Solvency and Financial Condition Report (SFCR)

2023

HDI Global Specialty SE

Summary

Key figures

Values in EUR thousands	2023	2022
Solvency overview		
Assets	4.690.982	4.201.271
Technical provisions	3.729.804	3.251.935
Other liabilities	508.236	548.602
Excess of assets over liabilities	452.942	400.734
Eligible own funds		
Tier 1 basic own funds (unrestricted)	452.942	400.737
Tier 1 basic own funds (restricted)	-	-
Tier 2 basic own funds	70.953	65.973
Eligible own funds (SCR)	523.895	466.706
Eligible own funds (MCR)	465.493	411.609
Capital requirements		
Solvency Capital Requirement	193.393	149.401
Minimum Capital Requirement	62.757	54.379
Coverage ratios		
Ratio of eligible own funds to SCR (solvency ratio)	271%	312%
Ratio of eligible own funds to MCR	742%	757%

HDI Global Specialty meets the supervisory Minimum and Solvency Capital Requirements (hereinafter referred to as MCR and SCR) as of the reporting date of 31 December 2023 with a solvency ratio of 271% and satisfied this in the entire 2023 financial year. The expansion of business of HDI Global Specialty is reflected in the key figures.

The principles for calculating the solvency ratio are explained in this document. Section D describes the valuation principles for determining eligible own funds and Section E describes the valuation principles for determining the SCR.

As required by law, the solvency overview has been audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

This report is a mandatory publication pursuant to Section 40 of the German Insurance Supervision Act (VAG).

Note: rounding differences of +/- one unit may occur in all tables.

A. Business Activities and Business Result

HDI Global Specialty transacts property and casualty primary insurance and reinsurance in the Specialty segment. Through its global presence, the use of various distribution channels, distribution to various customer segments and activities in all lines of business, the company achieves an effective risk balance. HDI Global Specialty underwrites individual risk business, but also cooperates with managing general agencies (underwriting agents). We write our business in Hannover, the place of the registered office of the company, as well as in our branches in Brussels (Belgium), London (UK), Copenhagen (Denmark), Milan (Italy), Rotterdam (Netherlands), Stockholm (Sweden), Sydney (Australia) and Toronto (Canada).

The gross premium volume in the financial year totalled EUR 3,041,437 k and was 3.0% below the prior year's level (EUR 3,135,943 k). This is due to a deliberate reduction in risk in the area of natural disasters and an even more intensive focus on profitability when selecting agencies. We have consistently terminated business relationships with customers who did not fulfil our margin requirements. The loss ratio (gross) rose to 73.2% in the financial year (previous year: 63.6%). The increase in the loss ratio is mainly due to large losses in connection with the Ukraine-Russia conflict and large losses in the general liability insurance line from previous years. In the past financial year, we achieved a net technical result of EUR 45,615 k (previous year: EUR 64,456 k). We are satisfied with the development of our capital investments in the reporting period, even against the backdrop of the effects of the outbreak of war, inflation and supply bottlenecks. Ordinary investment income developed as expected. The financial year ended with a net loss for the year of EUR 29,749 k (previous year: net loss of EUR 14,980 k).

Details regarding the business activities and business result are provided in Section A.

Apart from the listed developments, there were no significant changes in business performance.

B. Governance System

The governance system of HDI Global Specialty is based on a monistic system. The company is managed by the Board of Directors, and the Executive Directors appointed by it are in charge of the day-to-day management of the company. The effective governance system of HDI Global Specialty continues to be based on the principle of the three lines of defence and continues to enable the company to achieve the objectives embodied in its business and risk strategy. Written guidelines are available for all major business transactions. The key functions in accordance with Section 26 and Sections 29-31 of the VAG (Insurance Supervision Act) have been established, entrusted with the required tasks as well as equipped with the necessary powers and appropriate resources.

Both the internal control system and the Risk Management System are consistent with the complexity of the business and the company’s risk profile. The remuneration system is based on the goal of a sustainable value development of the company.

In addition to monitoring the internal risk management and control system, the governance system also comprises the ORSA process (Own Risk and Solvency Assessment process). The Executive Directors confirmed the ORSA process performed for the year under review and approved the corresponding ORSA report. Currently, the Executive Directors of HDI Global Specialty does not see any risks that might either endanger the continued existence of the company in the short or medium term or significantly and sustainably impair its net assets, financial position and results of operations.

The business model of HDI Global Specialty of working with underwriting agents and loss adjustment representatives provides for extensive outsourcing. In addition, activities are outsourced in order to generate synergies within the HDI Group. Guidelines adjusted to this end were approved and appropriate processes have been established. The Board of Directors commissioned the Actuarial, Risk and Compliance Committee and the key function holders to carry out an assessment of the governance system. Together with the Outsourcing Officers for the key functions, they came to the conclusion that the governance system of HDI Global Specialty is appropriate to the nature, scope and complexity of the inherent risks of its business activities.

Section B explains the individual elements of the governance system of HDI Global Specialty. Personnel and structural changes were made at the time of reporting. These are described in Section B. Beyond this, there were no significant changes in the governance system of HDI Global Specialty.

C. Risk Profile

HDI Global Specialty assumes a great many of risks in the course of its business activities. These risks are deliberately taken and actively managed. Specifically, these risks are underwriting risks in property and casualty insurance, capital market risks, liquidity risks and bad debt risks. In addition, business operations also involve operational, strategic and reputational risks. In Section C we describe the cause of these risks and how we deal with them. In addition, we explain how we deal with potential emerging risks.

HDI Global Specialty quantifies risks using the Specialty Internal Model (SIM), which is used to manage the company and also to calculate the regulatory solvency capital requirements. As at the reporting date of 31 December 2023, the solvency capital requirement is shown in the following table.

Solvency capital requirement according to the internal capital model – breakdown according to risk categories

Values in EUR thousands

Solvency capital requirement	2023	2022
Underwriting risk	158.319	151.609
Underwriting risk - premium risk	71.275	64.604
Underwriting risk – reserve risk	110.756	104.193
Market risk	88.647	70.208
Counterparty default risk	66.087	46.382
Operational risk	41.148	41.434
Diversification	**146.800**	**113.314**
Overall risk (before taxes)	**207.400**	**196.319**
Deferred tax	**14.007**	**46.918**
Overall risk (net of tax)	**193.393**	**149.401**

The expansion of business of HDI Global Specialty SE affects all risk categories of the Specialty Internal Model. The overall risk increases as a result of a change in model adjustment with regard to the risk-mitigating effect of deferred taxes. Furthermore, a slight increase in the individual risk categories can be observed, which is mainly due to the growth in business of HDI Global Specialty. Section C explains the risk situation broken down into individual risk categories.

Apart from the developments listed, there were no significant changes in the risk profile.

D. Valuation for Solvency Purposes

For the purpose of calculating eligible own funds, HDI Global Specialty values assets, equity and liabilities according to the provisions of Sections 74 et seq. of the German Insurance Supervision Act (VAG).

Valuation for solvency purposes is generally based on the fair value (market value). To the extent IFRS values appropriately reflect the fair value, these values are applied.

Technical provisions according to Solvency II differ significantly from the concept of provisions under the German Commercial Code (HGB) both in terms of the structure and in terms of the calculations; cf. Section D.2.

Presently, HDI Global Specialty does not use any adjustments to the yield curves required by EIOPA and no transitional measures according to Sections 80, 82, 351 and 352 of the German Insurance Supervision Act (VAG).

There were no material changes in the reporting period.

E. Capital Management

HDI Global Specialty aims at maintaining a solvency ratio of at least 120% at all times and therefore exceeds the supervisory requirements of 100%. In addition, a threshold value of 138% is defined. If the ratio drops below the threshold value, HDI Global Specialty will either consider measures to strengthen its own funds or reduce its risk exposure or both.

The solvency ratio is continuously monitored. Its change is taken into account in planning processes and a possible change of the solvency ratio as may be caused by major transactions is examined in advance. In the 2023 financial year, the solvency ratio was well above the threshold value of 138% at all times. Further details for determining the solvency ratio are provided in Section E.

Own funds comprise basic own funds, which consist of the excess of assets over liabilities and the subordinated loans. Supplementary own funds are not used.

The own funds of HDI Global Specialty increased in the reporting period. The highest quality level (tier 1) accounts for the overwhelming share of the total eligible own funds. The remaining own funds are held by HDI Global Specialty in the subordinated loans, which are classified as tier 2.

The total amount of the solvency capital requirement, which was calculated using the Specialty Internal Model, increased by 29.4% in the reporting period. Various effects can be observed in the individual risk categories, which are explained in Section E.

HDI Global Specialty uses the internal model to calculate the regulatory solvency capital requirement and is used in a large number of corporate management and decision-making processes. The future development of the solvency and minimum capital requirements is forecast at regular intervals as part of the planning process.

Apart from the developments listed above, there were no significant changes in capital management.

Impact of the war in Ukraine

The effects of the large loss from the Ukraine-Russia conflict are affecting HGS in different ways in various lines of business. While most general insurance policies contain a war exclusion clause, explicit war policies are offered in certain lines. In the aviation line in particular, there is uncertainty about the ultimate exposure to loss. There is limited war exposure in the shipping line of business. Our predominantly European and US customers, to whom HGS has provided coverage in the political risks line, also protect risks in Ukraine and Russia.

US payments in excess of the policy limit (XPL)

In some US states, the law allows the courts to set payments above the policy limit. HGS is exposed due to its business activities in the USA, in particular due to the outsourcing of loss adjustment, and was confronted with the settlement of such a case. HGS subsequently introduced a training concept in the area of US insurance law and US regulatory practice. In addition, the US claims managers were more closely supervise, and a US law firm was commissioned to act as monitoring counsel for exposed claims.

Impact of inflation

In the past financial year, an environment of remarkable inflation was observed in the market. HGS countered this with adjusted assumptions in its pricing and reservation practice. Relevant inflation indices were determined for the actuarial analyses of the individual lines of business, which reflect past inflation in the segments. Depending on requirements, an individual index or a weighted average of different indices can be used. Furthermore, additional inflation effects sometimes not captured in economic indices can be included. Due to the annual renewal of HGS's main business, inflationary developments have been taken into account in the pricing process on an ongoing basis. Ongoing adjustments of sums insured and premium agreements based on turnover or earnings are common, especially with commercial customers. In this way, inflation is taken into account even if rates remain unchanged.

The usual actuarial provisioning methods based on loss triangles project inflation from the claims experience of previous years into the projected claims payments. In this respect, inflation is implicitly taken into account in the loss reserves as a matter of routine. Multiple analyses during the financial year showed that the projected increase in reserves is relatively low in all relevant scenarios and could be more than offset by the current resilience in reserves.

Impact of the rise in interest rates

As part of its risk management function processes, HGS is monitoring the effects of the changed interest rate environment, particularly on counterparty default risk and underwriting risk. Apart from the increased volatility, HGS is not currently aware of any other consequences.

A. Business Activities and Business Result

A.1 Business activities

A.1.1 Business model

HDI Global Specialty generated a gross premium volume of around EUR 3,041,437 k in the 2023 calendar year, slightly below the prior year's level of EUR 3,135,943 k. We conduct our business in the market segment of property/casualty primary insurance and property/casualty reinsurance.

We write individual risk business, but also cooperate with managing general agencies (underwriting agents). Apart from our headquarters in Hannover, we write our business in our branches in London (UK), Stockholm (Sweden), Sydney (Australia) and Toronto (Canada), Milan (Italy), Copenhagen (Denmark), Brussels (Belgium) and Rotterdam (Netherlands). The focus of our strategy tends to be on short-term business. Moreover, we also offer special covers in niche areas. All our business activities focus on being the best option, to the extent possible, for our business partners when choosing the primary insurance partner. That is why we focus on the customer and his or her concerns.

To the benefit of our customers and shareholders, we achieve competitive advantages by operating our insurance business with lower administrative expenses than our competitors. In this way, we want to generate above-average earnings, on the one hand, and can offer our customers primary insurance cover at competitive conditions, on the other hand.

Through broad diversification of our portfolio, we achieve an effective risk balance. Here, we ensure that the various risks are not fully correlated across countries.

On the basis of a clearly defined risk appetite, we manage HDI Global Specialty to exploit business opportunities while safeguarding our risk-bearing capacity in the long term.

In addition to our core business of primary insurance, we carry on the reinsurance business in selected market segments and niches.

In the property/casualty primary insurance and Property/Casualty Reinsurance market segment, we see ourselves as a reliable, flexible and innovative partner. Effective cycle management and outstanding risk management are key elements of our positioning among the competition.

A.1.2 Results of operations and major business transactions

In the 2023 financial year, the markets for the various lines of insurance developed differently, allowing us to benefit from rising rates in some segments and take advantage of opportunities for profitable insurance business overall. At the same time, in line with our strategy, we sold business where it made economic sense to do so. Overall, we applied a risk-adequate and selective underwriting policy.

The gross premium volume in the financial year totalled EUR 3,041,437 k, down slightly by 3.0% on the prior year (EUR 3,135,943 k). At EUR 2,667,377 k (previous year: EUR 2,705,610 k), direct insurance business continues to account for the lion's share. To supplement our business we also assumed reinsurance business to a moderate extent. We posted gross premiums of EUR 374,060 k (previous year: EUR 430,333 k) for reinsurance business assumed.

Despite isolated declines in premiums abroad, the proportion of business conducted by the international branches increased year-on-year to 70.2% (previous year: 69.5%), as premiums also fell in Germany. The international branches generated an absolute premium volume of

EUR 2,136,391 k (previous year: EUR 2,178,742 k), thus continuing to account for a significant share of gross premium income and reflecting the international orientation of the company.

We wrote premiums totalling EUR 926,167 k (previous year: EUR 884,985 k) via the London branch in the year under review. To achieve strong premium growth in line with our strategy, new business opportunities were used and business with existing customers was further expanded. Rate increases also contributed to the growth in premiums. We have consistently terminated business relationships with customers who did not meet our margins. The branch in Stockholm wrote gross premiums of EUR 470,518 k in the 2023 financial year (previous year: EUR 525,028 k) and fell short of the prior year's premiums due to declines in the areas of mergers & acquisitions (M&A) and aviation. Unlike in prior years, we were unable to further expand our business at the Hannover location and posted a decline in gross premiums of EUR 905,046 k (previous year: EUR 957,201 k). At our Sydney location, gross written premiums fell from EUR 323,521 k to EUR 248,371 k due to deliberate risk minimisation and the loss of a large agency. By contrast, our Canadian branch office based in Toronto recorded a dynamic increase in gross written premiums to EUR 245,670 k (previous year: EUR 213,043 k). Our branch in Italy was able to further increase its premium volume. The premium volume rose by EUR 3,593 k to EUR 39,796 k in the year under review (previous year: EUR 36,203 k). The branches in the Netherlands and Belgium also recorded premium growth in the year under review. The Dutch location was able to significantly expand its business by EUR 97,624 k (previous year: EUR 82,754 k). The branch in Belgium was able to increase premiums by EUR 2,018 k to EUR 40,158 k (previous year: EUR 38,139 k). In contrast, the premium volume at the locations in Denmark (EUR 52,957 k; previous year: EUR 55,609 k) and New Zealand (EUR 15,129 k; previous year: EUR 19,460 k) declined compared to the prior year.

Gross premiums earned totalled EUR 2,899,045 k (previous year: EUR 2,849,536 k), while premiums earned for own account amounted to EUR 296,312 k (previous year: EUR 239,755 k).

The balance sheet loss ratio (gross) rose significantly to 73.2% in the financial year (previous year: 63.6%). The losses continue to be characterised in particular by large loss events, while the quality of the business was improved also in the year under review.

Gross expenses for insured events totalled EUR 2,123,490 k (previous year: EUR 1,813,475 k).

Gross underwriting expenses fell slightly in line with expectations, almost in proportion to the volume of business, and totalled EUR 792,681 k (previous year: EUR 830,448 k) or 27.3% (previous year: 29.1%).

The combined ratio (gross) is 100.5% (previous year: 92.7%).

In accordance with the statutory regulations, we have allocated an amount of EUR 24,091 k (previous year: EUR 23,809 k) to the claims equalisation reserve and similar provisions. The carrying amount of the claims equalisation reserve and similar provisions therefore amounts to EUR 110,248 k (previous year: EUR 86,157 k). To the extent necessary, we supplemented the observation period on which the calculation of the equalisation reserve is based, by the loss ratios from the BaFin tables published for the insurance industry.

In the year under review, we continued to cede a large part of our business within the Talanx Group. In addition, we also use external reinsurance to a minor extent to optimally manage our risks.

Taking reinsurance into account, we achieved a net technical result for own account of EUR 45,615 k (previous year: EUR 64,456 k) in the past financial year.

The current investment income totalled EUR 12,564 k in the year under review (previous year: EUR 8,410 k), of which EUR 10,437 k (previous year: EUR 8,058 k) was attributable to current interest income from other capital investments.

The result from the disposal of investments totalled EUR 3,767 k (previous year: loss of EUR 1,333 k) and is made up of gains on disposal of investments amounting to EUR 3,948 k (previous year: EUR 547 k) and losses on disposal of investments amounting to EUR 181 k (previous year: EUR 1,880 k).

The impairment losses on investments totalled EUR 14 k (previous year: EUR 1,078 k) and are attributable to bearer bonds and other fixed-interest securities, which were valued according to the lowest value principle. The reversals of impairment losses on investments for which depreciations were recognised in the prior year amounted to EUR 0 k (previous year: EUR 0 k).

The management of capital investments resulted in expenses totalling EUR 1,519 k in the financial year (previous year: EUR 1,148 k). Overall, the investment income totalled EUR 15,019 k (previous year: EUR 4,850 k).

The other income/expenses consists of other income of EUR 50,784 k (previous year: EUR 33,723 k) and other expenses of EUR 132,159 k (previous year: EUR 110,258 k), resulting in a net loss of EUR 81,375 k (previous year: loss of EUR 76,535 k) as other income/expenses.

The financial year ended with a net loss for the year of EUR 29,749 k (previous year: net loss of EUR 14,980 k). An amount of EUR 0 k (previous year: EUR 0 k) was allocated to the legal reserve in accordance with Section 150 of the German Stock Corporation Act (AktG). An amount of EUR 0 k (previous year: EUR 2,075 k) was withdrawn from the capital reserve in accordance with Section 272 (2) No. 4 of the German Commercial Code (HGB) in the year under review. The distributable profit/loss amounts to EUR -27,824 k (previous year: EUR 1,925 k).

A.1.3 Registered office, supervisor and auditor

HDI Global Specialty is a European Company, Societas Europaea (SE), which has its registered office at HDI-Platz 1, 30659 Hannover, Germany, and is entered in the Commercial Register of Hannover Local Court under the number HRB 211924. In the period under review, 100% of the shares in HDI Global Specialty were held by HDI Global Specialty Holding GmbH, Hannover.

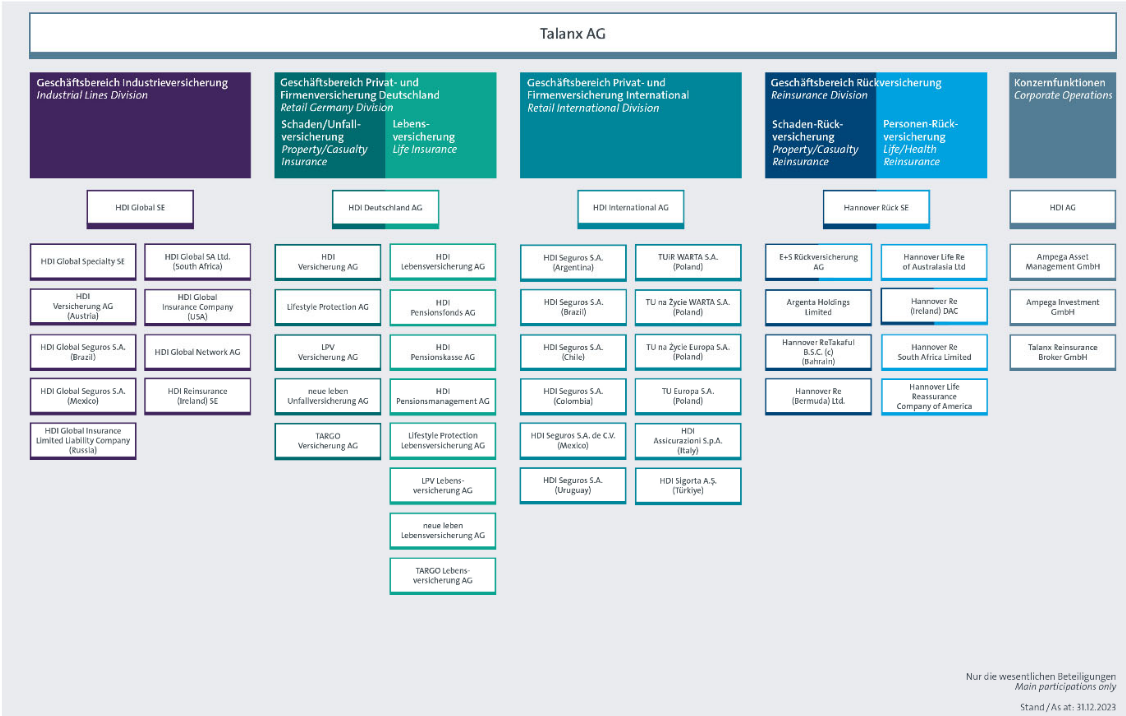
HDI Global Specialty is supervised by the German Federal Financial Supervisory Authority (BaFin), Graurheindorfer Strasse 108, 53117 Bonn, Germany, as the competent supervisory authority.

