, volatility is used as a synonym for the fluctuation measured using standard deviation, or to designate a parameter in stochastic processes for underlying risk factors that is used to manage the fluctuation.

VOLATILITY ADJUSTMENT

Section 82 of the German Insurance Supervision Act (VAG) defines this as a method of adjusting the interest rate (> discounting) in order to determine the > best estimate. It requires the approval of the supervisory authorities.

Volatility adjustments serve to countercyclically dampen the effects of short-term credit market volatility on the solvency of insurers with long-term liabilities.

ANNEX — QUANTITATIVE REPORTING TEMPLATES (QRTS)

OVERVIEW OF TEMPLATES

The following templates form part of the Solvency and Financial Condition Report:

Template S.02.01.02 – Balance sheet

Template S.05.01.02 – Premiums, claims and expenses by line of business

Template S.05.02.01 – Premiums, claims and expenses by country

Template S.22.01.22 – Impact of long-term guarantees and transitional measures

Template S.23.01.22 – Own funds

Template S.25.02.22 – Solvency Capital Requirement – for groups using the standard formula and partial internal model

Template S.32.01.22 – Undertakings in the scope of the Group

The following table provides a summary of the contents of, and key points contained in, the templates:

Template	Contents/key points
Template S.02.01.02 Balance sheet	<ul style="list-style-type: none"> ■ Comparison of assets and liabilities under the Solvency II valuation rules ■ Used to report the excess of assets over liabilities ■ Additional information on the assets and liabilities can be found in section D of this report
Template S.05.01.02 Premiums, claims and expenses by line of business	<ul style="list-style-type: none"> ■ Used to report premiums written, premiums earned, claims incurred, changes in other technical provisions, expenses incurred, other expenses and total expenses (broken down into gross and net items in each case) for the Solvency II lines of business ■ Additional information on the premiums can be found in section A
Template S.05.02.01 Premiums, claims and expenses by country	<ul style="list-style-type: none"> ■ Shows premiums, claims and expenses in each case differentiated by life insurance and non-life insurance business, itemised by the top five home countries. ■ Additional information on the premiums can be found in section A
Template S.22.01.22 Impact of long-term guarantees and transitional measures	<ul style="list-style-type: none"> ■ Used to report the impact of transitional measures in the case of long-term guarantees on technical provisions, and of setting the volatility adjustment to zero – for the technical provisions, the basic own funds, the eligible own funds to meet Solvency Capital Requirements and the Solvency Capital Requirement in each case ■ Additional information on the effect of the in the case of long-term guarantees can be found in section E
Template S.23.01.22 Own funds	<ul style="list-style-type: none"> ■ Used to report the tiering structure for the own funds ■ Additional information on own funds can be found in section E
Template S.25.02.22 Solvency Capital Requirement – for groups using the standard formula and partial internal model	<ul style="list-style-type: none"> ■ Structured by the components modelled and used primarily to report the Solvency Capital Requirement and the amounts modelled, as well as further information on how the Solvency Capital Requirement is calculated ■ Additional information on the partial internal model can be found in section E
Template S.32.01.22 Undertakings in the scope of the Group	<ul style="list-style-type: none"> ■ Used to report the undertakings in the scope of the Group along with specific details (name, legal form, criteria of influence, inclusion in the scope of Group supervision, Group solvency calculation) ■ Additional information on the Group structure can be found in section A

REPORTING TEMPLATE S.O2.01.02 BALANCE SHEET

DT1 BALANCE SHEET

EUR THOUSAND

		Solvency II value 2018
Assets		C0010
Intangible assets	R0030	37,232
Deferred tax assets	R0040	1,340,424
Pension benefit surplus	R0050	—
Property, plant & equipment held for own use	R0060	659,766
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	113,962,690
Property (other than for own use)	R0080	3,335,438
Holdings in related undertakings, including participations	R0090	673,631
Equities	R0100	338,134
Equities – listed	R0110	156,395
Equities – unlisted	R0120	181,739
Bonds	R0130	93,009,916
Government bonds	R0140	38,143,579
Corporate bonds	R0150	52,791,213
Structured notes	R0160	663,180
Collateralised securities	R0170	1,411,944
Collective investment undertakings	R0180	14,289,345
Derivatives	R0190	98,182
Deposits other than cash equivalents	R0200	1,540,556
Other investments	R0210	677,488
Assets held for index-linked and unit-linked contracts	R0220	10,740,642
Loans and mortgages	R0230	525,955
Loans on policies	R0240	129,076
Loans and mortgages to individuals	R0250	364,600
Other loans and mortgages	R0260	32,278
Reinsurance recoverables from:	R0270	6,476,844
Non-life and health similar to non-life	R0280	5,386,092
Non-life excluding health	R0290	5,340,273
Health similar to non-life	R0300	45,819
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	703,169
Health similar to life	R0320	376,496
Life excluding health and index-linked and unit-linked	R0330	326,674
Life index-linked and unit-linked	R0340	387,583
Deposits to cedants	R0350	3,207,702
Insurance and intermediaries receivables	R0360	6,173,003
Reinsurance receivables	R0370	569,527
Receivables (trade, not insurance)	R0380	1,307,652
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	2,976,127
Any other assets, not elsewhere shown	R0420	1,739,455
Total assets	R0500	149,717,019

DT1 BALANCE SHEET

EUR THOUSAND

		Solvency II value 2018
Liabilities		C0010
Technical provisions – non-life	R0510	39,863,881
Technical provisions – non-life (excluding health)	R0520	37,718,077
Technical provisions calculated as a whole	R0530	—
Best estimate	R0540	36,444,392
Risk margin	R0550	1,273,686
Technical provisions – health (similar to non-life)	R0560	2,145,803
Technical provisions calculated as a whole	R0570	—
Best estimate	R0580	2,078,829
Risk margin	R0590	66,975
Technical provisions – life (excluding index-linked and unit-linked)	R0600	49,458,427
Technical provisions – health (similar to life)	R0610	4,195,194
Technical provisions calculated as a whole	R0620	—
Best estimate	R0630	3,132,240
Risk margin	R0640	1,062,954
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	45,263,233
Technical provisions calculated as a whole	R0660	—
Best estimate	R0670	43,482,701
Risk margin	R0680	1,780,532
Technical provisions – index-linked and unit-linked	R0690	15,419,310
Technical provisions calculated as a whole	R0700	530,217
Best estimate	R0710	14,430,678
Risk margin	R0720	458,415
Contingent liabilities	R0740	35,957
Provisions other than technical provisions	R0750	833,205
Pension benefit obligations	R0760	2,111,403
Deposits from reinsurers	R0770	1,126,398
Deferred tax liabilities	R0780	6,226,810
Derivatives	R0790	70,513
Debts owed to credit institutions	R0800	490,514
Financial liabilities other than debts owed to credit institutions	R0810	1,997,981
Insurance & intermediaries payables	R0820	1,786,483
Reinsurance payables	R0830	1,126,571
Payables (trade, not insurance)	R0840	1,244,610
Subordinated liabilities	R0850	2,918,475
Subordinated liabilities not in basic own funds	R0860	—
Subordinated liabilities in basic own funds	R0870	2,918,475
Any other liabilities, not elsewhere shown	R0880	542,062
Total liabilities	R0900	125,252,599
Excess of assets over liabilities	R1000	24,464,420