The appointed auditor of HDI Global Specialty within the meaning of Section 318 of the German Commercial Code (HGB) is PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Fuhrberger Strasse 5, 30625 Hannover.

A.1.4 Group structure

The present report refers to HDI Global Specialty as an individual company. Since HDI Global Specialty was integrated as a subsidiary in a group in the reporting period, we provide information on the group structure in this section.

Subsidiaries of Talanx (selection as at 31 December 2023)



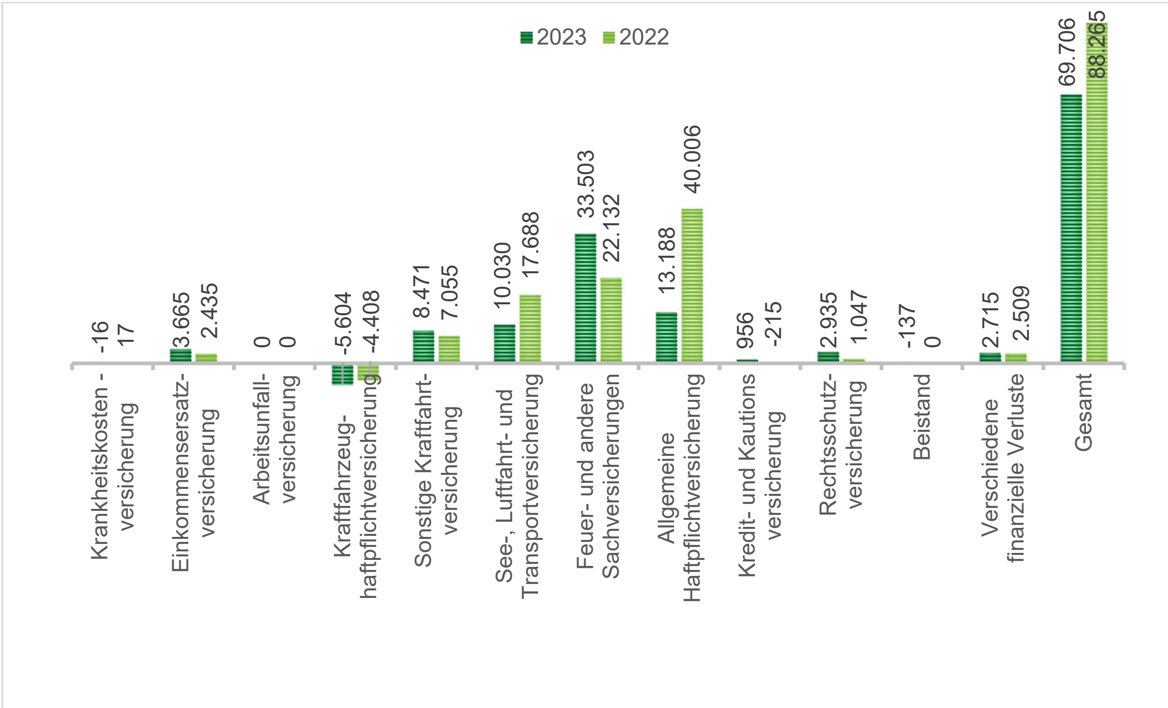
The Talanx Group is active in the divisions Industrial Lines, Retail Germany, Retail International, Reinsurance and Asset Management. The Hannover-based Group operates in more than 150 countries. The Group companies operate under various brands. These include HDI with insurance for private and corporate customers as well as industrial customers, Hannover Re, one of the world's leading reinsurers, neue leben, PB insurers and TARGO insurers, which specialise in bancassurance, and Ampega as a fund provider and asset manager.

A.2 Underwriting performance

In the 2023 financial year, HDI Global Specialty was able to achieve an underwriting result of EUR 296,312 k with net premiums earned of EUR 226,606 k and underwriting expenses of EUR 69,706 k before changes in the claims equalisation reserve and similar provisions.

The following breakdown of the underwriting result (net) as at 31 December 2023 is broken down by Solvency II line:

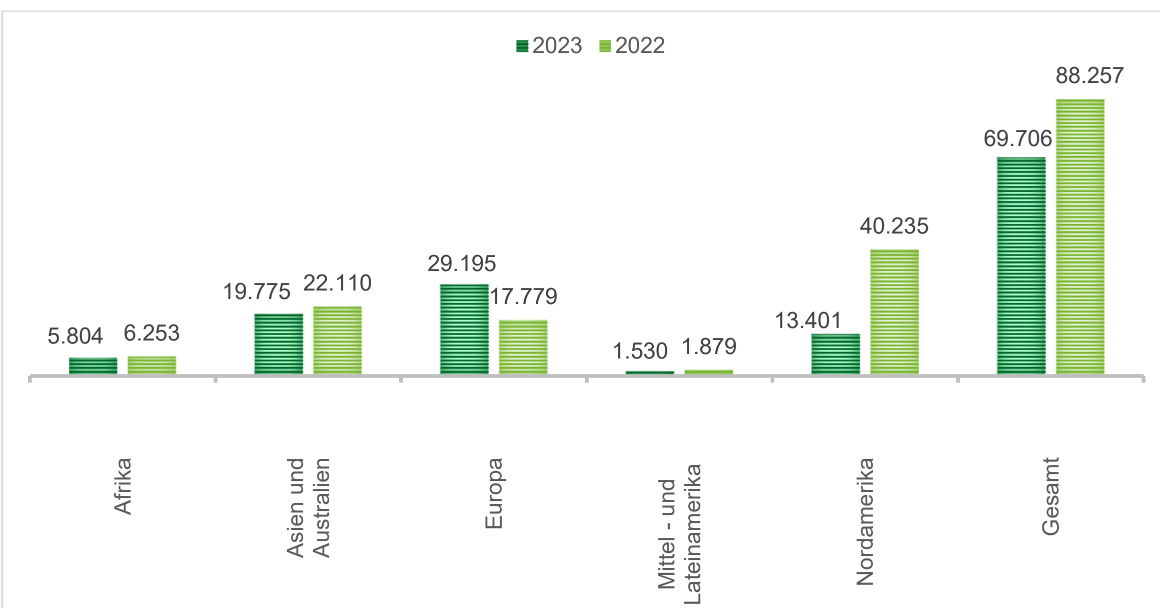
Underwriting result (net) - breakdown according to Solvency II lines of business in EUR thousands



The significant value drivers of the underwriting result in the 2023 financial year were fire and other property insurance (EUR 33,503 k), general liability (EUR 13,188 k) and marine, aviation and transport insurance (EUR 10,030 k). The motor third-party liability insurance line (EUR -5,604 k) contributed a negative result.

According to geographic regions, the distribution of the (net) underwriting result is as follows:

Underwriting result (net) – breakdown according to geographical region in EUR thousands



Measured against the overall underwriting result, the main value contributions of HDI Global Specialty in the 2023 financial year were generated primarily in the regions of Europe (EUR 29,195 k) and Asia and Australia (EUR 19,775 k).

A.3 Investment performance

As an insurance company, we naturally focus our investment management activities primarily on preserving the value of our investments, and attach great importance to the stability of the resulting returns. Hence, we base our investment portfolio on the principles of a balanced risk/return ratio and broad diversification. With an overall low-risk mix, our investments reflect both the currency and maturity composition of our liabilities. Our portfolio consists mainly of fixed-income securities. Hence, our market risk mainly consists of credit, spread and exchange rate risks.

The development of our investments in the reporting period met with our expectations. Ordinary investment income developed in line with our expectations and benefited from a higher interest rate environment in reinvestment. The increase compared to the prior year is also due to the higher asset volume. The result from the sale of investments is mainly attributable to our normal business activities.

The following overview depicts the breakdown of the investment income of HGS according to the German Commercial Code by the individual asset classes pursuant to Solvency II and the respective shares of income and expenses.

Investment income

	2023			2022		
Values in EUR thousands	Ordinary income	Gains on disposal	Reversals of impairment losses	Ordinary income	Gains on disposal	Reversals of impairment losses
Government bonds	4.170	2.865	138	2.618	361	-
Corporate bonds	4.312	1.083	82	3.709	186	-
Collective investments undertakings	1.290	-	-	1.372	-	-
Deposits other than cash equivalents	584	-	-	108	-	-
Total	**10.355**	**3.948**	**220**	**7.807**	**547**	**-**

Investment expenses

	2023		2022	
Values in EUR thousands	Write-downs	Losses on disposals	Write-downs	Losses on disposals
Government bonds	13	107	519	941
Corporate bonds	1	62	559	936
Total	**14**	**169**	**1.078**	**1.879**

HGS does not recognise any gains or losses directly in equity.

A.4 Development of other activities

A.4.1 Other income and expenses

The following tables depict the other income and expenses. They are disclosed under HGB.

Other comprehensive income

Values in EUR thousands	2023	2022
Other income	50.784	33.723
Other expenses	132.159	110.258
Other comprehensive income	**-81.375**	**-76.535**

Other income mainly includes income from exchange rate changes and income from service agreements.

Other expenses include expenses from exchange rate changes, which partially compensate for the income. Moreover, the other expenses consists largely of expenses for IT, personnel expenses and depreciation.

A.5 Other disclosures

There are no other disclosures that have a material effect on the business activities and performance of HGS.

B. Governance system

B.1 General information on the governance system

B.1.1 Governance structure

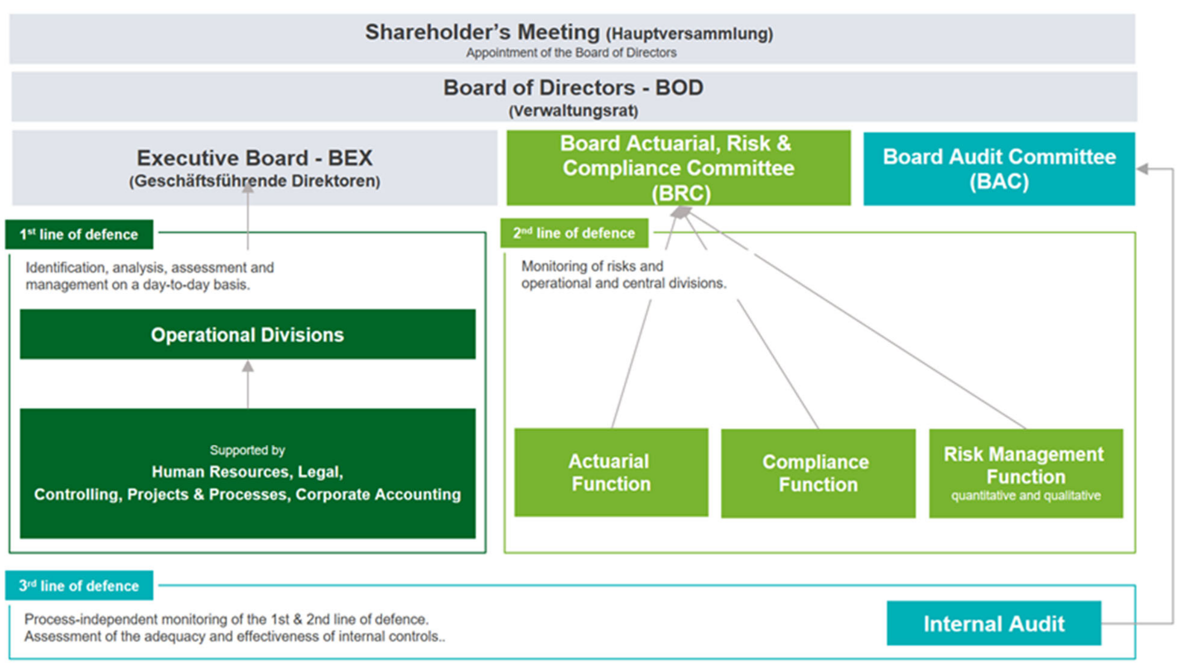
The governance system of HDI Global Specialty is based on a monistic or one-tier system. The administrative and supervisory body of HDI Global Specialty SE consists of the Board of Directors. The Board of Directors manages the company and appoints the Executive Directors of HGS. The Board of Directors delegates the day-to-day management of HGS to the members of the Executive Board (BEX), in which the Executive Directors are represented.

The Executive Board is part of the governance system of the company. The BEX supports the Board of Directors in fulfilling its responsibility for implementing the strategy and the business plan of the company, and for the management of its business activities.

The business policy of HDI Global Specialty includes the principle of the "delegation of responsibility" in order to delegate decision-making powers to the lowest possible functional level. The Board of Directors has established the Board Actuarial, Risk & Compliance Committee (BRC) to provide support and delegate tasks and responsibilities. The three key functions - risk management, compliance and actuarial function - report to the BRC and directly to the Board of Directors. In addition, the Board Audit Committee (BAC) was set up to focus on internal and external audit issues. BEX, BRC and BAC ensure detailed reporting by individual specialist departments.

The business organisation of HDI Global Specialty is adequately structured in line with the risk situation and the business model. The appropriateness of the governance system was reviewed and confirmed by the BRC in the reporting period with the involvement of the key functions and the outsourcing officers.

The following overview depicts the interactions of the main elements of the business organisation:



The organisation and interaction of the individual functions are decisive for the internal risk management and control system of HDI Global Specialty and appropriate to the risk profile.

The first line of defence assumes risk management and responsibility at the level of the specialist departments, while risk management in the second line of defence is carried out by the actuarial function, the compliance function and the risk management function. The difference between the two lines is that the specialist departments take the primary risks and the three key functions monitor risks across the divisions. In the third line of defence, the internal audit function performs process-independent monitoring as instructed by the Board of Directors.

All functions are closely interlinked and the roles, tasks and reporting channels are clearly defined in the sense of the so-called three lines of defence.

Board of Directors

The Board of Directors of HGS consists of five members, including the Chief Executive Officer and the Chief Financial Officer of HGS. The other Executive Directors, i.e. the Chief Operating Officer (COO), Chief Marketing Officer (CMO) and Chief Innovation Officer (CINO), attend the meetings of the Board of Directors as guests. In the past reporting period, the Board of Directors held four ordinary meetings and one extraordinary meeting.

One of the main tasks of the Board of Directors is to manage the company, to specify the basic principles for its activities and monitor their implementation. The Board of Directors monitors the activities of the Executive Directors and works together with the Executive Board in order to ensure long-term succession planning. The Board of Directors decides as a whole in particular on fundamental questions of organisation, business policy and corporate planning. Furthermore, it decides on measures for the establishment and monitoring of an effective internal control system, risk management and the internal auditing system. The monitoring tasks include reviewing the accounting process and the audit of the annual financial statements. The Board of Directors not only reviews the annual financial statements, the management report and, if applicable, the proposal for the appropriation of the distributable profit, but also appoints the auditor and submits the audit application.

Furthermore, the Board of Directors has approval rights for certain measures and transactions of the Executive Directors which have to be approved exclusively by the Board of Directors. This includes, e.g., changes to the strategic principles, the adoption of annual earnings plans or the conclusion and/or termination of company agreements as well as significant cooperation agreements.

Executive Board/Executive Directors

The Executive Board of HDI Global Specialty SE consists of five members. The members of the Executive Board include the Executive Directors. As a rule, regular monthly meetings are held during the calendar year, which can be supplemented by extraordinary meetings or resolutions by circular resolution as required.

The Executive Directors are assigned departments, for which each Director is responsible. This results in an obligation for each Director to inform the other Directors about important business transactions and developments in their respective area of responsibility. The allocation of duties between the Executive Directors is defined as follows in HDI Global Specialty's schedule of responsibilities as at 31 December 2023:

Chief Executive Officer	Chief Financial Officer	Chief Operating Officer	Chief Marketing Officer	Chief Innovation Officer
Ralph Beutter	**Dr Christian Hermelingmeier**	**Andreas Bierschenk**	**Richard Taylor**	**Thomas Barenthein**
(also a member of the Board of Directors and Chairman of the Executive Board) Underwriting (medium & long tail classes) Claims (claims processing) Human Resources Management (personnel) Reinsurance (passive)	(also a member of the Board of Directors) Asset Management Facility Management Finance & Accounting, Technical Accounting Financial Planning & Analysis (Controlling) Compliance	Risk Management & Actuarial Delegated Authority Control & Audit Internal Audit function Information Technology Project & Process Management Legal	Executive Director of the UK branch Underwriting (short tail classes) Marketing & Sales (incl. the HDI Global Specialty brand) Coordination and Integration of the HG Network Product Development	Executive Director of the Sweden branch Digital Business Solutions

The main tasks of the Executive Directors include reporting to the Board of Directors. To this end, the Board of Directors is informed in writing about the business development and the risk situation of the company. The BEX manages the day-to-day business of the company, develops the company's strategy, business and financial plans and also submits proposals to the Board of Directors for the appropriate risk appetite. Furthermore, the BEX is responsible for the implementation of the effective and appropriate internal control framework in order to manage the risks of the company and reviews the operational and financial performance of the company. In its role, it also ensures that there are effective and clear structures and reporting arrangements within the company in line with its corporate governance framework. In addition, the COO ensures that the CRO and the risk management function are involved in the company's decisions in an appropriate manner in terms of content and timing.

Board Actuarial, Risk & Compliance Committee

The BRC supports the Board of Directors by providing advice, making recommendations and carrying out assessments in relation to the risk management, actuarial and compliance functions of HGS. Members of the BRC are appointed by the Board of Directors. It is made up of three members of the Board of Directors, two of whom are not members of the Management Board. In addition to members of the Board of Directors, the holders of the key functions can advise on individual points. The BRC advises the Board of Directors in this connection on the implementation of risk-reducing measures which are in line with the business strategy and the business plan of HDI Global Specialty. Moreover, the BRC supports the Board of Directors in ensuring the effective implementation of the risk management system and in performing the annual evaluation of the business organisation. Furthermore, the BRC deals with risk aspects in rules and guidelines.

Board Audit Committee

The BAC supports the Board of Directors by providing advice in discussions, making recommendations or decisions where necessary and carrying out assessments in relation to the internal and external auditing. Members of the BAC are appointed by the Board of Directors. It is made up of three members of the Board of Directors, two of whom are not members of the Management Board.

Key functions

HDI Global Specialty has four key functions. These are the compliance function, the risk management function, the actuarial function and the internal audit function. The key functions have been provided with adequate resources to fulfil their tasks effectively. The key functions report directly to the Board of Directors and provide both regular and ad hoc reports on their activities and internal assessments. Written guidelines assign the tasks to the key functions and, in this way, confer the necessary powers for the fulfilment of the requirements imposed. The operational independence of the key functions is ensured by means of the three lines of defence within the business organisation.

As a result of the establishment of the employee-bearing company at the Hannover location, viz. HDI AG, the relevant tasks of the key functions are performed by HDI AG on the basis of service agreements, taking into account regulatory requirements and the implementation of monitoring mechanisms. Outsourcing officers have been appointed at Executive Director level to monitor the key functions. Personnel changes in the persons responsible at the service provider took place in the reporting period in the risk management function and the compliance function.

The relevant main tasks and responsibilities are described in more detail in Sections B.3.1.3, B.4.2, B.5 and B.6.

B.1.2 Remuneration policy

The remuneration strategy of HDI Global Specialty as a subsidiary of Talanx is geared to the goal of the sustained value development of the company and of the Group. The remuneration structure and the remuneration arrangements of HDI Global Specialty are integrated into the remuneration organisation of the Talanx Group.

B.1.2.1 Remuneration of the executive directors & members of the board of directors

The amount and structure of the remuneration of the Executive Directors and members of the Board of Directors of HDI Global Specialty are based on the size and activities of the company, its economic and financial situation, its success and future prospects as well as the customary level of remuneration, taking into account the comparative environment (horizontal) and the remuneration structure that applies elsewhere in the company and the Group (vertical). Moreover, remuneration is based on the duties of the respective Executive Director or Board of Directors Member, his or her personal performance and the performance of the entire Executive Board.

Aligned to these objectives, the remuneration system has two components for the Executive Directors: fixed salary/benefits in kind as well as variable remuneration. For structuring the variable remuneration, both positive and negative developments are considered. Overall, remuneration is calculated such that it takes into account a sustainable corporate development, is in line with the market and is competitive. The remuneration model provides for a percentage distribution between fixed and variable remuneration if targets are met. The remuneration of the Members of the Board of Directors (who are not Executive Directors) consists of a fixed remuneration.

The performance-related remuneration (variable remuneration) depends on certain defined results and the achievement of certain targets. The targets vary depending on the function of the Executive Director or Board of Directors Member concerned. The variable remuneration consists of a short-term variable compensation, the annual cash bonus and a long-term share-based remuneration, the so-called Share Award Programme. The remuneration is determined by the Board of Directors.

B.1.2.2 Remuneration of the Board of Directors

The members of the Board of Directors are refunded the expenses incurred by them in performing their duties. The chairperson of the Board of Directors (currently Ulrich Wallin) also receives a fixed annual remuneration from the company. The other members of the Board of Directors are remunerated via their remuneration at other Talanx companies.

B.1.2.3 Remuneration of employees and executives

The remuneration system in the management team below the Board of Directors and the Executive Directors comprises a variable remuneration component in addition to the fixed annual salary. This variable remuneration consists of a short-term variable compensation, the annual cash bonus and a long-term share-based remuneration, the so-called Share Award Programme.

Employees at the Chief Manager, Senior Manager and Manager levels also have the opportunity to participate in a variable remuneration system through the Special Performance Bonus (SPB). The SPB is a remuneration model linked to the success of HDI Global Specialty SE that was introduced in 2021 and is based on the previous Group Performance Bonus (GBP) system, which was taken over by Hannover Re at the time.

For employees of the HDI Global Specialty branch in London below the management levels 2 and 3, the remuneration system consists of a short-term variable compensation in addition to the fixed annual salary. The bonus payment depends on the result of the branch and on the individual achievement of the employee's targets. Depending on the classification of the employee, the bonus payment amounts to a maximum of 20% to 60% of the basic salary.

Employees of the HDI Global Specialty branch in Stockholm below the management levels 2 and 3 are paid a fixed annual salary and have the opportunity to participate in a variable remuneration system under the "Profit Sharing Scheme". The bonus payment is 40% dependent on the economic result of the Scandinavian branch as a whole and 60% dependent on the result of the division for which the employee works.

B.1.3 Major transactions with affiliated companies and persons in the reporting period under review

HGS has not carried out any significant transactions with individuals who exercise a significant influence on the company or members of the Board of Directors or the Executive Directors.

In order to utilise synergies within the Talanx Group, HDI Global Specialty procures services from Group companies, e.g. in the areas of information technology and asset investment and management. A large part of the gross business is ceded within the Group to companies in Germany and abroad.

B.2 Requirements for professional qualification and personal reliability

On 26 July 2023, the Executive Board of HDI Global Specialty adopted the Talanx Group corporate directive for compliance with the Fit & Proper requirements, replacing the previous framework guideline. It is reviewed and revised annually to ensure that it is up to date. The content of the new guideline is essentially identical to the previous one.

B.2.1 Description of requirements

The professional qualification (fitness) of the individuals with key tasks is measured by an occupational qualification that is appropriate for the respective position as well as the knowledge and experience required for sound and prudent management and the fulfilment of the position. The appropriateness is assessed on the basis of the principle of proportionality and takes into account the risks specific to the company as well as the type and scope of the business operations. Specific "fitness" requirements need to be complied with, which result from the existing supervisory practice for individuals who actually run the company and for members of the Board of Directors. Collective "fitness" requirements are defined for mutual control. The requirements for the professional qualifications of holders of key functions are closely linked to the specific nature of the respective governance task.

Regarding their personal reliability (propriety), individuals with key tasks must be responsible and behave with integrity and carry out their activities in a conscientious manner and with due diligence. There must be no conflicts of interest and, prior to the appointment, the person must not have proven unreliable through criminal acts. There is no need to positively prove personal reliability. It will be assumed as long as no facts are discernible that give rise to assume unreliability. Unreliability will only be assumed if personal circumstances based on general life experience justify the assumption that they may impair the careful and proper performance of the function.

For HDI Global Specialty, regarding the group of individuals with key tasks, a distinction is made between persons who

- actually manage the company (Board of Directors; Executive Directors; Branch Managers) including chief representatives of an EU/EEA branch and representatives of loss adjustment;
- have other key tasks (holders of one of the key functions of compliance function, internal audit function, risk management function, actuarial function, persons who have a significant influence on company decisions).

These persons are required to demonstrate their professional qualifications in various fields under due consideration of their different roles:

- Training
- Practical knowledge
- Leadership experience
- Language skills
- Knowledge with reference to the respective
- Key function task
- Collective requirements
- Necessary expertise

If key tasks are outsourced, general requirements for them are defined in the Outsourcing Guideline. HDI Global Specialty ensures that those persons of the service provider that are responsible for the key task are sufficiently qualified and personally reliable. To this end, HDI Global Specialty appointed an Outsourcing Officer in compliance with the supervisory requirements, who is obliged to notify the supervisory authority as the person responsible for the respective key function in the company. The supervising Outsourcing Officer is responsible for the proper performance of the tasks connected with the outsourcing of the key task.

B.2.2 Assessment procedures

The requirements of and reporting processes required by the supervisory authority correspond to the current standard processes based on the bulletins of the Federal Financial Supervisory Authority regarding professional suitability and reliability.

According to the framework guideline for fulfilling the Fit & Proper requirements, persons, who actually manage the company or have other key tasks, are requested before their appointment for relevant positions to submit a detailed curriculum vitae, and a requirements profile is compiled which lists and describes the proof to be furnished of necessary qualifications. The framework guideline includes an attached checklist for reviewing the Fit & Proper requirements of these persons.

The requirement profile comprises proof of the following minimum requirements:

Description of the position with key tasks:
- Service catalogue (job description)
- Decision-making and instruction powers
- Extent of personnel responsibility

Professional qualification (general):

- Level of education (commercial or job-specific training,
- university degree or professional standards. e.g. for auditors or actuaries)
- Knowledge and understanding of the corporate strategy
- Knowledge of the governance system
- Knowledge of foreign languages, at least English and, if possible, another foreign language

Professional qualification (depending on position):

- Industry expertise
- Knowledge and understanding of the business model
- Ability to interpret accounting and underwriting figures
- Knowledge and understanding of the regulatory framework conditions affecting the company

- Expertise in personnel management, employee selection, succession planning

To assess the qualification for the allocation of tasks, a detailed curriculum vitae is requested before a position is filled and a requirements profile is specified, which contains proof of defined minimum requirements. If parts of the requirement profile are not fulfilled when making a new appointment, a substantiation will be documented in writing. To ensure ongoing compliance with the relevant requirements, the requirements profile is reviewed every five years by the responsible organisational unit.

In case of major changes in the underlying input parameters, compliance with the catalogue of requirements is checked within the framework of the assessment that is carried out as and when required. A distinction is made between characteristics associated with the person and those associated with the position.

The audit and control processes are summarised in an overview, which contains the interval of the review of the requirements profile and the responsibility for auditing and reporting obligation regarding the individuals who actually run the company and the persons who have other key tasks. Responsibility for the Fit and Proper process lies with the staff of the Board of Directors Member Ralph Beutter.

B.3 Risk management system, including the company's own risk and solvency assessment

B.3.1 Risk management system, including risk management function

B.3.1.1 Strategy implementation

Our corporate strategy sets out the principles that enable us to realise our vision of being a top provider of specialty insurance within the Talanx Group that is recognised for its expertise. A characteristic feature of HGS should be that business partners are served in a solution-orientated, competent manner and with excellent service, especially during their transformation in a dynamically changing world. The company's network of branches enables HGS to provide customer and sales partner-centred support in the respective markets while maintaining its global orientation. We want to develop a sustainable company that respects the environment in which we live. As an employer, we care about our employees and promote an inclusive work environment that fosters diversity. We are committed to supporting our teams around the world and providing them with platforms and tools to make the most of their local expertise and knowledge to create a sustainable, competitive and profitable business. With efficient processes and a responsible and transparent organization, HGS aims to sustainably achieve a competitive position for the Talanx Group in the top quartile of the most profitable specialty insurers. A large proportion of the business is reinsured within the Talanx Group. To be able to take advantage of business opportunities whenever they arise, the company aims to maintain adequate capital resources at all times. Moreover, the company follows the risk-adjusted return requirements. Furthermore, the risk management of HGS is embedded in the risk management system of the Talanx Group. Risk management and monitoring is therefore not only performed at the level of HGS, but additionally also at the level of HDI Global SE and the Talanx Group.

We derive our risk strategy from the corporate strategy. The main strategic points of reference for our risk management are the following principles of the corporate strategy:

- We actively manage risks.
- We provide adequate capital resources.
- We focus on integrity and compliance.
- We focus on sustainability and ESG

The risk strategy further specifies the objectives of risk management and documents our understanding of risk. We have defined ten overriding principles in the risk strategy:

1. We comply with the risk appetite set by the Board of Directors.
2. We incorporate risk management into the decision-making processes of the company.
3. We promote an open risk culture and the transparency of the risk management system.
4. We support the HDI Group in fulfilling the requirements of the rating agencies.
5. We fulfil the regulatory requirements.
6. We act under due consideration of materiality and proportionality.
7. We apply appropriate quantitative and qualitative methods.
8. Through our organisational structure we ensure that the individual functions are separated from each other.
9. We use appropriate methods to manage our risks.
10. We continuously develop ourselves in order to adequately address changes in our risk profile.

Our risk strategy identifies our core risks, risk-bearing capacity and risk tolerance. It is the central element in our handling of risks. We review the risk strategy, the risk register, the guidelines for managing operational and reputational risks, the underwriting guidelines, the capital investment guideline, the limit and threshold value system and the risk and capital management guideline at least once a year. This ensures that our risk management system is up to date.

B.3.1.2 Risk capital

In the interest of its policyholders and shareholders, HGS ensures an appropriate relationship between risks and equity. Our quantitative risk management, based on our internal capital model, provides a uniform framework for the assessment and management of all risks affecting the company and our capital position.

HDI Global Specialty's internal capital model, the Specialty Internal Model (SIM), is a stochastic corporate model covering all business fields of HGS. The SIM determines the required regulatory and economic risk capital as value at risk (VaR) of the change in value over a period of one year with a confidence level of 99.5%. It takes into account all material risks affecting the development of equity. We have identified a number of risk factors for the risk categories of underwriting risks, market risks, bad debt risks and operational risks for which we define probability distributions. Risk factors include, for example, economic indicators such as interest rates, exchange rates and inflation indices, but also insurance-specific indicators like the number of natural disasters in a particular region and the insured damage amount per catastrophe. When determining the probability distributions for the risk factors, we make use of historical and publicly available data as well as internal data. Moreover, the process is complemented by the knowledge of internal and external experts.

As part of HGS's risk management function, compliance with regulatory solvency requirements is regularly monitored in order to ensure that the one-year ruin probability of 0.5% is not exceeded. The capitalisation of HDI Global Specialty should always exceed 120% of the regulatory requirements.

B.3.1.3 Organisation of risk management and tasks of the risk management function

In order to ensure an efficient risk management function system, the Board of Directors has established a risk management function and a risk committee (part of the BRC). In addition, HGS ensures that the risk management function is involved in the company's decisions in an appropriate manner in terms of content and timing. The organisation and interaction of the individual functions in the risk management are decisive for our internal risk management and control system. In our system, the central risk management functions are closely interlinked and the roles, tasks and reporting channels are clearly defined and documented in line with the so-called three lines of defence. The first line of defence consists of risk management and original risk responsibility. The second line of defence consists of the key functions, namely the risk management, actuarial and compliance function. These units are responsible for surveillance. The third line of defence consists of the internal audit function.

The risk management function consists of three main components: the Actuarial, Risk & Compliance Committee, the Chief Risk Officer and the independent risk monitoring function.

Board Actuarial, Risk & Compliance Committee

The tasks of the BRC are derived from the corresponding rules of procedure. Support for the Board of Directors in all matters relating to risk management is one of the core activities. The BRC's scope of decision-making lies within the risk propensity defined by the Board of Directors. This includes changes to the risk propensity, which are authorised by the BRC as delegated by the Board of Directors. The BRC monitors the risk situation of HDI Global Specialty. Other tasks include assessing the appropriateness of the governance system, developing recommendations and monitoring the implementation of risk-related measures.

Chief Risk Officer

The Chief Risk Officer heads the independent risk monitoring function. The duties of the Chief Risk Officer include ensuring the regulatory framework for an effective risk management system. In addition, the Chief Risk Officer is involved in the key decision-making processes of HDI Global Specialty and informs the members of the BRC, the Outsourcing Officer and the risk monitoring function appropriately about relevant events.

Risk monitoring function

The risk monitoring function coordinates, and is responsible for, the monitoring (identification, assessment, supervision and reporting) of all material risks and the regular coordination and execution of the ORSA process (Own Risk and Solvency Assessment, cf. B.3.2). In addition, it develops and implements methods, standards and processes for risk assessment and risk monitoring.

The risk monitoring function performs its tasks for HDI Global Specialty in an objective and independent manner.

B.3.1.4 Key elements of our risk management system

Our risk strategy, the guidelines on risk and capital management, operational and reputational risks, as well as the limit and threshold value system for the major risks of HDI Global Specialty describe the elements of our risk management system. The risk management system is subject to a permanent cycle of planning, activity, control and improvement. In particular, systematic risk identification, analysis, assessment, control and monitoring as well as risk reporting are of importance for the effectiveness of the overall system.

The guidelines specify, among other things, the tasks, rights and responsibilities, the organisational framework conditions and the risk control process. The regulations are derived from the corporate and risk strategy and also take into account the supervisory requirements for risk management.

Risk-bearing capacity concept

Determination of the risk-bearing capacity includes the determination of the overall risk coverage potential available and the calculation of the funds required to cover all risks. This is carried out in line with the specifications of the risk strategy and the risk appetite defined by the Board of Directors. Our internal capital model is used to assess the individual risks that can be quantitatively assessed and the overall risk position. A central limit and threshold value system is in place to monitor material risks. This system comprises the limits and thresholds derived from the corporate strategy. Compliance is monitored on an ongoing basis.

Risk identification

Regular risk identification is an essential information basis for monitoring risks. The identified and material risks are documented in the risk register, but also within the framework of regular risk reports. Risks are identified, for example, in the form of risk discussions, assessments, scenario analyses or as part of the New Products Process. External findings, such as recognised industry know-how from relevant bodies or working groups, are included in the process. Risk identification is important to permanently keep our risk management up to date.

Risk analysis and assessment

Basically, each risk identified and deemed significant is assessed in quantitative and qualitative terms. To this end we utilise the expertise of our employees, networking of the company divisions via interfaces and working groups or committees, and technical means such as our data processing, inventory management and quotation programmes, as well as our Specialty Internal Model. Risk types for which quantitative risk measurement is not possible or difficult are only assessed qualitatively, e.g. strategic risks, reputational risks or emerging risks. The quantitative assessment of significant risks and the overall risk position is carried out using HGS's internal capital model, the Specialty Internal Model, which takes risk concentration and risk diversification into account.

Risk management

The management of all material risks, individually and at portfolio level, is the responsibility of the operating units. Concrete examples include their underwriting activities and securities trading. The identified and analysed individual risks are either consciously accepted, avoided or reduced. Decisions made by the operational units of the first line of defence always consider the chance/risk ratio. Risk management is supported, among other things, by the requirements of the underwriting and capital investment guidelines as well as by defined limit and threshold values.

Risk monitoring

The task of the risk management function is to monitor all identified material risks. This includes, among other things, monitoring of the risk strategy implementation, compliance with defined limit and threshold values and the permanent application of risk-relevant methods and processes. Moreover, an important task of risk monitoring is to determine whether the risk management measures have been implemented and whether the planned effect of the measures is sufficient. Monitoring takes place at various checkpoints; here, the regular solvency calculation according to the internal model to determine the overall risk profile and information on this to the BRC should be mentioned. This includes a mandatory deviation analysis and monitoring of compliance with the risk limits. In parallel, the internal model is validated and adapted if necessary.

Risk communication and risk culture

Risk management is firmly integrated into our operational processes. This is supported by transparent risk communication and an open approach to risks as part of our risk culture. This is implemented within the company by means of immediate internal and intra-Group forwarding of information on all issues that currently represent a hazard to the company or which could do so in future. Risk communication takes the form, for example, of internal and external risk reports and training courses for employees. Also the regular exchange of information between risk-controlling and risk-monitoring units is fundamental to the proper functioning of risk management.

Risk reporting

Our risk reporting provides structured and timely information on all material risks and their potential impact. The risk reporting system consists of regular risk reports, e.g. on the overall risk situation, compliance with the input parameters defined in the risk strategy or the capacity utilisation of the natural disaster scenarios. Risk reporting focuses not only on the current but also on the expected risk situation. In addition to regular reporting, internal immediate reports on major and short-term risks are prepared as required.

We fulfil the regulatory reporting requirements for HGS with the quarterly risk report, the quantitative reporting, the solvency and financial position report (SFCR), the regular supervisory report (RSR) and a report on the company's own risk and solvency assessment, among other things. HGS is also integrated into the Group's internal reporting on risk management. This takes place via the forwarding of supervisory and supplementary reports.

B.3.2 Own Risk and Solvency Assessment (ORSA)

The continuous ORSA process consists of ongoing analyses to monitor the risk-bearing capacity, the own funds and current and emerging risks that could threaten the continued existence of HDI Global Specialty.

HDI Global Specialty determines its regulatory solvency requirements using the Specialty Internal Model, which is also used in particular for internal management purposes. Capital management is closely linked to the risk management system due to the integration of the solvency ratios of the SIM into the limit and threshold value system. The solvency ratios of the branch offices in Canada and Australia, which are calculated in accordance with local supervisory law, and the solvency ratio of the branch office in England, which is based on the standard formula, also have limits and threshold values. The figures are included in the risk report on a quarterly basis and thus also presented to the BRC.

The business strategy, medium-term planning including scenario analysis and capital development plan, underwriting guidelines, capital investment guidelines and reinsurance purchasing are assessed by the Executive Directors and approved by or brought to the attention of the

Board of Directors. In addition, the risk strategy, the limit and threshold value system, the risk report including sensitivity and stress tests and the SIM report, for example, are evaluated and approved by the BRC. This ensures that the operational ORSA process steps are appropriately integrated into the organisational and decision-making structure of HDI Global Specialty.

The ORSA comprises the following examples of process steps, whereby the chronological order can vary from year to year:

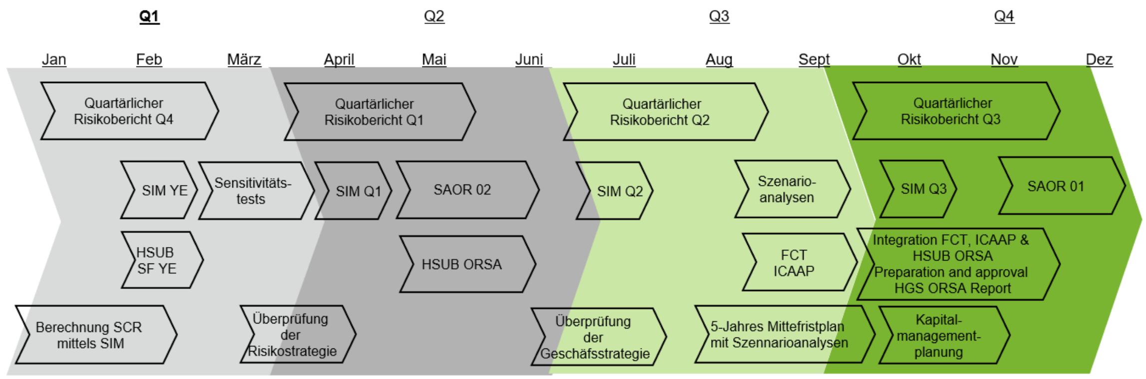


Figure 1: Annual ORSA process

The results of these processes are documented by the operational departments and the key functions in the form of reports, and submitted to the relevant bodies and committees. All work results from the aforementioned processes form the basis for the annual ORSA report, which is managed and coordinated by the risk management function. In the past year under review, the results of the risk and solvency assessment for the period from December 2022 to November 2023 were evaluated in the ORSA report. The report was approved by the Executive Directors in November 2023 and also communicated to the actuarial and compliance key functions.