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	17,053	353,241	27,452
Gross – proportional reinsurance accepted	R0120	25,676	216,120	70,495
Gross – non-proportional reinsurance accepted	R0130	 	 	
Reinsurers' share	R0140	1,020	17,157	43
Net	R0200	41,709	552,203	97,904
Premiums earned				
Gross – direct business	R0210	22,842	352,912	44,329
Gross – proportional reinsurance accepted	R0220	12,648	211,208	94,743
Gross – non-proportional reinsurance accepted	R0230	 	 	
Reinsurers' share	R0240	920	15,555	297
Net	R0300	34,569	548,565	138,775
Claims incurred				
Gross – direct business	R0310	7,188	151,602	14,241
Gross – proportional reinsurance accepted	R0320	–	–	–
Gross – non-proportional reinsurance accepted	R0330	 	 	
Reinsurers' share	R0340	526	6,587	–6,410
Net	R0400	6,661	145,015	20,651
Changes in other technical provisions				
Gross – direct business	R0410	–	574	–
Gross – proportional reinsurance accepted	R0420	–	–	–
Gross – non-proportional reinsurance accepted	R0430	 	 	
Reinsurers' share	R0440	–	–	–
Net	R0500	–	574	–
Expenses incurred	R0550	33,872	382,437	87,185
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	
2,122,653	1,994,462	661,467	2,791,391	1,959,280	95,837	
1,586,348	1,175,970	245,651	3,068,200	657,440	631,375	
70,093	44,988	234,312	1,798,426	239,579	27,494	
3,638,908	3,125,444	672,806	4,061,165	2,377,142	699,719	
2,099,089	1,866,360	654,335	2,710,974	1,895,095	68,614	
1,637,808	1,092,993	247,467	3,075,404	618,606	632,737	
60,853	47,709	229,086	1,777,390	273,090	16,105	
3,676,044	2,911,644	672,716	4,008,989	2,240,611	685,247	
1,549,088	1,170,310	402,178	2,031,317	1,169,541	53,873	
—	—	—	—	—	—	
58,481	25,697	115,476	1,537,625	183,653	24,699	
1,490,607	1,144,613	286,701	493,692	985,889	29,174	
—	—	—	-1,765	—	—	
—	—	—	—	—	—	
—	—	—	—	—	—	
—	—	—	-1,765	—	—	
1,713,688	2,070,942	426,602	3,468,306	1,528,665	570,692	
—	—	—	—	—	—	
—	—	—	—	—	—	

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	79,396	38,904	185,061
Gross – proportional reinsurance accepted	R0120	9,965	2,159	112,725
Gross – non-proportional reinsurance accepted	R0130	 	 	
Reinsurers' share	R0140	3,978	5,708	13,528
Net	R0200	85,383	35,354	284,258
Premiums earned				
Gross – direct business	R0210	80,942	36,341	209,279
Gross – proportional reinsurance accepted	R0220	10,013	1,341	97,716
Gross – non-proportional reinsurance accepted	R0230	 	 	
Reinsurers' share	R0240	3,756	7,281	14,026
Net	R0300	87,199	30,401	292,969
Claims incurred				
Gross – direct business	R0310	41,591	14,121	64,276
Gross – proportional reinsurance accepted	R0320	–	–	–
Gross – non-proportional reinsurance accepted	R0330	 	 	
Reinsurers' share	R0340	4,254	1,705	14,287
Net	R0400	37,337	12,416	49,989
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	51,047	13,005	227,159
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	
					10,326,195
					7,802,126
171,287	974,864	301,660	2,053,885		3,501,696
5,928	133,762	82,964	433,120		3,112,100
165,359	841,102	218,696	1,620,765		18,517,918
					10,041,111
					7,732,686
172,848	966,156	297,832	2,048,399		3,485,234
5,652	129,358	83,988	421,815		3,086,880
167,196	836,798	213,844	1,626,584		18,172,151
					6,669,326
					—
—	—	—	—		—
2,124	28,568	32,602	472,807		2,502,682
-2,124	-28,568	-32,602	-472,807		4,166,644
					-1,191
					—
—	—	—	—		—
—	—	—	—		—
—	—	—	—		-1,191
37,792	212,984	37,435	281,414		11,143,225
					28,252
					11,171,477

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	65,887	4,378,115	14,853	735,100
Reinsurers' share	R1420	1,306	106,201	1,871	15,260
Net	R1500	64,581	4,271,914	12,982	719,839
Premiums earned					
Gross	R1510	66,344	4,360,453	14,847	685,121
Reinsurers' share	R1520	-17,138	106,198	1,873	32,668
Net	R1600	83,482	4,254,255	12,974	652,453
Claims incurred					
Gross	R1610	41,264	3,544,286	100,769	285,995
Reinsurers' share	R1620	2,472	62,408	643	5,377
Net	R1700	38,792	3,481,878	100,126	280,618
Changes in other technical provisions					
Gross	R1710	72	1,652,452	-103,460	-6,706
Reinsurers' share	R1720	—	-21,906	38	3
Net	R1800	72	1,674,358	-103,498	-6,709
Expenses incurred	R1900	26,729	1,118,137	6,253	488,309
Other expenses	R2500				
Total expenses	R2600				

1
SUMMARY

2
DESCRIPTION OF THE SOLVENCY
AND FINANCIAL CONDITION

- A. BUSINESS AND PERFORMANCE
- B. SYSTEM OF GOVERNANCE
- C. RISK PROFILE
- D. VALUATION FOR SOLVENCY PURPOSES
- E. CAPITAL MANAGEMENT

3
FURTHER INFORMATION

- LINES OF BUSINESS CATEGORIES
- GLOSSARY

4
ANNEX

QUANTITATIVE REPORTING TEMPLATES (QRTS)

Line of business for: life insurance obligations		Life reinsurance obligations			Total
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		
C0250	C0260	C0270	C0280	C0300	
—	—	1,770,013	5,286,375	12,250,344	
—	—	84,695	527,218	736,552	
—	—	1,685,318	4,759,157	11,513,792	
—	—	1,740,324	5,275,308	12,142,397	
—	—	84,632	531,461	739,695	
—	—	1,655,692	4,743,846	11,402,703	
—	—	1,198,739	4,805,004	9,976,057	
—	—	76,184	617,106	764,190	
—	—	1,122,555	4,187,898	9,211,867	
—	—	44,076	-72,394	1,514,040	
—	—	11,927	-98,794	-108,733	
—	—	32,149	26,400	1,622,773	
—	—	674,309	1,660,637	3,974,374	
				71,132	
				4,045,506	

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
	R0010		PL	US	BR	IT	GB	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross – direct business	R0110	3,180,167	1,292,104	910,562	907,029	505,337	467,512	7,262,710
Gross – proportional reinsurance accepted	R0120	1,598,700	649,553	457,748	455,972	254,038	235,023	3,651,033
Gross – non-proportional reinsurance accepted	R0130	717,517	291,528	205,443	204,646	114,015	105,481	1,638,631
Reinsurers' share	R0140	467,330	19,484	138,157	78,929	33,039	238,370	975,308
Net	R0200	5,029,054	2,213,701	1,435,596	1,488,719	840,351	569,646	11,577,066
Premiums earned								
Gross – direct business	R0210	3,150,835	1,329,070	875,624	865,449	500,998	458,225	7,180,201
Gross – proportional reinsurance accepted	R0220	1,606,317	677,569	446,399	441,212	255,412	233,606	3,660,515
Gross – non-proportional reinsurance accepted	R0230	723,991	305,390	201,199	198,861	115,118	105,290	1,649,848
Reinsurers' share	R0240	506,199	21,025	116,861	75,575	34,512	233,917	988,089
Net	R0300	4,974,943	2,291,005	1,406,361	1,429,946	837,016	563,204	11,502,475
Claims incurred								
Gross – direct business	R0310	2,230,869	717,138	714,541	529,609	318,318	189,114	4,699,590
Gross – proportional reinsurance accepted	R0320	1,045,352	336,040	334,823	248,167	149,159	88,616	2,202,158
Gross – non-proportional reinsurance accepted	R0330	553,088	177,796	177,152	131,303	78,919	46,886	1,165,144
Reinsurers' share	R0340	-2,185,689	26,516	396,526	39,296	16,520	465,530	-1,241,301
Net	R0400	6,014,998	1,204,458	829,991	869,783	529,876	-140,913	9,308,193
Changes in other technical provisions								
Gross – direct business	R0410	1,150,642	–	–	–	–	–	1,150,642
Gross – proportional reinsurance accepted	R0420	–	–	–	–	–	–	–
Gross – non-proportional reinsurance accepted	R0430	–	–	–	–	–	–	–
Reinsurers' share	R0440	–	–	–	–	–	–	–
Net	R0500	1,150,642	–	–	–	–	–	1,150,642
Expenses incurred	R0550	1,398,511	110,245	358,122	66,914	43,698	74,284	2,051,774
Other expenses	R1200							2,370
Total expenses	R1300							2,054,144

DT6 PREMIUMS, CLAIMS AND EXPENSES BY COUNTRY

EUR THOUSAND

		Top five countries (by amount of gross premiums written) – life obligations						Total – top five and home country
		Home country	C0150	C0160	C0170	C0180	C0190	C0200
	R1400	C0150	US	GB	IT	AU	CN	C0210
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	3,627,740	1,795,857	1,482,787	1,115,608	691,977	673,836	9,387,804
Reinsurers' share	R1420	119,601	56,976	-41	954	28,380	59,635	265,505
Net	R1500	3,508,139	1,738,881	1,482,828	1,114,654	663,597	614,201	9,122,300
Premiums earned								
Gross	R1510	3,577,089	1,795,501	1,482,715	1,115,583	682,191	636,068	9,289,146
Reinsurers' share	R1520	121,749	56,976	-41	954	28,381	59,635	267,655
Net	R1600	3,455,340	1,738,525	1,482,756	1,114,629	653,809	576,434	9,021,492
Claims incurred								
Gross	R1610	2,980,987	1,885,271	1,587,790	632,764	434,099	398,285	7,919,195
Reinsurers' share	R1620	72,894	82,514	-5,965	404	24,732	156,846	331,425
Net	R1700	2,908,093	1,802,757	1,593,755	632,360	409,367	241,439	7,587,771
Changes in other technical provisions								
Gross	R1710	164,831	81,597	67,372	50,689	31,441	30,617	426,546
Reinsurers' share	R1720	11,265	5,576	4,604	3,464	2,149	2,092	29,150
Net	R1800	153,566	76,021	62,768	47,225	29,292	28,524	397,396
Expenses incurred	R1900	984,387	407,829	244,846	186,858	237,913	207,293	2,269,126
Other expenses	R2500							24,333
Total expenses	R2600							2,293,459

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	104,741,617	5,667,846	—	1,032,325	—
Basic own funds	R0020	26,889,025 ¹⁾	-3,876,978	—	-837,673	—
Eligible own funds to meet SCR	R0050	20,970,337	-3,563,194	—	-292,545	—
SCR	R0090	8,324,178	20,717	—	1,189,157	—

¹⁾ Basic own funds before deducting non-available own funds items and other (see more detailed description in section E. capital management); value after deducting non-available own funds items and other: EUR 20,841,841 thousand.

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	1,656,540	1,656,540			
Non-available surplus funds at Group level	R0080	451,755	451,755			
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	21,831,911	21,831,911			
Subordinated liabilities	R0140	2,918,475		487,171	2,431,304	—
Non-available subordinated liabilities at Group level	R0150	—		—	—	—
An amount equal to the value of net deferred tax assets	R0160	356,100				356,100
The amount equal to the value of net deferred tax assets not available at the Group level	R0170	51,396				51,396
Other items approved by supervisory authority as basic own funds not specified above	R0180	126,000	126,000	—	—	—
Non-available own funds related to other own funds items approved by supervisory authority	R0190	—	—	—	—	—

DT8 OWN FUNDS

EUR THOUSAND

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
Minority interests (if not reported as part of a specific own fund item)	R0200	–	–	–	–	–
Non-available minority interests at Group level	R0210	5,525,856	4,909,565	104,377	520,910	–8,997
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	R0230	18,177	18,177	–	–	–
whereof deducted according to Article 228 of the Directive 2009/138/EC	R0240	18,177	18,177	–	–	
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	6,029,007	5,361,320	104,377	520,910	42,399
Total deductions	R0280	6,047,184	5,379,497	104,377	520,910	42,399
Total basic own funds after deductions	R0290	20,841,841	18,234,953	382,794	1,910,394	313,700

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	–			–	–
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	–			–	–
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	–			–	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	–			–	–
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						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	R0410	7,919	7,919	–	–	
Institutions for occupational retirement provision	R0420	120,577	120,577	–	–	–
Non-regulated entities carrying out financial activities	R0430	–	–	–	–	
Total own funds of other financial sectors	R0440	128,496	128,496	–	–	–
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	20,841,841	18,234,953	382,794	1,910,394	313,700
Total available own funds to meet the minimum consolidated Group SCR	R0530	20,528,141	18,234,953	382,794	1,910,394	
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	20,841,841	18,234,953	382,794	1,910,394	313,700
Total eligible own funds to meet the minimum consolidated Group SCR	R0570	19,805,053	18,234,953	382,794	1,187,306	
Minimum consolidated Group SCR (Article 230)	R0610	5,936,531				