B.4 Internal control system

B.4.1 Components of the internal control system

We conduct our business activities such that they always comply with all legal requirements. The internal control system (ICS) is an important element that serves, among other things, to safeguard and protect existing assets, prevent and detect errors and irregularities and comply with laws and regulations. The core elements of the HGS ICS are documented in a guideline which creates a common understanding for a differentiated implementation of the necessary controls. This guideline defines terms, regulates responsibilities and provides guidance on the description of controls. It also forms the basis for implementing external requirements placed on HGS. The ICS is a summary of all process-integrated and process-independent monitoring measures (internal controls and organised security measures) that ensure the proper functioning of the organisation and processes. Among other things, it consists of organisational and technical measures and controls within the company. They include, for example:

- the four-eyes principle
- the separation of functions
- the definition of controls within the processes as well as
- technical plausibility checks and access authorisations in the IT systems

For the ICS to function, it is important that the management, executives and employees participate at all levels.

In the area of accounting and financial reporting, e.g., processes with integrated controls ensure that the financial statements are prepared completely and correctly. This ensures that the risk of material errors in the financial statements can be recognised and reduced at an early stage. As our financial reporting is highly dependent on IT systems, it is also necessary to monitor these applications. Authorisation concepts regulate system access, and both content-related and system-related checks are implemented for each relevant step, allowing errors to be analysed and eliminated.

B.4.2 Compliance function

Implementation of the compliance function

The company's compliance function has been assigned to HDI AG via an outsourcing contract. There, the function is organised within the Group Legal/Compliance department. Compliance tasks in the areas of data protection, HR compliance, tax compliance and IT compliance are performed by other departments of HDI Global Specialty within HDI AG, but remain part of the compliance organisation.

The compliance function is part of the second line of defence. In order to ensure sustainable compliance with all relevant legal, regulatory and self-imposed rules, the compliance function carries out appropriate monitoring measures. It acts as an interface to specialist departments with responsibility for extended compliance issues, foreign compliance officers and the other three key functions.

At the top of the Group's internal compliance rules is the Group-wide code of conduct. This contains the most important principles and rules for the legally correct and responsible behaviour of all employees of the HDI Group. At the same time, it contains the high ethical and legal standards according to which the Group organises its actions worldwide. The Code of Conduct is available on the Group intranet and Group website. Every employee in the Group must ensure that their actions comply with this Code and the laws, guidelines and instructions applicable to their area of work.

HDI Global Specialty has written down its compliance policy in a manual titled "Compliance Framework". This handbook is reviewed regularly, at least once a year, and in the event of new developments to ensure that it is up to date and updated if necessary. On the basis of a risk-based assessment, HDI Global Specialty has identified the following topics to be of particular relevance to compliance and defined them as key compliance issues:

- Compliance with supervisory requirements
- Compliance with foreign trade regulations and sanction regulations
- Compliance with underwriting regulations
- Compliance with antitrust and competition regulations
- Compliance with the code of conduct
- Combating corruption/embezzlement/fraud
- Capital market compliance
- Sustainability

Tasks

The task of the compliance function is to ensure compliance of HDI Global Specialty with the essential external regulations.

These compliance focal points are monitored by the compliance function. Compliance tasks in the areas of data protection, HR compliance, tax compliance and IT compliance are performed by other departments of HDI Global Specialty within HDI AG, but remain part of the compliance organisation. The processing of particularly compliance-relevant topics includes at least the following activities:

- Identification and assessment of risks associated with non-compliance with the legal and regulatory requirements (risk management)
- Assessment of the possible consequences of changes in the legal framework on the activities of the company (risk due changes of the legislation/early warning)
- Advice regarding compliance with the legal regulations applicable to the activity
- Verification of the appropriateness of the implemented measures regarding compliance with legal requirements (monitoring function)

The compliance function is responsible for the following in particular:

It monitors changes made to legislation and standards by the legislator and case law. It assesses the relevance of these new developments and communicates relevant innovations or changes to the respective departments, the Executive Directors and the Board of Directors. Through ongoing monitoring, the compliance function contributes to compliance with the legal and regulatory framework conditions by the members of the governing bodies (members of the Board of Directors), Executive Directors and employees of HDI Global Specialty.

Upon request, the compliance function advises members of the Board of Directors, Executive Directors and employees of HDI Global Specialty on compliance issues.

As a further element for ensuring Group-wide compliance, there is a whistleblower system accessible worldwide via the Internet, through which employees and third parties can also anonymously report significant violations of laws and rules of conduct. On this basis, the compliance function can take action, limit the damage and prevent further damage.

The compliance function prepares a quarterly compliance function report, in which the current legal and regulatory developments and the various activities in the area of compliance as well as the main issues with compliance relevance are presented.

B.5 Internal audit function

Implementation of the internal audit function

The implementation of the internal audit function was transferred from the holder of the key function to HDI AG, Group Auditing Division (TX GA), and Hannover Rück SE, Group Auditing Division (HR GA), by means of outsourcing agreements. Group Auditing performs the audit function for the company by carrying out auditing, assessment and advisory activities on behalf of the Board of Directors. In individual cases, an external service provider can also be commissioned to support the internal audit function. The Group Auditing Division provides auditing services for the Board of Directors of HGS in addition to the functions outsourced by HGS to Hannover Re (in particular IT).

Group Auditing's monitoring activities focus on the sustainable protection of the company's assets against losses of all kinds, the promotion of the business and operating policy and the safeguarding of the company's continued existence. To this end, Group Auditing independently and objectively audits all key business divisions, processes, procedures and systems in a risk-oriented manner in accordance with the principles of security, regularity and efficiency.

The auditing activities are based on the audit plan drawn up by internal audit function and approved by the Board of Directors of HGS. Within the framework of this audit plan, the internal audit function performs its work free from specialist instructions and reports its audit results and recommendations directly to the Board of Directors of HDI Global Specialty. Its objectivity and independence from the activities, the auditing of which is its responsibility, is guaranteed, as the outsourcing partners TX GA and HR GA are exclusively entrusted with auditing tasks. TX GA and HR GA are not involved in first or second line of defence tasks and responsibilities according to the 3-lines-of-defence concept.

One further measure to ensure objectivity at the auditor level is the observance of waiting periods when employees from operational areas change to the internal audit function. Apart from the internal audit key function, the holder does not exercise any other key function.

Task

In order to perform its tasks, the internal audit function has a full, unrestricted, active and passive right to information. The active right to information includes access to all divisions, documents, assets and to the discussion partners. The passive right to information ensures that Group Auditing is integrated into the company's information flows that are relevant to it.

Unscheduled special audits required at short notice due to deficiencies that have become apparent can be carried out at any time. In order to be able to perform the monitoring function for all relevant divisions of the company in a systematic, targeted and efficient manner, the audit planning process is comprehensive and prepared from the risk point of view. An audit universe is used as a basis to this end and is reviewed at least annually with respect to its completeness and representative status. All operational and business processes as well as majority shareholdings are audited within a reasonable period of time, i.e. at least once every five years. Special external requirements regarding the audit frequency (e.g. statutory audits such as with respect to the Money Laundering Act) are taken into account in this. The following factors, among others, are taken into consideration as factors influencing risk:

- Inherent risk of the audit fields
- Results of the last audit checks
- Legal and organisational changes regarding the audit fields and
- Knowledge gained from participation in committee meetings and regular jour fixes with other governance functions.

During the annual audit planning, HR Group Auditing coordinates with the Executive Directors of HGS on the functions/tasks that are outsourced to Hannover Re. This coordination is based on a draft prepared by GA, which can be specified or supplemented as required by the Executive Directors of HGS.

Reporting channels

An Audit Report is prepared for each audit which provides the Board of Directors and the audited area with the important information. The report also defines and agrees on measures for improvement with the corresponding implementation dates and persons responsible for the implementation. Implementation is monitored, with the Board of Directors delegating this operationally to the internal audit function.

The internal audit function's reporting system also includes Quarterly and Annual Reports that provide their recipients (including the Management, Board of Directors, the risk management function and auditors) with information on the effectiveness of the internal audit function and audit results. In the event of a particularly serious finding, there is an immediate reporting obligation to the Executive Director concerned. Depending on the risk content, the Board of Directors, the other Executive Directors, the risk management function, the actuarial function and/or the compliance function are also informed.

Internal quality assurance measures and assessments by external auditors are carried out to ensure the effectiveness of Group Auditing. The latest external assessment in the third quarter of 2023 confirmed compliance with the defined standards and complete fulfilment of the professional requirements (94.7%).

B.6 Actuarial function

Implementation of the actuarial function

The tasks of the actuarial function (AF) are centrally implemented at HDI Global Specialty and its tasks are performed by an organisational unit. This structure guarantees adequate actuarial knowledge in all processes concerned as well as independent monitoring. The calculation of the Solvency II technical provisions for insurance policies (hereinafter referred to as Technical Provisions/TP) is carried out centrally for all branches at HDI Global Specialty.

The tasks to be allocated to AF are coordinated by the person internally responsible for the AF at the service provider HDI AG. He/she acts autonomously and independently with regard to the performance of the tasks within the framework of the AF requirements and has a direct reporting line to the Board of Directors. In the exercise of his/her function, the person responsible for the AF is supported by various activities and persons within the risk management function, reserving, pricing and analytics departments.

In addition, there is a common understanding between the two key functions AF and risk management function that a broad exchange of information and expert support for the other function is useful in order to fulfil their respective individual tasks and also to support HDI Global Specialty's goal of an efficient structure.

AF evaluates the underwriting and acceptance policy using internal guidelines, data and processes to measure the underwriting risk. Close contacts are maintained with the reinsurance unit regarding the assessment of reinsurance and the associated risks assumed.

Tasks

The tasks of the AF include, without limitation:

- Coordination and validation of the calculation of the TP
- Ensuring the appropriateness of the methods and underlying models used as well as of assumptions made
  - in calculating the TP both for the solvency overview and for accounting process purposes, and
  - in considering the risks associated with these methods, models and assumptions in the internal model
- Evaluation of the uncertainties inherent in the estimates made when evaluating the TP
- Regular review and assessment of the underlying data in terms of sufficiency and quality
- Regular comparison of the best estimated values with empirical values
- Reconciliation of TP from local financial reporting standards to Solvency II
- Communication with the auditor as part of the solvency overview audit
- Recommendations for the improvement of the processes and models for calculating the TP including data collection, if deficiencies are observable, as well as monitoring of appropriate measures to be implemented
- As part of the contribution towards the risk management function, including, among others

- Assistance for the internal model, in particular regarding underwriting risks (provision and/or review of models, data, input parameters)
- Monitoring the reserve level within the framework of the limit and threshold value system with regard to reserves (IFRS or German Commercial Code (HGB))
- Valuation/risk analysis of large-volume transactions and new business fields

- Preparation of a report of AF, for instance, on
  - tasks of the AF
  - measures performed in the reporting period
  - methods, results and sensitivity analyses regarding the TP
  - comment on the underwriting and acceptance policy as well as
  - assessment of reinsurance
- Involvement of expertise in the branches
  - Request and evaluation of additional information concerning the tasks of the AF, such as data quality and assumptions regarding the calculation of the TP

Reporting channels

The responsible holder of the AF reports directly to the Board of Directors at regular intervals by means of the AF's report, which is to be drawn up annually. If necessary, ad hoc reports are also submitted to the Board of Directors or enquiries are directed by the Board of Directors to the AF holder responsible. These direct reporting lines ensure independence from other key functions and from the operational management.

B.7 Outsourcing

Description of the outsourcing policy

The business model of HDI Global Specialty provides for the outsourcing of activities to internal and external service providers. On the one hand, outsourcing extends to the outsourcing of insurance activities to managing general agencies, underwriting agents and claims managers with whom HDI Global Specialty enters into a close partnership. On the other hand, HDI Global Specialty seeks to make use of synergies within the Talanx Group.

As a result of the establishment of the employee-bearing company at the Hannover location, HDI AG, various functions are performed by HDI AG on the basis of service contracts, taking into account regulatory requirements and the implementation of monitoring mechanisms. There are also intra-Group outsourcings to Hannover Re and Ampega Asset Management. In addition to the high-quality execution of work, the intra-Group outsourcing also has a positive expenses effect and improves intra-Group processes.

Presentation of the important outsourcings

As a result, HDI Global Specialty has concluded a large number of outsourcing agreements, whereby only a few of these agreements were categorised as "important". The "important" outsourcing agreements are subject to special requirements for the management of the outsourcing partner. The following important outsourcings were made in the reporting period:

Service provider	Outsourced function
Ampega Asset Management GmbH	Asset investment and asset management (HGS and Australian branch)
Hannover Re	• Internal audit function (for IT-related audits) • IT
HDI AG	Key functions: • Internal Audit function • Risk management function • Actuarial function • Compliance function Key functions: • Delegated Authority Control & Audit • Reinsurance • Actuarial (Pricing, Reserving, Analytics) • Underwriting • Finance & Tax • Technical Accounting
Sapiens Germany GmbH	Software for inventory management as a cloud solution

B.8 Other disclosures

B.8.1 Evaluation of the appropriateness of the governancesystem

The Board of Directors has commissioned the BRC to assess the appropriateness of HGS's governance system. A preliminary assessment is carried out by the departments responsible for the topics, key functions and the Executive Directors. The assessment is carried out at least once a year.

On 29 February 2024, the BRC carried out the assessment of the governance system and presented the results report to the Board of Directors.

Based on the assessment, the BRC concludes that HDI Global Specialty's system of governance is appropriate to the nature, scope and complexity of the risks inherent in its business activities.

B.8.2 Other disclosures

There were no other significant changes in the governance system of HDI Global Specialty.

C. Risk profile

HDI Global Specialty assumes a great many of risks in the course of its business activities. These risks are consciously entered into, managed and monitored in order to take advantage of the associated opportunities. Currently, the biggest risk exposure of HDI Global Specialty is the reserving risk within the underwriting risk. The stipulations and decisions of the Board of Directors with respect to the risk appetite of HDI Global Specialty are fundamental to the assumption of risks. They are based on the calculations of the risk-bearing capacity.

Within the framework of medium-term planning, we consider the development of the business over a planning horizon of five years. In addition to the baseline scenario, we also consider alternative scenarios that take into account possible large losses and subsequent changes in premiums, as well as the realisation of operational risks, the possible impact of inflation or changes on the capital markets. Based on the assumptions of medium-term business planning, the risk profile develops in line with the expected business expansion. As a rule, the targeted expansion of business activities results in capital requirements growing stronger than the available capital. If appropriate, shareholders take suitable measures to strengthen own funds. It should be noted that the capital requirement forecast is based on a number of assumptions about the future economic and business developments.

Large transactions are analysed in terms of their impact on the risk profile, capitalisation and the defined thresholds for the various risk categories. With this we ensure that the risks develop in line with our risk appetite.

External reinsurance, which is specifically used to hedge high or volatile exposures, is of particular importance in terms of risk appetite and risk mitigation. Extensive Group-internal reinsurance protects the capital of HDI Global Specialty. This also ensures that HDI Global Specialty can benefit from rising prices following a market-changing event. The reinsurance strategy of HDI Global Specialty and its branches is determined by the Executive Directors and submitted to the Board of Directors.

If a new business opportunity is to be implemented in concrete terms, the so-called New Products Process will generally be completed, provided that the criteria defined for this by risk management are met. This process is supported by HGS's risk management function. The process is always run through if a contractual commitment is to be entered into that has not yet been applied by HGS in this form or if the operational risk is significantly changed, the risk to be insured is new or if the liability is substantially higher than the previous scope of the coverage. If this is the case, all significant internal and external influencing factors will be examined in advance and evaluated by the risk management function. Furthermore, it is ensured that the Executive Directors approve the application or sale of the new insurance product.

C.1 Underwriting risk

C.1.1 Underwriting risk of property/casualty primary insurance and property/casualty reinsurance

The risk management function has defined various overarching guidelines for efficient risk management. It is essential that the assumption of risks is, on the one hand, systematically controlled by the existing underwriting guidelines and, on the other hand, mitigated to a large extent by Group-internal reinsurance in accordance with the business model of HGS.

HDI Global Specialty achieves a reduction in volatility and protection of capital through the use of reinsurance. Our conservative level of reserves is a decisive indicator for risk management. Basically, we distinguish between risks resulting from business operations in prior years (reserve risk) and risks resulting from business operations in the current year or future years (price/premium risk).

Diversification of property/casualty primary insurance and property/casualty reinsurance is actively managed by allocating the capital costs depending on the diversification contribution. A high diversification effect is achieved by underwriting business in different lines of business and different regions with different business partners via the most diverse distribution channels. In addition, the active limitation of concentration risks, such as natural disasters, strengthens the diversification effect. The degree of diversification is measured in our internal capital model. The risk capital at a confidence level of 99.5% for the underwriting risks of property/casualty primary insurance and property/casualty reinsurance is as follows:

Required risk capital for underwriting risks – property/casualty primary insurance and property/casualty reinsurance according to the internal capital model

Values in EUR thousands	2023	2022
Underwriting risk - premium risk	71.275	64.604
Underwriting risk – reserve risk	110.756	104.193
Overall underwriting risk	**158.319**	**151.609**

The increase in the risk capital is in line with the planned expansion of HDI Global Specialty in its target lines of business. Due to the broad base according to customers, lines of business, distribution channels and regions, there is no particular concentration of the price and reserve risk. The reserve risk also increases due to volume effects.

Man-made disaster risk

The risk associated with man-made disasters is the risk that losses from a single man-made event or a series of man-made events of sizeable magnitude – usually within a short period of time – may deviate from the expected losses from such events. In line with the other underwriting risks, the risk burden here also increases as the volume of business expands. The individual underwriting units manage the individual risks in their respective portfolios such that individual loss events fall within the risk appetite, but also that the claims burden is not higher than the loss to be expected based on the market share. In the area of man-made disasters, the company underwrites – among others – peak risks in the energy and aviation sectors.

C.1.1.1 Risks from natural hazards

A large share of the required risk capital for the premium risk (including disaster risk) is attributable to natural disaster risks.

Allocation of the required risk capital for the premium risk according to the internal capital model to risks from natural hazards and the remaining premium risk

Values in EUR thousands	2023	2022
Risks from natural hazards	49,701	45,316
Premium risk excl. natural hazards	57,344	55,312
Premium risk	**71,275**	**64,604**

The increase in natural disaster risk is the result of a higher retention for some parts of the UK business and higher priorities in the part of the reinsurance programme relevant to natural disaster.

Licensed scientific simulation models are used to assess the disaster risks from natural hazards (in particular earthquakes, storms and floods) that are material to us. We also determine the risk for our portfolio using various scenarios in the form of probability distributions. The monitoring of risks resulting from natural hazards is complemented by realistic extreme loss scenarios. As part of this process, the Board of Directors determines the risk appetite for natural hazards once a year on the basis of the risk strategy. To this end, it determines the portion of the risk budget that is available to cover risks from natural hazards. This is an essential basis for our underwriting approach in this segment. As part of our holistic risk management, we take into account a large number of scenarios and extreme scenarios, determine their impact on the portfolio and success variables, assess them in comparison with the planned values and point out alternative courses of action. To monitor risks, we regularly report on the effects of various extreme loss scenarios and return periods. Risk management ensures that the maximum amounts made available as part of risk management are complied with.

HDI Global Specialty limits and monitors the disaster risk from natural hazards on the basis of loss scenarios using actuarial measurement methods such as tail value at risk (TVaR). The Aggregate Control Committee is regularly informed about the degree of capacity utilisation.

C.1.2 Reserve risks

The reserve risk, i.e. the risk of under-reserving for losses and the resulting impact on the underwriting result, is of special importance in our risk management. A conservative level of reserves is important to us and we aim for a confidence level of > 50%. To counteract the risk of under-reserving, we calculate our loss reserves on the basis of our own actuarial assessments and create additional reserves to those abandoned by our Claims Departments, which have partly been outsourced to claims managers. Long-running claims, such as those in the third-party liability insurance sector, have a significant influence on this reserve. The IBNR reserve is calculated differentiated according to lines of business and regions.

Another monitoring tool is the statistical run-off triangles we use. They show how the provision has changed over time as a result of the payments made and the recalculation of the provision to be formed as at the respective reporting date. The appropriateness of these is monitored by our actuarial department. On an annual basis, quality assurance of our own actuarial calculations regarding the adequacy of the reserve amount is additionally performed by external actuarial and auditing companies.

Collateral

HDI Global Specialty issues letters of credit (LoC) to business partners from the United States of America via HDI Global SE. The amount depends on the sum of unearned premium reserves and provisions for claims payments. In the event of a drawdown, the amount is offset against outstanding payments. There is an administration-related time lag between the ongoing payments and adjustments to the level of the LoC, which can result in exposure.

C.1.3 Risk mitigation techniques in the field of property/casualty primary insurance and property/casualty reinsurance

C.1.3.1 Strategic aims and key figures

The strategic aims with regard to the placement of reinsurance are defined by the unit carrying out the placement and the Executive Director who is responsible. The Executive Board approves the reinsurance strategy and monitors the placement of reinsurance, in particular the limits, premiums and contractual conditions. Moreover, the Reinsurance Department regularly reviews the effectiveness of the individual reinsurance programmes. This is done by preparing relevant individual reports and analyses and evaluating their results. The placement proposals take into account the volatility of the respective portfolio, highly exposed natural disaster business and the results from HDI Global Specialty's internal model.

In the case of a claim, HDI Global Specialty is relieved by its various proportional and non-proportional coverage.

C.1.3.2 Reinsurance covers of HDI Global Specialty

HDI Global Specialty reinsures almost the entire assumed business in the form of quota share reinsurance contracts with Group companies. For each portfolio, the major portion of the business written is ceded to Hannover Re and HDI Re (Ireland). The risks are usually ceded to the reinsurer as assumed. However, HDI Global Specialty usually receives a commission.

Parts of the assumed business of HDI Global Specialty are additionally protected by proportional and non-proportional coverage, both within and outside the Group. This applies, in particular, to the lines of business of motor insurance where partially unlimited insurance policies need to be issued, aviation where high limits are encountered as well, and property insurances which are particularly exposed to natural hazards.

The retrocession contracts placed by the Hannover Re Group also partially protect the business underwritten by HDI Global Specialty. In the case of a claim, HDI Global Specialty therefore receives relief from, for instance, the aviation and marine programme of the Hannover Re Group. In addition, the business written by HDI Global Specialty is also partially covered by reinsurance contracts placed by HDI Global, e.g. the excess of loss for property insurance business.

C.1.3.3 Reinsurance placement process

The Executive Board derives the risk budget for underwriting risks from the overall risk budget and sets it forth with binding effect in the limit and threshold value system. The utilisation of these limits is monitored with a traffic light system. On this basis, the risk appetite in actuarial practice is adequately specified in the underwriting guidelines. Then, reinsurance is arranged such that the risks on a net basis correspond to the requirements. Moreover, in view of the volatility of the assumed business, stabilising reinsurance solutions are purchased in individual cases.

C.1.3.4 Letters of credit

For cessions to reinsurers that only fulfil our security requirements to a limited extent, we agree clauses that grant HGS a letter of credit in the amount of the receivables.

C.2 Market risk

Market risks include equity, investment, interest rate, currency, real estate and infrastructure, spread, inflation and credit risks.

In view of the challenging capital market environment, the preservation of the value of our investments and the stability of our rate of return are of great importance. For this reason, HGS organises its portfolio according to the principles of a balanced risk/return ratio and broad diversification. Based on a low-risk investment mix, the investments reflect both currencies and maturities of our liabilities.

The following table shows the risk capital at a confidence level of 99.5% for the market risks from capital investments held by HGS and third parties.

Risk capital required for the market risks as calculated by using the internal capital model

Values in EUR thousands	2023	2022
Market risk	88,647	70,208

HDI Global Specialty expanded its business volume last year and the market risk has risen accordingly. The greatest impact, however, is due to the effect of lower interest rates on the interest rate risk.

In order to ensure that our investments retain their value, we continuously monitor compliance with a comprehensive early warning system. This system defines clear limits and thresholds as well as escalation paths for the market value fluctuations and realisation results from investments accumulated since the beginning of the year. They are clearly described in line with our risk appetite.

In addition, we perform stress tests. Here, the loss potentials are simulated for the fair values and on the basis of extreme events having already occurred or being fictitious.

Scenarios of the fair value development of the major capital investment classes

Values in EUR thousands	Scenario	Inventory change on fair value basis 2023	2022
Fixed-income securities	Increase in yields +50 basis points	-4.526	-4.217
	Increase in yields +100 basis points	-8.979	-8.351
	Decline in yields -50 basis points	4.602	4.302
	Decline in yields -100 basis points	9.284	8.693

The scenarios illustrate the low-risk capital investment mix of HDI Global Specialty, but also the increase in the capital investment portfolio.

In addition to the various stress tests, which estimate the loss potential under extreme market conditions, sensitivity and duration analyses and our Asset Liability Management (ALM) are further material risk management measures. In addition, duration bands are installed within which the portfolio is positioned in line with market expectations. The portfolio of fixed-income securities is exposed to the interest rate change risk. Falling market yields lead to increases in the market value and rising market yields to decreases in the fair value of the fixed-income security portfolio. In addition, the credit spread risk exists. The credit spread is the difference in interest rates between a high-risk bond and a risk-free bond with identical maturities. Changes in these risk premiums observable on the market lead to changes in the market value of the corresponding securities analogous to changes in pure market yields.

The market price risk is managed using a market value-based asset/liability approach, the Asset Liability Matching Value at Risk (ALM-VaR). The ALM VaR takes account of interest rate change and currency risks and makes the effects of a duration gap on the risk situation of the capital investments transparent.

We minimise interest rate and currency risks by matching payments from securities as closely as possible with forecast future payment obligations from our insurance contracts.

Due to the international insurance portfolio, the company regularly receives liquid funds in foreign currencies, which are offset by payment obligations in foreign currencies. Currency risks exist in particular when there is a currency imbalance between underwriting liabilities and assets. The installed measurement and monitoring mechanisms ensure a cautious, broadly diversified investment strategy. We reduce this risk by largely matching the currency distribution between the assets, equity and liabilities sides of the balance sheet. We regularly compare the liabilities per currency with the covering assets and optimise currency coverage by reallocating investments. In this respect, we take into account ancillary conditions, such as various accounting process requirements. Remaining currency surpluses are systematically quantified and monitored within the framework of economic modelling.

Our investments include credit risks resulting from the risk of default (interest and/or redemption) or changes in the credit quality (rating reduction) of the issuers of securities. Broad diversification is just as much of central importance as a creditworthiness assessment on the basis of the quality criteria laid down in the capital investment guidelines. We measure credit risks first by using the credit risk components customary in the market, in particular the probability of default and the possible amount of loss, considering any collateral as well as the ranking of the individual securities in terms of their effect.

Subsequently, we assess the credit risks first at the level of the individual securities (issues) and in further steps together at issuer level. To limit the counterparty credit risk, we define different limits at issuer or issue level as well as in the form of distinct rating ratios. Comprehensive risk reporting ensures prompt reporting to the functions entrusted with risk management. Additionally, HDI Global Specialty uses the Credit Value at Risk of 99.5% (CVaR) to monitor the credit and concentration risks across the entire portfolio and at the individual customer level. Risk-relevant information such as rating classifications and the seniority and maturity of capital investments are included in the calculation.

With the aim of further optimising its capital investment portfolio, HDI Global Specialty has invested in real estate and infrastructure funds. This is associated with the risk that actual fair values and yields deviate from the expected results and with a higher illiquidity compared to other investments.

The pension risk from inflation refers to the risk that pension obligations will increase due to an unexpected increase in inflation, necessitating unplanned additional reserving. The pension risk is moderate and within the risk appetite of HDI Global Specialty.

C.3 Credit risk

The credit risk or counterparty credit risk consists of the risk of total or partial default by the counterparty and the associated payment default. This risk relates to agencies, claimsmanagers, brokers, policyholders, cedants and reinsurers.

The following table shows the risk capital at the 99.5% confidence level determined using the Specialty Internal Model for the credit risk of HDI Global Specialty.

Risk capital required for the credit risk as calculated by using the internal capital model

Values in EUR thousands	2023	2022
Credit risk	66,087	46,382

The increase in counterparty default risk results from changes in risk factors in the course of the annual recalibration of the model.

Since the business assumed by us is reinsured to a major extent, the counterparty credit risk in reinsurance is of special importance to us. In line with its role in the Group, HGS cedes the primary insurance risks predominantly to companies of the Talanx Group. In order to minimise the bad debt risk resulting from business ceded to third parties, our non-Group reinsurers are carefully selected and monitored from the point of view of credit quality. On the basis of this ongoing monitoring, the Ceded Reinsurance Department decides, if appropriate, measures for the collateralisation of receivables. Risk management procedures used within the Group network support this process by setting cession limits at the Hannover Re and HDI Group level for the individual reinsurers participating in the reinsurance programmes and determining the remaining free capacities for the short, medium and long-term business. Depending on the type and the expected run-off period of the reinsured business, also internal and external expert assessments (e.g. market information from brokers) are used for the selection of reinsurers in addition to the minimum ratings of the rating agencies Standard & Poor's and A. M. Best. Overall, reinsurance protects our capital, stabilises and optimises our results and allows us to take broader advantage of market opportunities, e.g. after a large loss event. Regular visits to our reinsurers and the exchange with specialised reinsurance brokers do not only give us a reliable market overview, but also enable us to quickly react to capacity changes. In particular, the probability of a default of counterparties without a rating is considered during quantification. As a result, the overall picture contains rather smaller fluctuations with greater effects on the required capital.

The bad debt risk with respect to companies of the Talanx Group is monitored on an ongoing basis with the help of the internal capital model and other qualitative and quantitative key figures.

Share of amounts recoverable from reinsurance contracts

Values in%	2023	2022
HDI/Talanx Group	36.41	26.20
Hannover Re Group	57.34	68.63

Credit risks arise from our relationships with brokers, managing general agencies and claims managers. Bad debt risks exist as a result of the possibility of a loss of the premium paid by the policyholder to the broker or managing general agency until it is passed on. A claims payment may be lost if the claims manager does not pass on the claims payment from HDI Global Specialty to the policyholder. We reduce these risks, for instance, by checking brokers, managing general agencies and claims managers for criteria, such as their professional liability insurance, payment behaviour and proper performance of contract.

The various key figure indicators for monitoring credit risks are anchored in the limit and threshold value system and are subject to the escalation process in the event that they are exceeded.

C.4 Liquidity risk

We define liquidity risk as the risk of not being able to fulfil our financial obligations when they fall due or of achieving lower returns, for example through short-term sales of securities in the capital investment. The liquidity risk consists of the refinancing risk (cash and cash equivalents required could not be procured at all or only at increased expenses) and the market liquidity risk (financial market transactions could only be concluded at a lower price than expected due to a lack of market liquidity). A key element of the liquidity management of our capital investments is the management of the maturities/currency structure of our capital investments on the basis of the planned payout profiles by currency from the technical underwriting obligations. The asset manager of HGS manages a short-term investment portfolio, controlled according to liquidity requirements, and a long-term investment portfolio, which is invested according to the objectives of HGS's strategic asset allocation. In addition, permanent liquidity management is carried out at the locations, which includes ongoing planning and close cooperation within HGS as well as with HDI Global SE. Beyond the foreseeable payouts, unexpected, extraordinarily high payouts, for example due to a catastrophe, could pose a liquidity risk, which is countered in the actuarial practice by so-called loss contributions from reinsurers. These measures effectively reduce the liquidity risk.

The "total amount of expected profit included in future premiums" required under Art. 295 (5) of the Implementing Regulation can be found in the disclosure form S.23.01.01, item R0790. We do not use this ratio for our liquidity management.

C.5 Operational risk

Operational risks include the risk of losses due to inadequate or faulty internal processes as well as employee-related, system-related or external incidents. In contrast to underwriting risks (e.g. reserve risk), which we consciously and controllably enter into in the course of our business activities, operational risks are inseparably linked with our business activities. Hence, the focus is on risk avoidance and reduction.

Risk capital required for operational risk calculated using the internal capital model

Values in EUR thousands	2023	2022
Operational risk	41,148	41,434

Operational risk, measured using the Specialty Internal Model, remains essentially stable.

Based on self-assessments, which we document in the regular risk reports, we continuously analyse and monitor the risk situation and define areas of action for improvement. For determining the capital tie-up in our internal model, we use the Self-Assessment of Operational Risks procedure, which enables us to describe future operational loss scenarios.

Within the overall framework of operational risks, we consider in particular business process risks (including data quality), compliance risks, outsourcing risks (including our sales channels), fraud risks, personnel risks, information and IT security risks and business interruption risks. Compliance risks, such as breaches of the General Data Protection Regulation and external fraud risks, are the most highly quantified operational risks.

Business process risks consist of the risk of inadequate or faulty internal processes which may arise, for instance, as a result of inadequate process organisation. HGS has established an internal control system and a business process management system. Both set out the minimum requirements for the company's process organisation and define clear responsibilities. Checks and controls, based on the HGS ICS, support the optimisation and control of risks (e.g. peer reviews, file reviews, power of attorney limits/personal signing authorities or 4/6-eye principle). By continuously optimising and automating our processes, and by standardising procedures, we reduce the risks in this area. The data quality is likewise a critical success factor. The HGS data management organisation has continued to pursue various initiatives to ensure and continuously improve data management.

The business interruption risk arises from hazards of a natural or human origin that represent a threat to or disruption of business operations. The primary objective in reducing the risks of business interruption is to return to normal operation as quickly as possible after a crisis, e.g. by implementing existing emergency plans. On the basis of internationally recognised standards, the essential framework conditions have been worked out, plans for the continuation and restoration of business activities have been developed, and also a crisis unit has been set up to serve as a temporary management body in the event of a crisis. The system is supplemented by exercises and tests.

Compliance risks primarily consist of the risk of violations of standards and requirements which can result in lawsuits or official proceedings with a not inconsiderable impairment of the business activities of HDI Global Specialty if they are not observed. Regulatory compliance, compliance with business principles, data protection and also antitrust and competition law compliance were defined as issues of particular relevance to compliance. The compliance risk includes tax and legal risks. With the help of sanction-screening software, parts of the underwriting portfolio of HDI Global Specialty as well as payment transactions are filtered for persons and companies that are subject to sanctions. If such persons or companies are discovered, appropriate measures are taken. The responsibilities within the compliance organisation are allocated and documented for all locations. Interfaces with risk management are established. Regular compliance training programmes supplement the range of tools available. Our compliance risk in the Delegated Authority business model is also monitored by a separate department. In line with the requirements of VAIT and to ensure compliance, HGS is continuing to expand its IT management department.

Fraud risks arise from the risk of intentional violations of laws or regulations by employees (internal fraud) and/or by external parties (external fraud). The internal control system and the line-independent audits of the internal audit function reduce such risks. The establishment and publicising of a whistleblower hotline is another form of monitoring at company level.

Outsourcing risks may result from the outsourcing of services and/or organisational units to third parties outside HGS. To limit the risk, there are binding regulations which, e.g., require a risk analysis be performed prior to significant outsourcing. Within the framework of such analysis, it is examined, among other things, which specific risks exist and whether outsourcing is possible at all. HGS benefits here from synergy effects and uniform Group standards through the purchase of services within the HDI/Talanx Group. The (important) Group-internal outsourcing actions to HDI AG, including the four key functions of internal audit function, compliance function, actuarial function and risk management function, are managed, controlled and monitored as part of the established outsourcing process. The annual review of the services provided and the associated risks by the BRC enables additional monitoring of these functions. In particular, when insurance-specific activities are outsourced, risks are reduced by carefully selecting the agencies and claims managers, agreeing binding underwriting and loss adjustment guidelines and performing regular reviews, including on-site reviews. The clear allocations of responsibilities in the Delegated Authority Business underwriting and claims processing, the further development of the organisational structure and procedures, as well as the corresponding guidelines and processes, likewise lead to a reduction in risk. In the area of information technology, HGS is increasingly using the possibilities of the cloud to take advantage of the higher security standards, access to newer software and scalability offered by the providers. In line with the increasing use of the cloud and for the monitoring of outsourced IT functions within the Group and to external partners, HGS is further expanding its IT management department in order to manage the resulting outsourcing risk appropriately.

The functional and competitive capability of HDI Global Specialty is largely attributable to the competence and commitment of our employees. In order to reduce personnel risks, we pay particular attention to the qualifications, experience and motivation of our employees and promote them through personnel development and leadership work. Regular monitoring of fluctuation rates and other key personnel figures ensure that personnel risks are identified at an early stage and create scope for action. In addition, HGS mitigates the personnel risk through recruitment and hiring standards, annual performance appraisals, talent management and succession planning, and uses employee surveys to identify areas for improvement, which are then appropriately addressed.

Information technology risks and information security risks consist, among other things, of the risk of inadequate integrity, confidentiality or availability of IT systems and information. Essential issues for us include e.g. potential losses that could result from non-compliant processing of personal data or from the non-availability of our core systems. The IT risk tends to increase due to the threat of cyber attacks. Ongoing improvements introduced across IT with regard to systems, IT risk management and the governance organisation ensure that the IT risk and the threat of cyber attacks are countered appropriately. In view of the wide range of these risks, there are a variety of control and monitoring measures as well as organisational requirements, such as confidentiality agreements to be concluded with service providers. In addition, our employees are sensitised to such security risks through practical assistance, e.g. on the intranet, through training courses and employee information campaigns.

C.6 Other important risks

Other significant risks for HDI Global Specialty are mainly future risks (emerging risks), sustainability risks, systemic concentration risks, strategic risks and reputational risks.

C.6.1 Emerging risks

Emerging risks are new or future risks whose potential danger or risk content is not yet reliably known or difficult to assess. Over time, these risks can develop from weak signals to clear trends with a high risk potential. Emerging risks can either contain risks that have arisen in the short term or which are expected in the future (new risks) or risks that – although already known – display an evolving character or an unexpected, changing dynamic, resulting in unexpected losses (evolving risks). It is therefore important to detect such signals at an early stage and systematically identify them, determine their relevance and assess their level of risk. As the frequency and severity of risks are often completely unknown, conventional risk identification and the subsequent monitoring process do not work. Special strategies and approaches must be implemented in order to deal with these risks appropriately, especially since there is no historical statistical data here on which HDI Global Specialty can rely.

As an integral part of the complex risk management function’s process, HGS is involved in the various working groups of the HDI Group ("MRT Emerging Risks") and the Hannover Re Group ("Emerging Risks and Scientific Affairs"). The latter is made up of employees from different departments, subsidiaries and professions and meets every one to two months. The group conducts qualitative assessments of emerging risks and coordinates the results with the risk management function of HDI Global Specialty. Emerging risks are identified, monitored and recommendations submitted for dealing with these risks. An additional task of this interdisciplinary working group is to convert scientific findings into underwriting knowledge in order to close the gap between the constant scientific progress and the day-to-day business in the areas of underwriting and risk management. The working group's reporting includes analyses and recommendations for action in the form of "position papers" and "risk briefings". In the year under review, the topics of compensation for personal injury, microplastics, medical progress, shifts in the spectrum of pathogens, antibiotic resistance, shifts in the political landscape, political violence and terrorism, asbestos, endocrine disruptors, megacities, nanotechnology and the regulatory environment were analysed in greater depth in corresponding position papers. In addition, an evaluation of exposure to PFAS ("per-" (fully) and "poly-" (partially) fluorinated substances that contain at least one fully fluorinated methyl (-CF3)) was evaluated in the third-party liability lines. Based on the analyses, the exposure in the HGS customer group was classified as moderate. However, the main task of the working group is the extensive six-monthly risk assessment, the ERIS process ("Emerging Risk Screening"), a collective assessment of all emerging risks, which culminates in a list of the Top 40 risks. All risks on which each working group member focuses, are intensively discussed and reviewed within the ERIS process, whereby a uniform, qualitative point system is used with regard to the probability and severity of each risk complex. Based on ongoing trend monitoring, the HDI Group's working group also continuously establishes an "emerging risk pool" and communicates this to the participants in the emerging risk process. Based on this, emerging risk experts identify the particularly relevant risks in the period under review in a first round and discuss these with the participants in a joint emerging risk workshop. The identified emerging risks are then prepared for the Group-wide assessment and evaluated by the participants. The results of the working groups are regularly communicated to the BRC and in this way to the company management. Such new risks, which have now been categorised, contain both risk potential and opportunities, for example with regard to our product development, as the risks are now tangible and calculable.

C.6.2 Strategic risks

Strategic risks arise from a possible mismatch between the corporate strategy of HDI Global Specialty and the constantly changing framework conditions of the environment. This imbalance may be caused, for instance, by wrong fundamental strategic decisions, inconsistent implementation of defined strategies and business plans or wrong allocation of resources. Therefore, we regularly review our corporate strategy and adjust our processes and derived guidelines as necessary. For the operational implementation of the strategic principles and objectives, we have defined success criteria and key figures that are decisive for the achievement of the respective objectives. The planning, formulation and management of strategic targets and measures are regularly dealt with at closed meetings and meetings of the Executive Board, so that an overall view of the company and the strategic risks is ensured.