DT8 OWN FUNDS

EUR THOUSAND

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
Ratio of eligible own funds to minimum consolidated Group SCR	R0650	334 %				
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	20,970,337	18,363,450	382,794	1,910,394	313,700
Group SCR	R0680	8,324,178				
Ratio of eligible own funds to Group SCR including other financial sectors and undertakings included via D and A	R0690	252 %				

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	24,464,420				
Own shares (held directly and indirectly)	R0710	–				
Foreseeable dividends, distributions and charges	R0720	493,869				
Other basic own fund items	R0730	2,138,640				
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	21,831,911				
Expected profits						
Expected profits included in future premiums (EPIFP) – life business	R0770	4,090,556				
Expected profits included in future premiums (EPIFP) – non-life business	R0780	135,508				
Total expected profits included in future premiums (EPIFP)	R0790	4,226,064				

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 AND PARTIAL INTERNAL MODEL

DT9

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	C0090	C0120
10	Market risk non-life and reinsurance	5,607,000	4 – No embedded consideration of future management actions	5,607,000	None	None
11	Market risk primary life insurance	1,610,938	3 – Future management actions regarding the loss-absorbing capacity of technical provisions and deferred taxes embedded within the component	1,610,938	None	None
12	Pension risk	288,563	4 – No embedded consideration of future management actions	288,563	None	None
13	Credit risk (counterparty default risk)	362,951	4 – No embedded consideration of future management actions	362,951	None	None
14	Premium and reserve risk (excl. NatCat)	3,796,747	4 – No embedded consideration of future management actions	3,796,747	None	None
15	Natural catastrophe risks	3,113,406	4 – No embedded consideration of future management actions	3,113,406	None	None
16	Underwriting risk life	2,346,924	3 – Future management actions regarding the loss-absorbing capacity of technical provisions and deferred taxes embedded within the component	2,346,924	None	None
17	Operational risk	1,243,554	4 – No embedded consideration of future management actions	564,969	None	None
18	Loss absorbing capacity of deferred taxes non-life and reinsurance	-1,801,835	4 – No embedded consideration of future management actions	-1,801,835	None	None

**SOLVENCY CAPITAL REQUIREMENT – FOR GROUPS USING THE STANDARD FORMULA
AND PARTIAL INTERNAL MODEL**

EUR THOUSAND		
Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	16,568,247
Diversification	R0060	-8,342,878
Capital requirement for business operated in accordance with Article 4 of Directive 2003/41/EC	R0160	—
Solvency Capital Requirement excluding capital add-on	R0200	8,225,370
Capital add-ons already set	R0210	—
Solvency Capital Requirement for undertakings under consolidated method	R0220	8,324,178
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	-2,075,319
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	-1,800,563
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	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	5,936,531
Information on other entities		
Capital requirement for other financial sectors (non-insurance capital requirements)	R0500	98,808
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	3,346
Capital requirement for other financial sectors (non-insurance capital requirements) – institutions for occupational retirement provisions	R0520	95,462
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	8,324,178

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	391200GKWYPKCL18FE11	1 – LEI ¹⁾	Hannover Digital Investments GmbH	99 – Other	GmbH
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⁾	HDI Deutschland AG (previously Talanx Deutschland AG)	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Aktiengesellschaft
DE	529900BLZDMN7IUOMI02	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⁾	HDI Deutschland Bancassurance GmbH (previously 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	213800W7CRKT4JZL3D38	1 – LEI ¹⁾	HDI Seguros S. A. (Brazil)	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
MX	549300S6KS1HBY1JU965	1 – LEI ¹⁾	HDI Seguros S. A. de C. V.	2 – Non-life insurance undertaking	Sociedad Anonima de Capital Variable

A. BUSINESS AND PERFORMANCE
B. SYSTEM OF GOVERNANCE
C. RISK PROFILE
D. VALUATION FOR SOLVENCY PURPOSES
E. CAPITAL MANAGEMENT

LINES OF BUSINESS CATEGORIES
GLOSSARY

QUANTITATIVE REPORTING TEMPLATES (QRTS)

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 consolidat- ed 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	
1 – mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	0.00	100	0.00			100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	100	100	100		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope	19.11.2015	1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	53.35	100	53.35		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope	19.11.2015	1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	53.35	100	53.35		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	Finanz- marktaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	De Nederland- sche Bank	79.04	100	79.04		1 – dominant	100%	1 – included in the scope	19.11.2015	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	19.11.2015	1 – method 1: full consolidation	
2 – non-mutual	Superintendê- ncia 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 Nemzeti Bank	52.89	100	52.89		1 – dominant	100%	1 – included in the scope	19.11.2015	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	Comisión naci- onal de seguros y fianzas	78.85	100	78.85		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
RU	2534005VAK045JPV7532	1 – LEI ⁽¹⁾	ООО Страховая Компанија „HDI Strakhovanie“	2 – Non-life insurance undertaking	spółka akcyjna
AR	213800IB4RI5AGT5JB79	1 – LEI ⁽¹⁾	HDI Seguros S. A. (Argentina)	2 – Non-life insurance undertaking	Sociedad Anonima
UY	213800SH827576HZOP61	1 – LEI ⁽¹⁾	HDI Seguros S. A. (Uruguay)	2 – Non-life insurance undertaking	Sociedad Anonima
PL	259400KLP0JONUXV45	1 – LEI ⁽¹⁾	Towarzystwo Ubezpieczeń Europa Spółka Akcyjna	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. (Chile)	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	959800QF17N7AEX1QF58	1 – LEI ⁽¹⁾	HDI Seguros S. A. (Peru)	2 – Non-life insurance undertaking	Sociedad Anonima
CO	894500HNG6T7IXAPVZ08	1 – LEI ⁽¹⁾	HDI Seguros de Vida S. A. (Colombia)	2 – Non-life insurance undertaking	Sociedad Anonima
BR	529900F2F9VZ5FRROH89BR2233	2 – Specific code	Santander Auto S. A.	2 – Non-life insurance undertaking	S. A. (Capital fechado)
DE	5299009DQXHSBZFOUL73	1 – LEI ⁽¹⁾	TARGO Lebensversicherung AG	1 – Life insurance undertaking	Aktien- gesellschaft
DE	52990085HQ0766XDCO24	1 – LEI ⁽¹⁾	PB Lebensversicherung AG	1 – Life insurance undertaking	Aktien- gesellschaft
DE	529900H89I7DQIS4QQ69	1 – LEI ⁽¹⁾	neue leben Lebensversicherung AG	1 – Life insurance undertaking	Aktien- gesellschaft
DE	5299005TDZVKIVNYJV73	1 – LEI ⁽¹⁾	Lifestyle Protection Lebensversicherung AG	1 – Life insurance undertaking	Aktien- gesellschaft
HU	529900GRRUWC2QQEXR75	1 – LEI ⁽¹⁾	Magyar Posta Életbiztosító Zrt.	1 – Life insurance undertaking	biztosító részvénytársaság
RU	2534002GQT91D5YJXM53	1 – LEI ⁽¹⁾	ООО Страховая Компанија CIV Life	1 – Life insurance undertaking	Obschtschestwo s ogranišchennoi otvetstven- nostju
PL	2594004GSZRMBSGF7886	1 – LEI ⁽¹⁾	Towarzystwo Ubezpieczeń na Życie Europa Spółka Akcyjna	1 – Life insurance undertaking	spółka akcyjna
CL	959800XP84294590CV10	1 – LEI ⁽¹⁾	HDI Seguros de Vida S. A. (Chile)	1 – Life insurance undertaking	Sociedad Anonima
IE	635400NEKI3GVELG6678	1 – LEI ⁽¹⁾	INCHIARO LIFE Designated Activity Company	1 – Life insurance undertaking	Designated Activity Company
CO	529900F2F9VZ5FRROH89CO2416	2 – Specific code	HDI Seguros de Vida S. A. (Colombia)	1 – Life insurance undertaking	Sociedad Anonima