C.6.3 Reputational risks

Reputational risks relate to the risk that the trust in our company of current and potential customers, business partners and employees, or the greater public and our shareholders, may be damaged. This risk can jeopardise the business basis of HDI Global Specialty. A good corporate reputation is therefore a basic prerequisite for our business. Reputational risks can arise from all business activities of HDI Global Specialty, but also from other market players. Reputational damage can be caused, for instance, by a loss of data that has become public or by a financial imbalance due to an underwriting risk. HDI Global Specialty is also particularly exposed to the fact that, as an industrial insurer, the economic activities of our customers are subject to changes in public perception. In addition to the risk identification procedures already described, we rely on a large number of different procedures to minimise risk. These include ensuring that HDI Global Specialty is embedded in the communication channels (e.g. guideline on crisis communication) of the HDI Group, which have been defined with binding effect. Furthermore, HDI Global Specialty is part of the HDI Group's professional public relations work and has at its disposal tried-and-tested processes for defined crisis scenarios, as well as our established business principles.

C.6.4 Sustainability risks

Sustainability risks are environmental, social or corporate governance events or conditions that, if they materialise, could actually or potentially have a significant negative impact on a company's net assets, financial position, results of operations and reputation. This includes climate-related risks in the form of physical risks and transition risks. For HGS, it is a meta risk and accordingly part of all other risk categories, in particular underwriting risks and market risk, but also reputational risk. As a result, the sustainability risk is taken into account when calculating the capital requirement for each individual risk category.

Sustainability risks are of particular importance to HGS, as our customer base includes carbon-intensive, CO2-based industries. The impact of sustainability risks is characterised in different ways. For example, in the form of reputational risk, which results from bad press due to an alleged or actual violation of ESG criteria. This in turn can have an impact on the insurance business or the ability to recruit employees. However, it also takes the form of transition risk, which is pronounced in the specialised lines of business of shipping, aviation, energy and mining, while the financial lines are particularly affected by governance aspects. Within underwriting risk, sustainability risks also have an impact through the consequences of climate change and corresponding underwriting and pricing decisions. Sustainability also manifests itself in the form of Solvency II regulations (governance), codes of conduct for suppliers, fair compensation, compliance with sanction and licensing regulations, but also in the context of our own business operations, e.g. through the development and implementation of resource-saving measures (carbon neutrality).

The HDI Group has established a Responsible Underwriting Committee (RUC) and a Responsible Investment Committee (RIC). HGS follows the decisions of these committees. A Sustainability Coordination Group was set up within HGS to deal with sustainability issues and identify key areas for action. In addition, HGS is involved in Group-wide working groups together with the Industry division via a central interface, so that the decentralised development of topics within the companies can be continued from here. This ensures a standardised approach to the topic of sustainability within the HDI Group.

C.6.5 Systemic concentration risks

Systemic concentration risk, for instance geopolitical tensions or the rise in interest rates implemented by central banks, is the risk that an event or a series of events will affect several risks in our entire portfolio, i.e. underwriting risk, credit risk, market risk, liquidity risk and operational risk as well as other risk categories, i.e. systemic risk within the HGS portfolio. In its underwriting, HGS favours rather moderate sums insured with a large number of policyholders. Various initiatives have been continued under the heading of “derisking”. These include the introduction of software for improved aggregate control, in order to achieve further optimisation of the portfolio. In particular the COVID-19 pandemic and the war in Ukraine highlight that there is potential for man-made catastrophe losses to accumulate across lines of business. HGS is further balancing its portfolio by reducing its exposure to US hurricanes and Australian natural hazards as a first step.

C.7 Other disclosures

There are no other disclosures that have a material effect on the risk profile.

D. Valuation for Solvency Purposes

General valuation principles

The valuation of assets and liabilities according to Solvency II is based on economic and market-consistent principles and takes into account inherent risks.

According to this concept, assets and liabilities are valued as follows:

- Assets should be valued at the amount for which they could be exchanged between knowledgeable, willing parties in an arm's length transaction.
- Liabilities should be valued at the amount for which they could be transferred or settled between knowledgeable, willing parties in an arm's length transaction.
- The fair value of the money should be reflected, i.e. all cash flows are discounted.
- For the valuation of liabilities, no impairment are made to take into account the credit quality of the insurance company.
- The valuation of assets and liabilities is based on the assumption that the company continues its business activities ("going concern assumption").
- Individual assets and liabilities are valued separately.
- Notions of materiality are applied. Missing or erroneous disclosures of items are regarded as material if they could affect, individually or together, the economic decisions of users.
- Simplifications may be applied if the method is appropriate regarding the nature, extent and complexity of the inherent risk.

The basis for determining the fair value of assets, equity and liabilities, except for technical provisions, is the valuation according to the international accounting process standards as adopted by the Commission according to the Regulation (EC) No 1606/2002. For instance, IFRS 13 serves as a guideline for fair value measurement.

The value of the technical provisions corresponds to the current amount that an insurance company would have to pay if its insurance and reinsurance obligations were immediately transferred to another insurance or reinsurance company. To this end, the technical provisions need to be calculated in a prudent, reliable, objective and market-consistent manner.

The value of the technical provisions corresponds, to a major extent, to the sum of a "best estimate" and a risk margin:

- The best estimate liability (BEL) is the present value of all underwriting cash flows.
- The risk margin is calculated using a cost-of-capital approach.

Only a small part of the cash flow from underwriting liabilities can be replicated by financial market products.

Valuation methods used must always comply with Articles 75 or 77 to 82 and 86 of the Directive 2009/138/EC.

Review of active markets

When assets are evaluated, a review is necessary whether a market is an active market or not. Only when a market is active, the fair value for determining the fair value of assets can be directly taken from these markets or derived from comparable assets traded there. If a market cannot be classified as active, the fair value must be determined using valuation models. Whether a market can be regarded as an active market depends on the nature of the financial instruments and local markets. However, at HDI Global Specialty they are based on the following defined input parameters.

- Business transactions occur with sufficient frequency and volume such that price information is always available
- The products traded on the market are homogeneous
- It is always possible to find buyers and sellers willing to enter into a contract
- Prices are available to the public

A market is no longer active if, due to the complete and longer-term withdrawal of buyers and/or sellers from the market, the market liquidity can no longer be determined. If the transactions demonstrably result exclusively from forced transactions, forced liquidations or emergency sales, this is likewise indicative of an inactive market; the same applies to high bid-ask spreads.

If the market is demonstrably no active market, we use valuation models for determining fair values. Refer to Section D.4.

Note

Rounding differences of +/- one unit may occur in the following tables.

Solvency overview as at 31 December 2023

The following pages show our solvency overview as at 31 December 2023.

In the headings of the subsections of "D.1 Assets" and "D.3 Other liabilities" we use the EIOPA item designations for improved readability and clear allocation of the sub-sections to the respective items in the solvency overview.

Values in EUR thousands	Item	2023	2022
Assets			
Intangible assets	R0030	0	0
Deferred tax assets	R0040	43	1.548
Real estate, plant and equipment held for own use	R0060	7.691	7.234
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	663.892	617.327
Shares in affiliated companies, including investments	R0090	24.559	21.767
Bonds	R0130	585.174	534.616
Government bonds	R0140	287.736	295.674
Corporate bonds	R0150	297.438	238.942
Collective investments undertakings	R0180	48.013	51.005
Deposits other than cash equivalents	R0200	6.146	9.939
Loans and mortgages	R0230	12.644	7.600
Other loans and mortgages	R0260	12.644	7.600
Amounts recoverable from reinsurance contracts of:	R0270	3.454.782	3.023.268
Non-life and health similar to non-life insurance	R0280	3.454.782	3.023.268
Non-life insurance excluding health insurance	R0290	3.423.744	3.002.008
Health insurance similar to non-life insurance	R0300	31.038	21.260
Funds withheld by ceding companies	R0350	25.217	24.697
Insurance and intermediaries receivables	R0360	272.908	362.139
Reinsurance receivables	R0370	0	0
Receivables (trade, not insurance)	R0380	28.161	28.330
Cash and cash equivalents	R0410	225.551	129.047
Any other assets, not elsewhere shown	R0420	93	81
Total assets	**R0500**	**4.690.982**	**4.201.271**

Values in EUR thousands	Item	2023	2022
Liabilities			
Technical provisions for insurance policies – non-life insurance	R0510	3.729.804	3.251.935
Technical provisions – non-life insurance (excluding health insurance)	R0520	3.699.156	3.229.543
Best estimate	R0540	3.672.159	3.199.653
Risk margin	R0550	26.997	29.890
Technical provisions – health insurance (similar to non-life insurance)	R0560	30.648	22.392
Best estimate	R0580	29.986	21.798
Risk margin	R0590	662	594
Contingent liabilities	R0740	0	1.499
Provisions other than technical provisions	R0750	5.241	5.767
Pension benefit obligations	R0760	242	237
Funds withheld under reinsurance treaties	R0770	103.306	67.282
Deferred tax liabilities	R0780	16.889	16.646
Financial liabilities other than debts owed to credit institutions	R0810	6.064	5.480
Liabilities to insurance companies and intermediaries	R0820	44.505	114.145
Liabilities to reinsurers	R0830	202.010	229.175
Liabilities (trade, not insurance)	R0840	14.676	2.317
Subordinated liabilities	R0850	70.953	65.973
Subordinated liabilities in basic own funds	R0870	70.953	65.973
Any other liabilities, not elsewhere shown	R0880	44.350	40.082
Total liabilities	**R0900**	**4.238.040**	**3.800.538**
Excess of assets over liabilities	**R1000**	**452.942**	**400.734**

D.1 Assets

D.1.1 Intangible assets R0030

Values in EUR thousands	2023 Solvency II value	2023 Value in HGB financial statements	2022 Solvency II value	2022 Value in HGB financial statements
Intangible assets	0	0	0	505

According to the German Commercial Code (HGB), intangible assets are valued according to the acquisition cost principle at the lower of amortised cost or fair value according to the cost principle, taking into account write-downs.

According to the valuation rules under Solvency II, intangible assets were recognised as zero.

Valuation difference

Intangible assets are measured at zero, unless they can be sold individually and there is a fixed market price for them in an active market for identical or similar intangible assets.

D.1.2 Deferred tax assets R0040

Values in EUR thousands	2023 Solvency II value	2023 Value in HGB financial statements	2022 Solvency II value	2022 Value in HGB financial statements
Deferred tax assets	43	0	1,548	0

If there are differences between the valuation bases of assets, liabilities and accrued and deferred items under commercial law and their tax valuation bases that are expected to reverse in subsequent financial years, the tax relief resulting therefrom can be recognised as deferred tax assets and a tax charge must be recognised as deferred tax liabilities in the commercial balance sheet. In the commercial balance sheet of HDI Global Specialty, no deferred tax assets are recognised for a resulting asset surplus in exercise of the option pursuant to Section 274 (1) sentence 2 of the German Commercial Code.

The recognition and measurement of deferred tax assets in the solvency overview are explained under the item "Deferred tax liabilities R0780".

Deferred tax assets mainly result from temporary differences in the balance sheet items, amounts recoverable from reinsurance contracts R0270, liabilities to insurance companies and intermediaries R0820, liabilities to reinsurers R0830 and from recoverable deferred tax assets from tax loss carryforwards.

Deferred tax assets recognised from tax loss carryforwards in the UK, Sweden, Denmark and Spain amounting to EUR 4,623 k in total and at the head office amounting to EUR 18,593 k are to be classified as recoverable in full. The recoverability results from the respective existing tax liabilities from temporary differences in the same jurisdiction and also on the basis of a five-year earnings plan. Where the offsetting requirements were met, the deferred tax assets and deferred tax liabilities were offset in accordance with IAS 12.74.

D.1.3 Real estate, plant and equipment held for own use R0060

Values in EUR thousands	2023 Solvency II value	2023 Value in HGB financial statements	2022 Solvency II value	2022 Value in HGB financial statements
Real estate, plant and equipment held for own use	7,691	1,823	7,234	1,957

Under German commercial law, operating and office equipment is basically valued at acquisition or production cost less scheduled and, if applicable, unscheduled write-downs. Low-value fixed assets are fully depreciated in the year of acquisition. With regard to operating and office equipment, the valuation in the solvency overview is considered to be identical to the valuation basis in the annual financial statements under commercial law. For reasons of materiality no revaluation is performed.

The increase in operating and office equipment compared to the prior year is due to the newly concluded rental agreements in the foreign branches.

Valuation difference

The difference of EUR 5,868 k between the valuations recognised in the solvency overview and the annual financial statements under commercial law is due to the fact that Solvency II follows the approach under IFRS 16, according to which rental agreements with a term of more than 12 months must be recognised in the balance sheet.

D.1.4 Property (other than for own use) R0080

HDI Global Specialty has not recognised any real estate according to Solvency II or the German Commercial Code in the balance sheet.

D.1.5 Shares in affiliated companies, including investments R0090

Values in EUR thousands	2023 Solvency II value	2023 Value in HGB financial statements	2022 Solvency II value	2022 Value in HGB financial statements
Shares in affiliated companies, including investments	24,559	103,147	21,767	103,637

Under Solvency II, investments are fundamentally valued at their fair values. If fair values are not available, the "adjusted equity method" can be used to determine the value according to Delegated Acts Solvency II, Article 12.

Investments and shares in affiliated companies are recognised in the balance sheet according to Section 255, para. 1 of the German Commercial Code (HGB) at acquisition costs less any write-downs to a lower fair value according to Section 341 b, para. 1, sentence 2 of the German Commercial Code in conjunction with Section 253, para. 3, sentence 5 of the German Commercial Code.

The change in shares in affiliated companies, including participating interests, results from the acquisition and disposal of shares in affiliated companies and participating interests.

Valuation difference

The difference between the valuation bases in the solvency overview and the annual financial statements under commercial law amounting to EUR 78,588 k mainly results from the application of the adjusted equity method. The investment value results from the recognition of the excess of assets over liabilities of the respective companies.

D.1.6 Shares R0100

HDI Global Specialty does not hold any shares and has not recognised any values in accordance with Solvency II and the German Commercial Code (HGB).

D.1.7 Bonds R0130

Government bonds, corporate bonds, structured products and secured bonds are basically valued on the basis of listed prices in active markets. If no price quotations are publicly available or if the markets from which they originate are not classified as active, the respective items are valued theoretically.

Market quotations come from selected price service agencies, trading information systems or intermediaries (brokers) that are considered reliable. The potential price sources available are ranked by using a hierarchy. As a rule, quotations of price service agencies have the highest priority and those of intermediaries the lowest priority. There may be exceptions, e.g. for selected market segment/currency combinations.

A hierarchy of price types is used independently of the trading venue. The price type "bid" has the highest priority. If this price type is not available, the price types "traded" and "close" are used in the second and third place.

To the extent there are no market quotations for bonds without special structural features, the present value method is used as the valuation method; cf. "D.4 Alternative valuation methods".

All methods and specifications used are reviewed for their up-to-dateness and appropriateness at least once a year, and are adjusted if necessary.

For 91% of the holdings reported here publicly available prices are available and 9% are valued according to the present value method.

D.1.7.1 Government bonds R0140

	2023		2022	
Values in EUR thousands	**Solvency II value**	**Value in HGB financial statements**	Solvency II value	Value in HGB financial statements
Government bonds	287,736	287,068	295,674	297,929

Under Solvency II, investments from the following balance sheet items according to the HGB are allocated to this item:

- Bearer bonds and other fixed-income securities and
- Promissory notes.

For valuation, refer to the elaboration under "D.1.7 R0130 – Bonds".

Valuation difference

The difference between the Solvency II value of these portfolios and their value in the HGB financial statements as at the reporting date totalled EUR 668 k.

Here, EUR 998 k is attributable to hidden charges from the different valuation bases and EUR 1,666 k to the different recognition of accrued interest. Under Solvency II, this is added to the fair value (dirty value), whereas according to the German Commercial Code (HGB) the accrued interest is allocated to a balance sheet item outside of the capital investments – the accruals and deferrals.

D.1.7.2 Corporate bonds R0150

Values in EUR thousands	2023 Solvency II value	2023 Value in HGB financial statements	2022 Solvency II value	2022 Value in HGB financial statements
Corporate bonds	297,438	308,594	238,942	260,661

Under Solvency II, investments from the following balance sheet items according to the HGB are allocated to this item:

- Bearer bonds and other fixed-income securities
- Registered bonds and
- Promissory notes and loans.

For valuation, refer to the elaboration under "D.1.7 R0130 – Bonds".

Valuation difference

The difference between the Solvency II value of these portfolios and their value in the HGB financial statements as at the reporting date totalled EUR 11,156 k.

Here, EUR 13,298 k is attributable to hidden charges from the different valuation bases and EUR 2,141 k to the different recognition of accrued interest. Under Solvency II, this is added to the fair value (dirty value), whereas according to the German Commercial Code (HGB) accrued interest is allocated to a balance sheet item outside of the capital investments – the accruals and deferrals.

D.1.8 Collective Investments Undertakings R0180

Values in EUR thousands	2023 Solvency II value	2023 Value in HGB financial statements	2022 Solvency II value	2022 Value in HGB financial statements
Collective investments undertakings	48,013	46,842	51,005	45,471

This item includes shares in infrastructure and real estate funds as well as other capital investments. Valuation is based on the market price, which corresponds to the fair value under IFRS according to IAS 39. Basically, the fair values are determined using a German discounted cash flow method.

Funds are assessed in the balance sheet according to Section 255 (1) of the German Commercial Code (HGB) at acquisition cost less, in case of permanent impairment, any write-downs to a lower fair value according to Section 341 b (1) Sentence 2 of the German Commercial Code in conjunction with Section 253 (3) Sentence 5 of the German Commercial Code.

Valuation difference

The difference between the Solvency II value of these portfolios and their value in the HGB financial statements as at the reporting date totals EUR 1,169 k.

This is due to hidden reserves from the different valuation bases. Under Solvency II, these are added to the fair value (dirty value), while under German Commercial Code the reserves are allocated to a separate balance sheet item within the capital investments.

D.1.9 Deposits other than cash equivalents R0200

	2023		2022	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Deposits other than cash equivalents	6,146	6,139	9,939	9,934

Deposits are valued at their nominal values.

Valuation difference

The difference between the Solvency II value of these holdings and their value in the HGB financial statements as of the reporting date totals EUR 7 k.

The difference is attributable to the different reporting of the accrued interest. According to the German Commercial Code (HGB), accrued interest is allocated to deferred income while under Solvency II it is allocated to the respective balance sheet item (dirty value).

D.1.10 Amounts recoverable from reinsurance contracts R0270

	2023		2022	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Non-life insurance	3,454,782	5,090,049	3,023,268	4,488,065

The amounts recoverable from reinsurance contracts are valued under Solvency II in the same way as the valuation of the best estimate liability of the technical provisions, cf. Section D.2.1 (Property/casualty reinsurance). To the extent a claim exists against the reinsurer, an adjustment is made for the reinsurer's default risk. This adjustment only applies if the recoverable amount (per counterparty) is positive.

According to the HGB, the amounts recoverable from reinsurance contracts are calculated on the basis of reinsurance contracts.

Valuation difference:

To a major extent, the valuation differences between the German Commercial Code (HGB) and Solvency II result from the discounting of expected future cash flows and the consideration of future premium cash flows under Solvency II.

The valuation differences apply analogously to the differences in the valuation of the best estimate liability; refer to Section "D.2.1.4 Reconciliation with other provisions" (Property/casualty reinsurance).

D.1.11 Funds withheld by ceding companies R0350

	2023		2022	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Funds withheld by ceding companies	25,217	25,217	24,697	24,697

The accounting for funds withheld by ceding companies is determined in accordance with Section 13 of the Insurance Enterprises Accounting Regulation (RechVersV). The netting of funds withheld by ceding companies with other liabilities to the ceding insurer is prohibited.

Funds withheld by ceding companies and funds withheld under reinsurance treaties are to be shown in the economic valuation. The netting of funds withheld by ceding companies with the technical provisions is not permitted.

Valuation difference

There are no differences.

D.1.12 Insurance and intermediaries receivables R0360

	2023		2022	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Insurance and intermediaries receivables	272,908	1,517,379	362,139	1,435,535

According to Solvency II, receivables are to be valued at the expected present value of future cash flows, i.e. they are discounted using the interest rate applicable under Solvency II. Moreover, the default risk of the counterparty must be considered in the valuation.

According to the German Commercial Code *(*HGB*)*, insurance and intermediaries receivables are recognised at their nominal amounts.

Valuation difference

In accordance with Solvency II, an estimated portion of the future cash flows was included in the technical provisions for insurance policies, resulting in a different valuation basis compared to the German Commercial Code. For reasons of materiality, the remaining portion of the receivables was not discounted.

D.1.13 Receivables (trade, not insurance) R0380

Values in EUR thousands	2023		2022	
	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Receivables (trade, not insurance)	28,161	28,123	28,330	28,336

According to Solvency II, receivables are to be valued at the expected present value of future cash flows, i.e. they are discounted using the interest rate applicable under Solvency II. Moreover, the default risk of the counterparty must be considered in the valuation. Both are omitted for reasons of simplification.

Receivables are recognised at their nominal amount according to the German Commercial Code (HGB). Impairments are made for default risks.

Valuation difference

Receivables (trade, not insurance) are not revalued according to Solvency II. The difference between the items in the solvency overview and in the annual financial statements under commercial law results from reclassifications.

D.1.14 Cash and cash equivalents R0410

Values in EUR thousands	2023		2022	
	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Cash and cash equivalents	225,551	225,551	129,047	129,047

Cash and cash equivalents comprise deposits, cash at banks and cash on hand. Nominal amounts are recognised both under Solvency II and the HGB.

Valuation difference

There are no differences.

D.1.15 Any other assets, not elsewhere shown R0420

Values in EUR thousands	2023		2022	
	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Any other assets, not elsewhere shown	93	4,627	81	3,506

Other assets must be measured at fair value according to Solvency II. According to the German Commercial Code (HGB), they are measured at amortised cost.

Valuation difference

The difference between the items in the solvency overview and in the annual financial statements under commercial law amounting to EUR 4,534 k mainly results from accrued interest on investments which must be shown separately according to the German Commercial Code (HGB).

D.2 Technical provisions

The technical provisions for insurance policies (hereinafter referred to as technical provisions/TP) are calculated under Solvency II as the sum of the best estimate (hereinafter referred to as best estimate liability/BEL) and the risk margin (RM).

TP are valued using risk-free EIOPA yield curves. No matching or volatility adjustment is carried out. Temporary adjustments to the risk-free interest structure within the meaning of Article 308c of Directive 2009/138/EC are not carried out either.

nor is a temporary deduction pursuant to Article 308d of the Directive 2009/138/EC applied.

The approach of calculating the TP as a whole is currently not applied.

Under Solvency II, all contracts must be valued over their entire terms (ultimate view regarding the contract limits).

In general, a contract limit is reached according to Solvency II if (at least) one of the following criteria applies:

- The policyholder/insurer is unilaterally entitled to terminate the contract at this time.
- The insurer is unilaterally entitled at this time to refuse premiums paid under this contract.
- The insurer is unilaterally entitled at this time to enforce price adjustments such that, subsequently, the premiums adequately reflect the risks assumed.

The contract portfolio held by HDI Global Specialty predominantly consists of one-year insurance contracts.

Best Estimate Liability (BEL)

The calculation of the BEL is based on projections of the cash flows that represent all future incoming and outgoing payments. The cash flows include premiums, commissions, claims and expenses, among other things. Best estimate assumptions are used in this respect. The costs include all contract-related costs as well as expenses attributable to ongoing operations.

There are no financial options and guarantees (FOGs) in the insurance and reinsurance business of HDI Global Specialty.

The projections are generated separately for incoming and outgoing business. Here, the same valuation principles, methods and assumptions are applied.

Risk Margin (RM)

For the calculation of the risk margin for the entire portfolio of insurance and reinsurance obligations, HDI Global Specialty uses a capital cost approach according to Article 37 (1) of Commission Delegated Regulation (EU) 2015/35.

A factor of 6% is applied as the capital cost rate and the required capital is the solvency capital (SCR) required under Solvency II, which is determined using the internal model of HDI Global Specialty and projected for the future. The allocation to the business fields reflects the respective contribution to the solvency capital ratio (SCR) (Article 37).

D.2.1 Technical provisions for insurance policies for non-life insurance

D.2.1.1 Quantitative information on technical provisions

Net underwriting provisions of HDI Global Specialty by lines of business
Values in EUR thousands, year-end 2023

Business field	BEL	RM	TP (YE2023)	TP (YE2022)
General liability insurance	170.053	13.103	183.155	142.307
Income protection insurance	-1.141	662	-479	1.081
Fire and other property insurance	26.375	5.830	32.205	33.300
Motor third-party liability insurance	1.935	310	2.245	5.623
Credit and collateral insurance	-18.532	918	-17.614	-10.160
Legal protection insurance	3.948	1.296	5.244	3.080
Marine, aviation and transport insurance	50.291	4.338	54.629	38.632
Other motor insurance	12.841	628	13.470	12.413
Insurance against miscellaneous financial losses	1.485	566	2.051	2.557
Other insurance	108	8	116	-165
Total	**247.363**	**27.659**	**275.023**	**228.668**

The above table depicts an overview of the net underwriting provisions of HDI Global Specialty. “Other insurance" comprises the lines of business of workers' compensation insurance, medical expenses insurance and assistance.

D.2.1.2 Valuation of the technical provisions of property/casualty primary insurance and property/casualty reinsurance

Bases

For calculating the BEL under Solvency II, the company's business is divided into homogeneous risk groups such that the type, scope and complexity of the business are appropriately considered.

Basically, there are no differences between the individual lines of business regarding the Solvency II valuation approach and, hence, the following valuation methods apply to all lines of business.

Methods

The BEL valuation is based on an estimate of future cash flows. All incoming and outgoing payments anticipated for the future from existing business need to be included under due consideration of their fair value. The BEL is shown broken down by premium and loss reserve.

The provision for premiums relates to loss events after the valuation date and, thus, comprises all loss, premium, commission and cost payment flows that can be allocated to unearned business, under due consideration of their fair value.

In contrast, the loss reserve relates to loss events until the valuation date and, thus, comprises all loss, premium, commission and cost payment flows that can be allocated to earned business, under due consideration of their fair value.

The Solvency II calculations for determining all relevant cash flows for the premium and loss reserve represent the best estimated value. First, the BEL is calculated on a gross basis. The cash flows for premiums, commissions, claims and expenses are modelled separately. A holistic view is adopted in the sense of the contractual relationships entered into, which projects all cash flows at their final status within the contractual limits. The result is the BEL as the sum of the discounted cash flows. The resulting BEL is aggregated from the contract level to the lines of business required under Solvency II.

The division into lines of business for non-life insurance obligations is as follows:

- Medical expenses insurance
- Income protection insurance
- Workers' compensation insurance
- Motor third-party liability insurance
- Other motor insurance
- Marine, aviation and transport insurance
- Fire and other property insurance
- General liability insurance
- Credit and collateral insurance
- Legal protection insurance
- Assistance
- Various financial losses

Assumptions

For the calculation of the BEL, run-off patterns and estimated ultimate loss ratios on the homogeneous segments are used. They are determined using run-off triangles by means of recognised actuarial methods, which are generated from current and quality-assured data.

Then, the cash flows are discounted using the risk-free yield curve specified by EIOPA and are translated into the reporting currency at a fixed exchange rate on the reporting date.

Overall, the valuation principles, methods and assumptions used ensure that the determination of the BEL adequately reflects the nature, extent and complexity of the underlying risks.

Amounts recoverable from reinsurance contracts

Basically, the amounts recoverable from reinsurance contracts are valued in the same way as the (gross) underwriting provisions.

Amounts recoverable from reinsurance
Values in EUR thousands

Business field	RR (YE2023)	RR (YE2022)
General liability insurance	1.695.170	1.425.885
Income protection insurance	30.402	20.953
Fire and other property insurance	660.892	726.659
Motor third-party liability insurance	32.904	32.002
Credit and collateral insurance	45.184	23.999
Legal protection insurance	86.097	63.650
Marine, aviation and transport insurance	744.608	585.986
Other motor insurance	107.524	92.826
Insurance against miscellaneous financial losses	49.768	51.147
Other insurance	2.233	161
Total	**3.454.782**	**3.023.268**

The amounts recoverable from reinsurance contracts are adjusted for anticipated losses resulting from counterparty default. This adjustment is determined separately and is based on the assessment of the probability of default per counterparty – whether due to insolvency or in a legal case – as well as the resulting average loss in the event of default.

According to the HGB, the amounts recoverable from reinsurance contracts are calculated on the basis of reinsurance contracts. Impairments are made for default risks.

Funds withheld are not shown separately in the technical provisions but on the Solvency II balance sheet.

The valuation differences between the valuation according to the German Commercial Code (HGB) and Solvency II apply analogously to the differences in the valuation of the best estimate liability – see Section D.2.1.4.

D.2.1.3 Degree of uncertainty

The economic valuation of loss reserves involves a certain degree of uncertainty. It results from the fact that the actual payment dates of the future cash flows as well as the actual final loss amount are unknown and reinsurers may default. This uncertainty is regularly monitored by various assessments.

Apart from internal quality assurance and validation, external actuarial and auditing firms provide additional quality assurance and review services for the actuarial calculations used to determine the appropriateness of the loss reserve.

In the context of segmentation and acceptance, it is ensured on this basis that the economic value of the provisions is determined in a prudent, reliable and objective manner within the meaning of Section 75 of the German Insurance Supervision Act (VAG). The nature and complexity of the insurance business and inherent reserve risks and uncertainties of data are taken into account.

In order to include any possible default of the reinsurers, an adjustment for the counterparty credit risk is determined based on the rating of the reinsurers.

The risk margin allocated to the different lines of business can be regarded as an indicator of the uncertainty inherent in the business.

The calculation of the risk margin involves uncertainty resulting from the value of the solvency capital requirement and the projection of the future development of the solvency capital requirement. The solvency capital requirement is calculated using HDI Global Specialty's internal model. The assumptions on the projection of the future development of the solvency capital requirement are coordinated within the company and subject to an external audit by the auditing company as part of the solvency overview.

D.2.1.4 Reconciliation with other provisions

This section depicts the reconciliation of the technical provisions for insurance policies before the amounts recoverable from reinsurance contracts from the German Commercial Code to Solvency II as of 31 December 2023.

Major revaluation effects

Values in EUR thousands	2023	2022
Net underwriting provisions for non-life insurance in accordance with the German Commercial Code (HGB)	**821.686**	**667.022**
Loss and loss adjustment expense reserve in accordance with HGB incl. claims equalisation reserve and similar provisions	516.477	405.527
Unearned premium reserve	305.209	261.496
Total revaluation effect from HGB to Solvency II	-546.663	-438.355
Revaluation of equalisation reserve	-110.248	-86.157
Reclassification of receivables from and liabilities to insurers and intermediaries as well as reinsurers	0	0
Revaluation to the economic final loss perspective	-423.527	-346.317
Discounting of cash flows under Solvency II	-40.548	-36.364
Risk margin approach under Solvency II	27,659	30.484
Technical provisions for insurance policies for non-life insurance in accordance with Solvency II	**275,023**	**228.668**

Since the valuation methodology for technical provisions for insurance policies is identical for all lines of business, revaluation effects are not allocated to the Solvency II lines.

Under Solvency II, the claims equalisation reserve, which serves as a technical provision for insurance policies under the German Commercial Code to stabilise the result by balancing out fluctuations over time, no longer applies.

Instead, a risk margin is formed under Solvency II. It serves to cover the expenses of providing own funds in the amount of the future solvency capital requirement required for covering the insurance obligations until the end of their term.

Furthermore, there may be differences in the valuation and accounting of contracts under Solvency II and the German Commercial Code, e.g. due to a different interpretation of the contract limits.

For reasons of prudence, HDI Global Specialty has refrained from considering cash flows from insurance obligations having already been underwritten as of the valuation date but the liability period of which does not commence until after the valuation date. On the other hand, the realisation principle applies to the valuation of the technical provisions according to the German Commercial Code (HGB), where only profits that have already been realised may be recognised in the balance sheet. Hence, there is no temporal delimitation under Solvency II, such as that for unearned premium reserves under the German Commercial Code.

Another material valuation difference is that under Solvency II the cash flows are discounted using a risk-free interest rate, whereas under the German Commercial Code it is usually only pension reserves that are discounted.

D.3 Other Liabilities

D.3.1 Other technical provisions R0730

	2023		2022	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Other technical provisions	0	110,248	0	86,157

Other technical provisions under the German Commercial Code (HGB) include the claims equalisation reserve and similar provisions.

In the financial statements under commercial law, the equalisation reserve must be formed according to Section 341 of the German Commercial Code (HGB). Solvency II does not provide for the formation of an equalisation reserve. This results in a difference of EUR 110,248 k in other technical provisions for insurance policies.

D.3.2 Contingent liabilities R0740

	2023		2022	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Contingent liabilities	0	0	1,499	0

The contingent liability must be recognised in the balance sheet in accordance with Solvency II pursuant to Article 11 of Delegated Regulation (EU) 2015/35.

HDI Global Specialty has no contingent liabilities as at 31 December 2023.

D.3.3 Provisions other than technical provisions R0750

Values in EUR thousands	2023 Solvency II value	2023 Value in HGB financial statements	2022 Solvency II value	2022 Value in HGB financial statements
Provisions other than technical provisions	5,241	5,779	5,767	6,402

The following items are shown under non-technical provisions in the solvency overview:

- Holiday and overtime pay
- Bonus payments and anniversary benefits

In the solvency overview, the fair value is recognised as determined according to the provisions of IAS 37.

Under commercial law, miscellaneous other provisions are formed in the amount of the settlement amount required on the basis of reasonable commercial assessment.

Valuation difference

The difference of EUR 538 k between the solvency overview and the annual financial statements under commercial law is due to the different discounting of share awards and the anniversary provision.

D.3.4 Pension benefit obligations R0760

Values in EUR thousands	2023 Solvency II value	2023 Value in HGB financial statements	2022 Solvency II value	2022 Value in HGB financial statements
Pension benefit obligations	242	88	237	85

In the solvency overview, the pension benefit obligations are valued in the same way as the valuation in accordance with IAS 19 "Employee Benefits" using the projected unit credit method, which is described in Section “D.4 Alternative valuation methods".

According to the German Commercial Code (HGB), the pension benefit obligations are recognised at the level of the settlement amount required based on reasonable assessment. They are discounted at the average interest rate of the past ten years published by Deutsche Bundesbank according to the Provisions Discounting Regulation (RückAbzinsVO) at 1.83% with an assumed remaining term of 15 years. The pension provision is calculated using the projected unit credit method. A salary trend of 3.50% and a pension trend of 2.34% are assumed. Fluctuation probabilities are determined separately depending on age and gender. The benefit adjustment due to surplus participation from reinsurance policies was taken into account in the amount of 0.0%. The calculations are based on the 2018G mortality tables. Employee-financed pension commitments, the amount of which is determined exclusively by the fair value of a reinsurance claim, are measured pursuant to Section 253 Paragraph 1 Sentence 3 of the German Commercial Code (HGB). For these commitments, the settlement amount corresponds to the fair value of the actuarial reserve plus surplus participation. For securities-based employee-financed commitments, the settlement amount corresponds to the fair value of the security.

Valuation difference

The difference between the valuation bases in the solvency overview and in the annual financial statements under commercial law amounting to EUR 154 k results in particular from the different interest rates used for discounting. According to Solvency II, a lower interest rate is applied, which leads to a higher valuation basis of the valued pension benefit obligations.

D.3.5 Funds withheld under reinsurance treaties R0770

	2023		2022	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Funds withheld under reinsurance treaties	103,306	103,306	67,282	67,282

The accounting of funds withheld under reinsurance treaties is defined in accordance with Section 33 of the Insurance Enterprises Accounting Regulation (RechVersV). The netting of funds withheld under reinsurance treaties with other liabilities toward the reinsurer and receivables to the reinsurer is prohibited.

Funds withheld by ceding companies and funds withheld under reinsurance treaties are to be shown in the economic valuation. The netting of funds withheld under reinsurance treaties with the technical provisions is not permitted.

Valuation difference

There are no differences.

D.3.6 Deferred tax liabilities R0780

	2023		2022	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Deferred taxes	16,889	0	16,646	0

No deferred tax liabilities are recognised in the annual financial statements under commercial law of HDI Global Specialty due to an overall asset surplus.

A deferred tax liability of EUR 16,889 k is recognised in the solvency overview. The deferred taxes shown in the solvency overview are basically determined in two steps.

In the first step, deferred taxes are determined on the basis of the valuation differences between the IFRS balance sheet and the tax balance sheet. Deferred tax assets or deferred tax liabilities are recognised in the balance sheet according to IAS 12 (taxes on income). Deferred tax assets or liabilities arise to the extent asset or liability items are to be recognised at a lower or higher amount in the IFRS balance sheet compared to the tax balance sheet and these differences will be reversed in the future (temporary differences). As a rule, temporary differences result from valuation differences between the tax balance sheet and the IFRS balance sheet.

Moreover, deferred tax assets are recognised for tax loss carryforwards and tax credits. Impairment losses are recognised in respect of deferred tax assets as soon as it does no longer seem possible to realise the deferred tax assets in the future. Deferred taxes are measured at the ratified tax rates of the respective country that have become applicable or approved by the reporting date.

In the second step, deferred taxes are determined on the basis of the valuation differences between the solvency overview and IFRS. In line with IAS 12, no discounting is made in the solvency overview when valuing deferred taxes.

The results of these two steps are the deferred taxes on the basis of the valuation differences between the tax balance sheet and the solvency overview.

When calculating deferred taxes, the calculation steps described above took into account the individual branch tax rates anticipated in view of the development of national tax law at the time of reduction of the differences. Tax rate changes already planned or announced are taken into account.

For checking the recoverability of deferred tax assets, it is first examined whether there are sufficient deferred tax liabilities. Moreover, recoverability is checked according to the management's five-year earnings planning.

Deferred taxes are calculated separately for each branch, which is independent for tax purposes, and netted if the offsetting requirements are met.

Deferred tax liabilities mainly result from temporary differences in insurance and intermediaries receivables R0360 and technical provisions for insurance policies - non-life insurance R0510. Regarding the composition of the "Technical provisions" we refer to the comments made under item D.2.1.

D.3.7 Financial liabilities other than debts owed to credit institutions R0810

	2023		2022	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Financial liabilities other than debts owed to credit institutions	6,064	167	5,480	167

Liabilities are stated at settlement amounts under commercial law.

According to Solvency II, liabilities are to be valued at the expected present value of future cash flows. For reasons of materiality no discounting is performed.

Valuation difference

One difference between the valuations in the solvency overview and the annual financial statements under commercial law results from the fact that Solvency II follows the approach under IFRS 16, according to which rental obligations with a term of more than 12 months must be recognised in the balance sheet.

D.3.8 Insurance & intermediaries liabilities R0820

	2023		2023	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Liabilities to insurance companies and intermediaries	44,505	44,505	114,145	114,145

Liabilities are stated at settlement amounts under commercial law.

According to Solvency II, liabilities are to be valued at the expected present value of future cash flows. The portion of liabilities to insurance companies and intermediaries that contains future premium cash flows must be recognised in the technical provisions for insurance policies.

Valuation difference

There are no differences.

D.3.9 Liabilities to reinsurers R0830

	2023		2022	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Liabilities to reinsurers	202,010	1,197,979	229,175	1,124,599

Liabilities are stated at settlement amounts under commercial law.

In accordance with Solvency II, liabilities must be measured at the expected present value of future cash flows. Under Solvency II, the portion of liabilities to reinsurers that includes future premium flows is included in the technical provisions for insurance policies. The remaining portion of reinsurance payables is not discounted for reasons of materiality.

Valuation difference

In accordance with Solvency II, an estimated portion of future cash flows was included in the technical provisions for insurance policies, resulting in a lower valuation basis.

D.3.10 Liabilities (trade, not insurance) R0840

	2023		2022	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Liabilities (trade, not insurance)	14,676	14,676	2,317	2,137

Liabilities are stated at settlement amounts under commercial law.

According to Solvency II, liabilities are to be valued at the expected present value of future cash flows. For reasons of materiality, no discounting is made.

The increase in liabilities (trade, not insurance) is mainly due to the increase in tax provisions in the branches in Australia and Canada. In addition, the taxable income in the premiums subject to insurance tax has risen.

Valuation difference

There are no differences.

D.3.11 Subordinated liabilities in basic own funds R0870

Values in EUR thousands	2023 Solvency II value	2023 Value in HGB financial statements	2022 Solvency II value	2022 Value in HGB financial statements
Subordinated liabilities in basic own funds	70,953	84,000	65,973	84,000

Subordinated liabilities represent financial contractual obligations subordinated to all other loan payables and obligations. Lenders have subordinated rights compared to all other outside creditors. In particular in the event of insolvency, the subordinated capital has subordinate claims to the other debt capital. Under Solvency II, subordinated liabilities can be classified as basic own funds.