A. BUSINESS AND PERFORMANCE
B. SYSTEM OF GOVERNANCE
C. RISK PROFILE
D. VALUATION FOR SOLVENCY PURPOSES
E. CAPITAL MANAGEMENT

LINES OF BUSINESS CATEGORIES
GLOSSARY

QUANTITATIVE REPORTING TEMPLATES (QRTS)

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 consolidat- ed 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	79.04	100	79.04		1 – dominant	100%		1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	Superintendencia de Seguros de la Nación	79.04	100	79.04		1 – dominant	100%		1 – included in the scope	19.11.2015	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
2 – non-mutual	Komisja Nadzoru Finansowego	39.52	100	39.52		2 – significant	100%		1 – included in the scope	19.11.2015	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	Superintendencia de Seguros Privados	79.04	100	79.04		1 – dominant	100%		1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	Superintendencia de Valores y Seguros	78.96	100	78.96		1 – dominant	100%		1 – included in the scope	19.11.2015	1 – method 1: full consolidation
2 – non-mutual	Superintendencia de Valores y Seguros	78.92	100	78.92		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	Superintendencia Financiera de Colombia	72.19	100	72.19		1 – dominant	100%		1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	Superintendencia de Seguros Privados	39.52	100	39.52		2 – significant	100%		1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%		1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%		1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	53.35	100	53.35		1 – dominant	100%		1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	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	19.11.2015	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	19.11.2015	1 – method 1: full consolidation
2 – non-mutual	Superintendencia 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	Central Bank of Ireland	79.04	100	79.04		1 – dominant	100%		1 – included in the scope	19.11.2015	1 – method 1: full consolidation
2 – non-mutual	Superintendencia Financiera de Colombia	73.55	100	73.55		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	529900ZCYVG2XCGFW984	1 – LEI ⁽¹⁾	Ampega Asset Management GmbH (previously 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	529900HLKNZ5YWV20989	1 – LEI ⁽¹⁾	HDI Global SE	2 – Non-life insurance undertaking	Societas Europaea
DE	529900OLE1C0NLMHN28	1 – LEI ⁽¹⁾	Ampega Real Estate GmbH (previously Talanx Immobilien Management GmbH)	99 – Other	GmbH
DE	5299004TVO69XVTS4H53	1 – LEI ⁽¹⁾	HNG Hannover National Grundstücksverwaltung GmbH & Co. KG	99 – Other	GmbH & Co. KG
DE	529900ZEIO14JVC8JU96	1 – LEI ⁽¹⁾	HDI Pensionsmanagement AG (previously Talanx Pensionsmanagement AG)	99 – Other	Aktiengesellschaft
DE	529900SICUWBWCURTH85	1 – LEI ⁽¹⁾	HDI International AG (previously 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⁾	HDI Deutschland Bancassurance Communication Center GmbH (previously Talanx Deutschland Bancassurance Communication Center GmbH)	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH
IT	815600EFOAF57568B157	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)
LU	529900FJQS80DGBOT142	1 – LEI ⁽¹⁾	Talanx Finanz (Luxemburg) S. A.	99 – Other	Societe Anonyme
DE	529900UF10J0RXCW6458	1 – LEI ⁽¹⁾	HDI Service AG (previously 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	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

1

SUMMARY

2

DESCRIPTION OF THE SOLVENCY AND FINANCIAL CONDITION

- A. BUSINESS AND PERFORMANCE
- B. SYSTEM OF GOVERNANCE
- C. RISK PROFILE
- D. VALUATION FOR SOLVENCY PURPOSES
- E. CAPITAL MANAGEMENT

3

FURTHER INFORMATION

- LINES OF BUSINESS CATEGORIES
- GLOSSARY

4

ANNEX

QUANTITATIVE REPORTING TEMPLATES (QRTS)

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	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	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	19.11.2015	1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope	19.11.2015	1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	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	19.11.2015	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	529900XO0H7UOWYXBQ47	1 – LEI ⁽¹⁾	HDI Kundenservice AG	99 – Other	Aktiengesellschaft
DE	5299009YFIHT1GJFAZ72	1 – LEI ⁽¹⁾	Riethorst Grundstücksgesellschaft AG & Co. KG	99 – Other	AG & Co. KG
DE	529900SWM4GTF2GY7X13	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⁾	HDI Deutschland Bancassurance Kundenservice GmbH (previously Talanx Deutschland Bancassurance Kundenservice GmbH)	99 – Other	GmbH
IE	635400LY9W2REPRNRV92	1 – LEI ⁽¹⁾	HDI Reinsurance (Ireland) SE (previously Talanx Reinsurance (Ireland) SE)	3 – Reinsurance undertaking	Societas Europaea
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	5493009VBR5V8IY9339	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	99 – Other	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

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 consolidat- ed 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	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	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	19.11.2015	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 – Bundesanstalt für Finanzdienst- leistungsaufsicht	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 – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope	19.11.2015	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	Comisión Nacional del Mercado de Valores	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	Superintendên- 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	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope	19.11.2015	1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	62.65	100	62.65		1 – dominant	100%	1 – included in the scope	19.11.2015	1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	73.64	100	73.64		1 – dominant	100%	1 – included in the scope	19.11.2015	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	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
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

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 consolidat- ed 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	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	62.65	100	62.65		1 – dominant	100%	1 – included in the scope	19.11.2015	1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope	19.11.2015	1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	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 – Bundesanstalt für Finanzdienst- leistungsaufsicht	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 – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	73.64	100	73.64		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope	19.11.2015	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	

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	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
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 Rechain GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	529900F2F9VZ5FRROH89DE02930	2 – Specific code	HIV 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	894500ZPO7CSFU52P13	1 – LEI ¹⁾	Leben Köln offene Investment GmbH & Co KG 1	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
FR	529900F2F9VZ5FRROH89FR2932	2 – Specific code	Windpark-projektgesellschaft Le Louveng S.A.S	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	S.A.S. – Société par actions simplifiée
DE	894500ZPTQWK2U70Q966	1 – LEI ¹⁾	Leben Köln offene Investment GmbH & Co KG 3	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	894500ZPZAGBPTIWDT04	1 – LEI ¹⁾	Leben Köln offene Investment GmbH & Co KG 5	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	894500B9EDXO1LT7QP25	1 – LEI ¹⁾	HPK Köln offene Investment GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG

1

SUMMARY

2

DESCRIPTION OF THE SOLVENCY AND FINANCIAL CONDITION

- A. BUSINESS AND PERFORMANCE
- B. SYSTEM OF GOVERNANCE
- C. RISK PROFILE
- D. VALUATION FOR SOLVENCY PURPOSES
- E. CAPITAL MANAGEMENT

3

FURTHER INFORMATION

- LINES OF BUSINESS CATEGORIES
- GLOSSARY

4

ANNEX

QUANTITATIVE REPORTING TEMPLATES (QRTS)

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		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		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 – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope	19.11.2015	1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	Autorité des Marchés Financiers	73.64	100	73.64		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	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	

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	894500B9PH17BKZ1T03	1 – LEI ⁽¹⁾	NL Leben offene Investment GmbH & Co. KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	894500BA0K4QLJ4QCX96	1 – LEI ⁽¹⁾	TARGO Leben offene Investment GmbH & Co KG	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	894500BA63OI8IGM0H45	1 – LEI ⁽¹⁾	PB Leben offene Investment GmbH & Co KG 2	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	894500BABN89VHSHO162	1 – LEI ⁽¹⁾	PB Leben offene Investment GmbH & Co KG 3	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH & Co. KG
DE	529900F2F9VZ5FRROH89DE2947	2 – Specific code	HDI Global Specialty Holding GmbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	GmbH
DE	529900KIN5BE45V5KB18	1 – LEI ⁽¹⁾	Hannover Rück SE	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	529900C8JE7MZN9V180	1 – LEI ⁽¹⁾	Hannover Re Euro RE Holdings GmbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	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	549300YLZ5D5OIZ59059	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	549300GPJQXSQRWH5C33	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	Group solvency calculation
		% capital share	% used for the establishment of consolidat- ed 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	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	53.35	100	53.35		1 – dominant	100%		1 – included in the scope	1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%		1 – included in the scope	1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%		1 – included in the scope	1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	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 – Bundesanstalt für Finanzdienst- leistungsaufsicht	39.69	100	39.69		2 – significant	100%		1 – included in the scope	1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	25.72	100	25.72		2 – significant	100%		1 – included in the scope	1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	39.69	100	39.69		2 – significant	100%		1 – included in the scope	1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	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⁾	HDI Global Specialty SE (previously International Insurance Company of Hannover SE)	2 – Non-life insurance undertaking	Societas Europaea
GB	52990035DFXQFQLMLZ09	1 – LEI ⁽¹⁾	Hannover Services (UK) Limited	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	529900D65EKMMMUX2G31	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 SPÓLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	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 SPÓLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	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⁾	Akvamarin 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	549300TX5N2HGMRKNP36	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

1
SUMMARY

2
DESCRIPTION OF THE SOLVENCY
AND FINANCIAL CONDITION

- A. BUSINESS AND PERFORMANCE
B. SYSTEM OF GOVERNANCE
C. RISK PROFILE
D. VALUATION FOR SOLVENCY PURPOSES
E. CAPITAL MANAGEMENT

3
FURTHER INFORMATION

- LINES OF BUSINESS CATEGORIES
GLOSSARY

4
ANNEX

QUANTITATIVE REPORTING TEMPLATES (QRTS)

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 consolidat- ed 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		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 – Bundesanstalt für Finanzdienst- leistungsaufsicht	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		39.69	100	39.69		2 – significant	100%	1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	Finans- inspektionen	21.04	100	21.04		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	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
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	8156001492CF3D198451	1 – LEI ⁽¹⁾	Argenta Holdings Limited	2 – Non-life insurance undertaking	Limited company
GB	529900F2F9VZ5FRROH89GB3143	2 – Specific code	Argenta Private Capital Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3144	2 – Specific code	APCL Corporate Director No.1 Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3145	2 – Specific code	APCL Corporate Director No.2 Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3146	2 – Specific code	Argenta Insurance Research Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3147	2 – Specific code	Fountain Continuity Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3148	2 – Specific code	Names Taxation Service Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3149	2 – Specific code	Argenta Secretariat Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3150	2 – Specific code	Argenta Continuity Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3151	2 – Specific code	Argenta General Partner Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3152	2 – Specific code	Argenta LLP Services Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3153	2 – Specific code	Argenta SLP Continuity Limited	99 – Other	Limited company
GB	549300NR7H6YCWHRV816	1 – LEI ⁽¹⁾	Argenta Syndicate Management Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3155	2 – Specific code	Argenta Tax & Corporate Services Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3156	2 – Specific code	Argenta Underwriting No.1 Limited	2 – Non-life insurance undertaking	Limited company
GB	529900F2F9VZ5FRROH89GB3157	2 – Specific code	Argenta Underwriting No.2 Limited	2 – Non-life insurance undertaking	Limited company
GB	529900F2F9VZ5FRROH89GB3158	2 – Specific code	Argenta Underwriting No.3 Limited	2 – Non-life insurance undertaking	Limited company

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 consolidat- ed 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		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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	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	The Prudential Regulation Authority	39.69	100	39.69		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
GB	529900F2F9VZ5FRROH89GB3159	2 – Specific code	Argenta Underwriting No.4 Limited	2 – Non-life insurance undertaking	Limited company
GB	529900F2F9VZ5FRROH89GB3160	2 – Specific code	Argenta Underwriting No.7 Limited	2 – Non-life insurance undertaking	Limited company
GB	529900F2F9VZ5FRROH89GB3161	2 – Specific code	Argenta Underwriting No.8 Limited	2 – Non-life insurance undertaking	Limited company
GB	529900F2F9VZ5FRROH89GB3162	2 – Specific code	Argenta Underwriting No.9 Limited	2 – Non-life insurance undertaking	Limited company
GB	529900F2F9VZ5FRROH89GB3163	2 – Specific code	Argenta Underwriting No.10 Limited	2 – Non-life insurance undertaking	Limited company
GB	529900F2F9VZ5FRROH89GB3164	2 – Specific code	Argenta Underwriting No.11 Limited	2 – Non-life insurance undertaking	Limited company
GB	529900F2F9VZ5FRROH89GB3165	2 – Specific code	Argenta No.13 Limited	2 – Non-life insurance undertaking	Limited company
GB	529900F2F9VZ5FRROH89GB3166	2 – Specific code	Argenta No.14 Limited	2 – Non-life insurance undertaking	Limited company
GB	529900F2F9VZ5FRROH89GB3167	2 – Specific code	Argenta No.15 Limited	2 – Non-life insurance undertaking	Limited company
GB	529900F2F9VZ5FRROH89GB3168	2 – Specific code	Residual Services Limited	99 – Other	Limited company
GB	529900F2F9VZ5FRROH89GB3169	2 – Specific code	Residual Services Corporate Director Limited	99 – Other	Limited company
CZ	549300CLZQV201B75M06	1 – LEI ⁽¹⁾	3541 PRG s.r.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	s.r.o.
SK	549300YIU6AWIM5ZR50	1 – LEI ⁽¹⁾	92601 BTS s.r.o.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	s.r.o.
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. ©	3 – Reinsurance undertaking	B.S.C.
SG	529900F2F9VZ5FRROH89AU3513	2 – Specific code	Argenta Underwriting Asia Pte. Ltd.	2 – Non-life insurance undertaking	Ltd.
BH	529900F2F9VZ5FRROH89BH3514	2 – Specific code	Argenta Underwriting Labuan Ltd	2 – Non-life insurance undertaking	Ltd.
KR	5493003MIZQGFCU0N546	1 – LEI ⁽¹⁾	Orion No.1 Professional Investors Private Real Estate Investment LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	LLC
JP	549300EQNXKNZK421465	1 – LEI ⁽¹⁾	Peace G.K.	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Goshi Kaisha

Category (mutual/ non-mutual)	Supervisory authority	% capital share	Criteria of influence					Proportional share used for Group solvency calculation	Inclusion in the scope of Group supervision	Group solvency calculation
			% used for the establishment of consolidat- ed 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	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	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	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	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	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	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	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	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	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	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	Ceská Národní Banka	34.80	100	34.80		2 – significant	100%		1 – included in the scope	1 – method 1: full consolidation
2 – non-mutual	Narodna Banka Slovenska	34.80	100	34.80		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	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	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	Financial Supervisory Service	37.46	100	37.46		2 – significant	100%		1 – included in the scope	1 – method 1: full consolidation
2 – non-mutual	Financial Services Agency	37.22	100	37.22		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
AU	529900F2F9VZ5FRROH89GB3517	2 – Specific code	M8 Property Trust	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Trust
AU	529900F2F9VZ5FRROH89GB3518	2 – Specific code	Markham Real Estate Partners (KSW) Pty Limited	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Pty. Ltd
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	549300KQ0VPBEYJ40C11	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	549300V5OUSRAN9QD25	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	529900F2F9VZ5FRROH89US04047	2 – Specific code	Glencar Underwriting Managers Inc.	99 – Other	Inc.
US	549300C8XYDCFPE1XR53	1 – LEI ⁽¹⁾	Nashville West LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company
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

1
SUMMARY

2
DESCRIPTION OF THE SOLVENCY
AND FINANCIAL CONDITION

- A. BUSINESS AND PERFORMANCE
- B. SYSTEM OF GOVERNANCE
- C. RISK PROFILE
- D. VALUATION FOR SOLVENCY PURPOSES
- E. CAPITAL MANAGEMENT

3
FURTHER INFORMATION

- LINES OF BUSINESS CATEGORIES
- GLOSSARY

4
ANNEX

QUANTITATIVE REPORTING TEMPLATES (QRTS)

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 consolidat- ed 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		37.60	100	37.60		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
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
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	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	529900QCKQOGEXL8E19	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	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
KY	54930050I34EY8NKKX23	1 – LEI ⁽¹⁾	HR US Infra Debt LP	99 – Other	LP
US	529900F2F9VZ5FRROH89US4066	2 – Specific code	HR US Infra Equity LP	99 – Other	LP
US	529900F2F9VZ5FRROH89US4067	2 – Specific code	320AUS LLC	99 – Other	limited liability company
US	549300UPDZDBP4KEF55	1 – LEI ⁽¹⁾	PAG Real Estate Asia Select Fund Limited	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Limited
US	529900F2F9VZ5FRROH89US4070	2 – Specific code	Glencar Insurance Company	2 – Non-life insurance undertaking	Inc.
US	529900F2F9VZ5FRROH89US4071	2 – Specific code	1600FLL LLC	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited liability company

1
SUMMARY

2
DESCRIPTION OF THE SOLVENCY
AND FINANCIAL CONDITION

- A. BUSINESS AND PERFORMANCE
- B. SYSTEM OF GOVERNANCE
- C. RISK PROFILE
- D. VALUATION FOR SOLVENCY PURPOSES
- E. CAPITAL MANAGEMENT

3
FURTHER INFORMATION

- LINES OF BUSINESS CATEGORIES
- GLOSSARY

4
ANNEX

QUANTITATIVE REPORTING TEMPLATES (QRTS)

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 consolidat- ed 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		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	Office of Insurance Commission	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	
2 – non-mutual	Cayman Islands Monetary Authority	37.59	100	37.59		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		37.77	100	37.77		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	
2 – non-mutual	Office of the Commissioner of Insurance	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	

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
BM	529900F2F9VZ5FRROH89BM4072	2 – Specific code	Kubera Insurance (SAC) Ltd	3 – Reinsurance undertaking	Ltd.
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	529900M1UMQOVTEB1575	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	3789007C6EE73FD3F038	1 – LEI ⁽¹⁾	Landmark Underwriting Agency Proprietary Limited	99 – Other	Limited company
ZA	378900617FFAFF2DD945	1 – LEI ⁽¹⁾	Commercial & Industrial Acceptances (Pty) Ltd.	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	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	378900884E9689259A35	1 – LEI ⁽¹⁾	MUA Insurance Acceptances Proprietary Limited	99 – Other	Public Limited Company
ZA	378900B5CDA8AD466115	1 – LEI ⁽¹⁾	Film & Entertainment Underwriters SA (Pty) Ltd.	99 – Other	Public Limited Company
ZA	3789000AAE17D6171959	1 – LEI ⁽¹⁾	Firedart Engineering Underwriting Managers (Pty) Ltd	99 – Other	Limited company
DE	529900255TMPANR40247	1 – LEI ⁽¹⁾	Hannover Beteiligungsgesellschaft mbH	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Beteiligungsgesellschaft mbH
DE	529900BX7MDBNZEVQ974	1 – LEI ⁽¹⁾	HDI Global Network AG	2 – Non-life insurance undertaking	Aktiengesellschaft
DE	529900AB3NL58LOHNU88	1 – LEI ⁽¹⁾	Alstertor Erste Beteiligungsgesellschaft 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 Beteiligungsgesellschaft und Investitionssteuerungs-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 consolidat- ed 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	Bermuda Monetary Authority	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	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	18.20	100	18.20		2 – significant	100%		1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	Financial Services Board	31.44	100	31.44		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	Financial Services Board	18.05	100	18.05		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	39.69	100	39.69		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	27.78	100	27.78		2 – significant	100%		1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	Financial Services Authority	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	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%		1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%		1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%		1 – included in the scope		1 – method 1: full consolidation
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%		1 – included in the scope	19.11.2015	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
MX	529900F2F9VZ5FRROH89MX05203	2 – Specific code	HDI Global S. A.	2 – Non-life insurance undertaking	Societe Anonyme
ZA	529900IWXVWVAGY8AY30	1 – LEI ⁽¹⁾	HDI Global SA Ltd.	2 – Non-life insurance undertaking	Limited company
US	5493002EWFK3CXECD75	1 – LEI ⁽¹⁾	HDI Global Insurance Company	2 – Non-life insurance undertaking	Inc.
US	529900F2F9VZ5FRROH89US5209	2 – Specific code	HDI Specialty Insurance Company	2 – Non-life insurance undertaking	Inc.
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 Deutschland Bancassurance Kundenmanagement GmbH & Co. KG (previously HDI-Gerling Friedrich Wilhelm GmbH & Co. KG)	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Aktiengesellschaft
DE	5299003DXWKZFV5FIB91	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⁾	HDI Systeme AG (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)

A. BUSINESS AND PERFORMANCE
B. SYSTEM OF GOVERNANCE
C. RISK PROFILE
D. VALUATION FOR SOLVENCY PURPOSES
E. CAPITAL MANAGEMENT

LINES OF BUSINESS CATEGORIES
GLOSSARY

QUANTITATIVE REPORTING TEMPLATES (QRTS)

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	Method used and under method 1, treatment of the undertaking
		% capital share	% used for the establishment of consolidat- ed accounts	% voting rights	Other criteria	Level of influence	Yes/no				
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
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	Illinois Department of Insurance	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	Illinois Department of Insurance	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope	19.11.2015	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 – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope	19.11.2015	1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		4 – Methode 1: Branchenvorschriften	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope	19.11.2015	1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	53.35	100	53.35		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	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 ⁽³⁾	Ampega-nl-Rent-Fonds	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900NQM5NP5HFZR839	1 – LEI ⁽³⁾	Gerling Immo Spezial 1	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900XOIBXTDP1WF084	1 – LEI ⁽³⁾	GKL SPEZIAL RENTEN	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900RGWUQHGDG7JCD08	1 – LEI ⁽³⁾	HGLV-Financial	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900O0WJQ4LZV7AR06	1 – LEI ⁽³⁾	PBVL-Corporate	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	5299001HS099UBOT0B76	1 – LEI ⁽³⁾	EURO-Rent 3 Master	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900WNVUQU1CUQW668	1 – LEI ⁽³⁾	HDI Gerling-Sach Industrials Master	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900NPXO5DVG6N147	1 – LEI ⁽³⁾	TAL-Corp	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	5299007CH3G8AO2PKL43	1 – LEI ⁽³⁾	Talanx Deutschland Real Estate Value	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900GWQQDRAWYZBR11	1 – LEI ⁽³⁾	NL Master	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	5299008DQNJ4RILKA985	1 – LEI ⁽³⁾	HDI Globale Equities	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900HDZ0EGKML7L83	1 – LEI ⁽³⁾	TAL Aktien	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900NZMGH5XAVMH447	1 – LEI ⁽³⁾	HV Aktien	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900JVTW5YPCLIRN67	1 – LEI ⁽³⁾	HDI Global SE Absolute Return	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900DAACNC5KI99M98	1 – LEI ⁽³⁾	HDI VaG Master	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
DE	529900NRKA99W796HS03	1 – LEI ⁽³⁾	HLV Municipal Fonds	99 – Other	Sondervermögen nach deutschem Recht (KAGB)

1

SUMMARY

2

DESCRIPTION OF THE SOLVENCY AND FINANCIAL CONDITION

- A. BUSINESS AND PERFORMANCE
- B. SYSTEM OF GOVERNANCE
- C. RISK PROFILE
- D. VALUATION FOR SOLVENCY PURPOSES
- E. CAPITAL MANAGEMENT

3

FURTHER INFORMATION

- LINES OF BUSINESS CATEGORIES
- GLOSSARY

4

ANNEX

- QUANTITATIVE REPORTING TEMPLATES (QRTS)

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 – Bundesanstalt für Finanzdienstleistungsaufsicht	53.35	100	53.35		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	67.73	100	67.73		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	53.35	100	53.35		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	100	100	100		1 – dominant	100%	1 – included in the scope		1 – method 1: full consolidation	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienstleistungsaufsicht	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	529900IADUQ3BXTEUA13	1 – LEI ¹⁾	nl LV Municipal Fonds	99 – Other	Sondervermögen nach deutschem Recht (KAGB)
IT	8945009T7LZEGKI6I955	1 – LEI ¹⁾	HDI Italy Municipal Fonds	99 – Other	Fonds
AT	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	529900F2F9VZ5FRROH89DE06103	2 – Specific code	Koln FI Multimercado Crédito Privado	99 – Other	Fonds
PL	259400EH7UQNR7GI1O14	1 – LEI ¹⁾	KBC ALFA Specjalistyczny Fundusz Inwestycyjny Otwarty	99 – Other	Fonds
DE	529900GXO87AB0U5EK12	1 – LEI 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	Date of decision if Art. 214 is applied	Method used and under method 1, treatment of the undertaking
		% capital share	% used for the establishment of consolidat- ed accounts	% voting rights	Other criteria	Level of influence	Yes/no				
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	
2 – non-mutual	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	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 – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	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	Superintendên- cia de Seguros Privados	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	BaFin – Bundesanstalt für Finanzdienst- leistungsaufsicht	79.04	100	79.04		1 – dominant	100%	1 – included in the scope		4 – method 1: sectoral rules	

CONTACT INFORMATION

HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit

HDI-Platz 1
30659 Hannover
Germany
Telephone +49 511 3747-0
Telefax +49 511 3747-2525
gc@talnx.com
www.talnx.com

Group Communications

Andreas Krosta
Telephone +49 511 3747-2020
Telefax +49 511 3747-2025
andreas.krosta@talnx.com

Investor Relations

Carsten Werle
Telephone +49 511 3747-2231
Telefax +49 511 3747-2286
carsten.werle@talnx.com