The economic valuation for the solvency overview can be derived from the fair value approach according to IAS°39, with adjustments due to changes in own credit quality not being considered under Solvency II.

Valuation difference

According to Solvency II, liabilities – including subordinated liabilities – are to be valued at the expected net present value of future cash flows and are discounted as a matter of principle. Under commercial law, liabilities are stated at settlement amounts and are undiscounted. This resulted in valuation differences totalling EUR 13,047 k.

D.3.12 Any other liabilities, not elsewhere shown R0880

Values in EUR thousands	2023 Solvency II value	2023 Value in HGB financial statements	2022 Solvency II value	2022 Value in HGB financial statements
Any other liabilities, not elsewhere shown	44,350	44,350	40,082	40,082

According to Solvency II, liabilities are to be valued at the expected present value of future cash flows. For reasons of materiality, no discounting is made. Liabilities are stated at settlement amounts under commercial law.

Valuation difference

There are no significant differences.

D.4 Alternative valuation methods

The valuation principles according to Solvency II are applied. In addition to the general valuation principles, the following valuation hierarchy is applied to the recognition and measurement of assets and other liabilities.

A. As a standard valuation method, the market prices observable on active markets are used. The use of exchange prices should be based on the criteria for an active market as defined in the International Accounting Standards.

B. If no exchange prices on active markets are available for the measurement of the assets, equity and liabilities, exchange prices of similar assets, equity and liabilities are used. Adjustments are made to reflect the differences.

C. In cases where the criteria for the use of exchange prices are not met, alternative valuation methods are used (other than those described under point 2). If alternative valuation methods are used, they should be based, to the extent possible, on market data and contain as few company-specific influencing factors as possible.

HDI Global Specialty applies alternative valuation methods to several balance sheet items, which are explained in more detail below:

D.4.1 Projected unit credit method

This method is used for calculating pension benefit obligations. They are calculated according to actuarial principles and are based on the commitments made by HDI Global Specialty for retirement, disability and widow's pensions. The commitments are based on the duration of employment with the company and the amount of salary. They are exclusively defined benefit plans. The valuation is based on the anticipated future salary development of the pension beneficiaries. The benefit claims are discounted using the capital market interest rate for securities with the best credit quality.

D.4.2 Fair value determination for unlisted assets

To determine the fair values of assets that are not listed on a stock exchange or the relevant markets of which are considered to be inactive at the date of valuation (refer to Section D "Review of active markets"), we alternatively use the valuation models andmethods described below. They represent the current and recognised methods for the respective assets on the market and are used to determine a market price despite unavailable valuations of active markets.

Alternative valuation methods for unlisted assets

Financial instruments	Input parameters	Valuation models/methods
Unlisted bonds	Interest structure curves	Present value method
Unlisted investments	Acquisition costs, cash flows, EBIT multiples, carrying amount if applicable	German discounted cash flow method, DCF method, multiple approaches

The overwhelming majority of portfolios valued by applying alternative valuation methods is measured on the basis of the present value method. It is a largely assumption-free method in which the future payments of the securities are discounted using suitable interest structure curves. These interest structure curves are derived from appropriate market data observable on public markets. The interest rates used for discounting consist of a maturity-dependent basic component (derived from the risk-free interest rate) and an issuer and issue-specific risk premium to take account of spread, migration and default risks. In very general terms, this approach is based on the generally accepted assumption in the market that price differences for securities that are comparable in terms of risk, maturity and credit quality and listed in transparent markets essentially result from issue-specific characteristics and lower liquidity and are therefore rather insignificant in terms of their influence on the fair value.

The use of models involves various model risks that can lead to valuation uncertainty:

- Modelling risk (appropriateness and suitability of the model)
- Data quality risk (incomplete or outdated data for model calibration or parameterisation)
- Risk in the validity of assumptions and estimates
- Risks in model implementation

The model risks are limited by a process of regular validation in which a systematic, quantitative and qualitative review of the appropriateness of the valuation models and procedures is performed. Moreover, the model results (for items that are mainly valued using alternative valuation methods) are continuously checked for plausibility as part of daily quality assurance processes.

D.5 Other disclosures

There are no other disclosures that have a material impact on the valuation for solvency purposes.

E. Capital Management

E.1 Own funds

E.1.1 Management of own funds

Capital management processes include a classification of all own fund items in terms of Solvency II tiering requirements, whether they are basic own funds or supplementary own funds and how effectively they are available. The results of these processes are taken into account for the ORSA process and also included in the medium-term capital plan.

HDI Global Specialty holds a subordinated loan from HDI Global SE, which is recognised as Tier 2 basic own funds.

The internal model of HDI Global Specialty (Specialty Internal Model) is used to assess both the quantitatively measurable individual risks and the overall risk position. The assumptions and calculation methods used to determine the risk-bearing capacity of the company are recorded in the documentation of the risk model and in regular reports. HDI Global Specialty also uses the Specialty Internal Model to determine the solvency capital requirement and the minimum capital requirement.

E.1.2 Tiering

The classification of own funds in terms of their ability to offset losses are a key component of the regulatory capital requirements according to Solvency II. In this context, the individual equity capital items are allocated to one of the three quality classes ("tiers") according to certain criteria.

The quality level of tier 1 own fund items is the highest since they are permanently available. They demonstrably offset losses, both in ongoing business operations and in the event of liquidation. Tier 2 generally refers to basic own funds and supplementary own funds which have the capacity to absorb losses in the event of the liquidation of the company. Tier 3 includes the net tax claims and other items, unless they can be allocated to tier 2.

In the year under review, HDI Global Specialty did not hold any supplementary own funds requiring regulatory approval. There are no own-funds items in quality class 3 as at 31 December 2023.

E.1.3 Basic own funds

The following table depicts the composition of the basic own funds that are available:

Composition of basic own funds

Values in EUR thousands	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Subscribed capital	121.600	121.600	-	-	-
Equalisation reserve	178.270	178.270	-	-	-
Capital reserve	153.072	153.072	-	-	-
Subordinated own funds	70.953	-	-	70.953	-
Net amount deferred taxes, active	-	-	-	-	-
Total	**523.895**	**452.942**	**-**	**70.953**	**-**

The different quality classes are subject to the legal limitations on the ability to absorb losses. Against this background, the available basic own funds may not be fully available to cover the overall risk position of HDI Global Specialty. The share of basic own funds which can be used to cover the overall risk position according to SCR and MCR is hereinafter referred to as eligible own funds.

Available versus eligible own funds

Values in EUR thousands	2023	2022
Available own fund items	523.895	466.706
Eligible own fund items SCR	523.895	466.706
Eligible own fund items MCR	465.493	411.609

As a result of the Solvency Capital Requirements (SCR) and Minimum Capital Requirement (MCR) rules and the resulting eligibility rules, available own funds are reduced. As eligible own funds for the SCR, a maximum of 50% of the SCR is allocated for Tier 2. If the value in tier 2 is below this limit, the total value will be recognised. For the MCR, 20% of the MCR is recognised in Tier 2.

The basic own funds of HDI Global Specialty can be derived from the German Commercial Code (HGB) equity capital. To this end, the HGB equity capital is adjusted for recognition and valuation differences and supplemented by deferred tax effects between the two accounting standards.

Reconciliation of HGB equity to Solvency II own funds

Values in EUR thousands	2023	2022
Equity (HGB)	249.949	260.698
Recognition and valuation differences between Solvency II and HGB:	202.993	140.036
Equalisation reserve	110.248	86.157
Intangible fixed assets	0	-505
Fixed-income securities and other investments	-87.292	-100.311
Underwriting assets and equity and liabilities (incl. receivables and liabilities from the insurance business)	187.914	156.226
Subordinated loans	13.047	18.027
Other non-underwriting assets, equity and liabilities	-4.079	-4.460
Deferred taxes on tax differences between Solvency II and HGB	-16.845	-15.098
Excess of assets over liabilities (Solvency II)	**452.942**	**400.734**

E.1.3.1 Subscribed capital

The paid-in share capital is the highest-quality equity capital that can be relied upon to compensate for losses in the ongoing business operations.

Share capital

Values in EUR thousands	2023	2022
Share capital	121.600	121.600
Total	**121.600**	**121.600**

The share capital of HDI Global Specialty amounts to EUR 121,600 k as at the reporting date. The shares are fully paid in. The share capital is divided into 95,000,000 no-par value registered shares with voting rights and dividend rights. Each share grants the same voting right and dividend entitlement. As of the reporting date, the company held no treasury shares.

No new shares were issued during the reporting period.

E.1.3.2 Equalisation reserve

The Solvency II reconciliation reserve as a component of tier 1 (unrestricted) is allocated to the basic own funds. It mainly consists of the excess of assets over liabilities, adjusted for the subscribed capital.

Reconciliation reserve

Values in EUR thousands	2023	2022
Equalisation reserve	178.270	145.062
Total	**178.270**	**145.062**

The equalisation reserve contains reserves (in particular retained earnings). It also contains the differences between the balance sheet valuation in accordance with the German Commercial Code (HGB) and the valuation in accordance with Directive 2009/138/EC.

As at the reporting date, the equalisation reserve amounted to EUR178,270 k.

The equalisation reserve increased by EUR 33,208 kin the reporting period. The increase is mainly attributable to the different balance sheet valuation in the German Commercial Code and Solvency II.

E.1.3.3 Subordinated own funds

As at the reporting date, HDI Global Specialty had one subordinated loan in its portfolio which meets the criteria for subordinated tier 2 liabilities under Solvency II.

Subordinated own funds

Values in EUR thousands	2023	2022
Subordinated loans	70.953	65.973
Total	**70.953**	**65.973**

To strengthen its own funds, HDI Global has granted a subordinated loan totalling EUR 84,000 k in accordance with the applicable regulatory provisions. The loan is fully paid into the account of HDI Global Specialty.

The remaining term of the subordinated loan is 18 years as at the reporting date. The fixed interest rate of 2.34% ends after 8 years.

E.1.3.4 Capital reserve

The capital reserves pursuant to Section 272 (2) No. 4 of the German Commercial Code amount to EUR 153,072 k.

Capital reserve

Values in EUR thousands	2023	2022
Capital reserve	153.072	134.072
Total	**153.072**	**134.072**

An addition of EUR 19,000 k was made in the financial year.

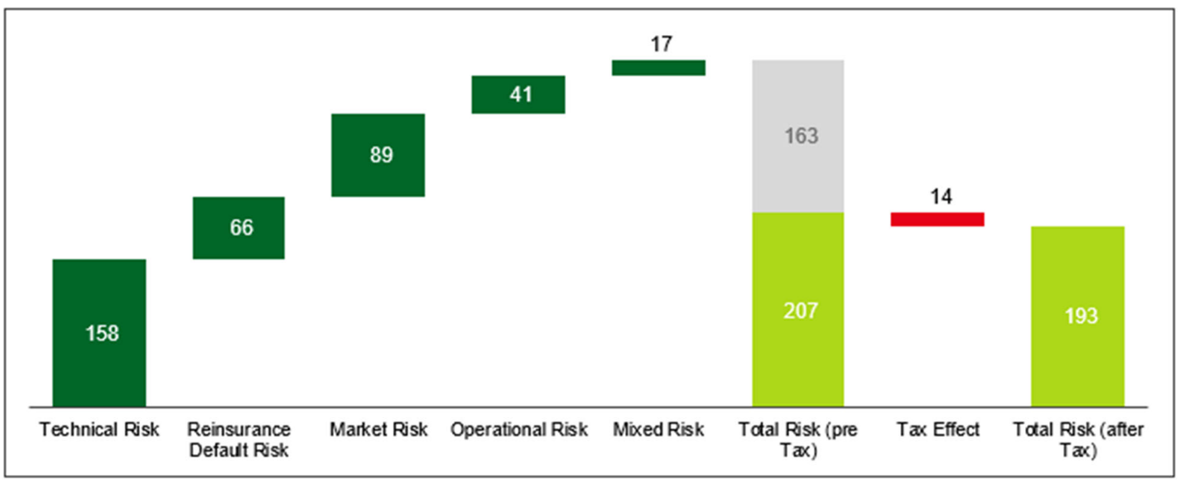
E.2 Solvency capital requirement and minimum capital requirement

E.2.1 Solvency capital requirement

E.2.1.1 Solvency capital requirement by risk category

The total amount of the regulatory solvency capital requirement for HDI Global Specialty is shown below. This total amount is broken down by various risk categories. These categories are the main risk categories calculated according to the internal capital model of HDI Global Specialty.

Solvency capital requirement – breakdown according to risk categories
Values in EUR thousands



The total amount of the SCR increased by 29.4% in the reporting period compared to the SCR calculated according to the internal capital model at the end of 2022. Various effects can be observed in the individual risk categories, which are explained below.

In the underwriting risk, both the premium risk and the reserve risk are increasing due to growth in business.

The increase in counterparty default risk results from changes in risk factors in the course of the annual recalibration of the model. Market risk is growing due to higher investment volumes in 2023 driven by currency risk. Furthermore, the decline in interest rates in 2023 led to a reduction in interest rate risk.

The operational risk remains stable.

The tax effect decreases as a result of a model adjustment regarding the risk-mitigating effect of deferred taxes.

Solvency capital requirement according to the internal capital model – breakdown according to risk categories

Values in EUR thousands

Solvency capital requirement	2023	2022
Underwriting risk	158.319	151.609
Underwriting risk - premium risk	71.275	64.604
Underwriting risk – reserve risk	110.756	104.193
Market risk	88.647	70.208
Counterparty default risk	66.087	46.382
Operational risk	41.148	41.434
Diversification	**146.800**	**113.314**
Overall risk (before taxes)	**207.400**	**196.319**
Deferred tax	**14.007**	**46.918**
Overall risk (net of tax)	**193.393**	**149.401**

In the calculation of the minimum capital requirement, weighted volumes of premiums written and technical provisions for insurance policies – in each case net after reinsurance – are used.

The table below shows the current solvency capital requirement and the minimum capital requirement, as well as the corresponding eligible own funds. They are subject to the so-called tiering restrictions under Solvency II. In addition, the ratio of eligible own funds to the respective capital requirement is shown.

Ratio of available own funds to the minimum and solvency capital requirement

Values in EUR thousands/percent	SCR	MCR
Eligible own funds	523,895	465,493
SCR/MCR	193,393	62,757
Ratio of eligible own funds to SCR/MCR	**271%**	**742%**

E.3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

Since its approval as of 30 September 2020, HDI Global Specialty has been using its internal model for calculating the solvency capital requirement. Germany has not made use of the option of permitting the use of a duration-based equity risk sub-module. Hence, HDI Global Specialty did not use a duration-based equity risk sub-module in the past either.

E.4 Differences between the standard formula and the internal model

HDI Global Specialty confirms that the standard formula conservatively reflects the risk profile, whereas the internal capital model of HDI Global Specialty, which is used for corporate management and risk management, covers all material and quantifiable risks and operational activities. Therefore, the Internal Model enables an appropriate representation of the risk profile of HDI Global Specialty.

The Solvency II solvency capital requirement has therefore been measured using the internal model since the approval of the internal capital model as of 30 September 2020.

E.5 Non-compliance with the minimum capital requirement and the solvency capital requirement

Both the solvency and the minimum capital requirements were complied with at all times during the period under review.

E.6 Other disclosures

There are no other disclosures that have a material effect on capital management.

Glossary of abbreviations and terms

AAM: Ampega Asset Management GmbH, Cologne

ALM: Asset Liability Management

ALM-VaR: Asset Liability Matching Value at Risk

BaFin: German Federal Financial Supervisory Authority

BAC: Board Audit Committee

Best Estimate: Best estimator, without safety margins

BEL: Best Estimate Liability, best estimate of technical provisions, without safety margins

BEX: Executive Board

BOD: Board of Directors

BRC: Board Actuarial, Risk & Compliance Committee

CEO: Chief Executive Officer

CInO: Chief Innovation Officer

CFO: Chief Financial Officer

CMO: Chief Marketing Officer

COO: Chief Operating Officer

CRO: Chief Risk Officer

CVaR: Credit Value at Risk

DCF: Discounted cash flows

DVO: Commission Delegated Regulation (EU) 2015/35 of 10 October 2014

EBIT: Earnings before interest and taxes, operating profit/loss

EIOPA: European Insurance and Occupational Pensions Authority

EPIFP: Expected Profit included in Future Premiums

ESG: Environment, Social, Governance

EU: European Union

EUR: Euro (currency)

EEA: European Economic Area

FISG: Act to strengthen financial market integrity

FOG: Financial Options and Guarantees

GBP: Group Performance Bonus

GmbH: Limited liability company

GuV: Statement of income

Hannover Re: Hannover Rück SE, Hannover

HDI: HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover

HDI Global Specialty: HDI Global Specialty SE, Hannover

HGB: German Commercial Code

HGS: HDI Global Specialty SE, Hannover

HANNOVER RE GA: Hannover Re, Group Auditing Division

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards

ICS: Internal Control System

MCR: Minimum Capital Requirement

M&A: Mergers & Acquisitions

NAV: Net Asset Value

LOC: Letter of Credit

ORSA: Own Risk and Solvency Assessment

RechVersV: Insurance Enterprises Accounting Regulation (RechVersV)

Risk appetite: Indicates how much risk a company is prepared to take in order to achieve the corporate goals. The indication of the risk appetite is an important component of the risk strategy.

RM: Risk margin

RSR: Regular Supervisory Report

RückAbzinsVO: Regulation on the Discounting of Provisions (Verordnung über die Ermittlung und Bekanntgabe der Sätze zur Abzinsung von Rückstellungen)

SAOR: Self-Assessment of Operational Risks

SCR: Solvency Capital Requirement

SE: Societas Europaea

SFCR: Solvency and Financial Condition Report

SIM: Specialty Internal Model – internal capital model of HGS

SPB: Specialty Performance Bonus

Talanx: Talanx AG, Hannover

TP: Technical Provisions

TX GA: HDI AG, Group Audit

UK: United Kingdom

USA: United States of America

VAG: German Insurance Supervision Act (Versicherungsaufsichtsgesetz)

VaR: Value at risk; risk measure

AF: Actuarial Function

WpHG: German Securities Trading Act (Wertpapierhandelsgesetz)

WpÜG: German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz)

Disclosure forms to be published

In the Notes, all reporting forms are listed that must be published in the solvency and financial position report in accordance with Commission Implementing Regulation (EU) 2023/895 of 4 April 2023. These templates include:

- Balance sheet (S.02.01.02)
- Premiums, receivables and expenses by country (S.04.05.21)
- Premiums, receivables and expenses by business division (S.05.01.02)
- Technical provisions for insurance policies - non-life insurance (S.17.01.02)
- Claims from non-life insurance (S.19.01.21)
- Impact of long-term guarantees and transitional measures (S.22.01.21)
- Own funds (S.23.01.01)
- Solvency capital requirement - for companies that use an internal model (partial or full model) (S.25.05.21)
- Minimum capital requirement - only life insurance or only non-life insurance or reinsurance activities (S.28.01.01)

All values in EUR thousand, unless indicated otherwise.

If a value is less than EUR 0.5 k or if HDI Global Specialty has no value to report at this point, "0" is indicated in the following disclosure forms.

For mathematical reasons, rounding differences of +/- one unit may occur in the tables.

HDI Global Specialty does not apply transitional measures, volatility adjustment and matching adjustment. Hence, the disclosure form "S.22.01.21 Effects of long-term guarantees and transitional measures" is not prepared by HDI Global Specialty.

The diversification effect between the main risk categories in Sections C and E differs from the effect shown in QRT S.25.05 due to the inclusion of the "Other risk" category. These are risks that cannot be clearly allocated to the main risk categories but contain risks from these categories. In order to avoid mismanagement, this category is therefore not separated in regular reporting.

S.02.01.02

Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	43
Pension benefit surplus	**R0050**	0
Property, plant and equipment for own use	**R0060**	7.691
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	663.892
Real estate (other than for own use)	**R0080**	0
Shares in affiliated companies, including investments	**R0090**	24.559
Shares	**R0100**	
Shares – listed	**R0110**	0
Shares – unlisted	**R0120**	0
Bonds	**R0130**	585.174
Government bonds	**R0140**	287.736
Corporate bonds	**R0150**	297.438
Structured debt securities	**R0160**	0
Collateralised securities	**R0170**	0
Collective investments undertakings	**R0180**	48.012
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	6.146
Other investments	**R0210**	0
Assets held for index- and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	12.644
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	12.644
Amounts recoverable from reinsurance contracts of:	**R0270**	3.454.782
Non-life and health similar to non-life insurance	**R0280**	3.454.782
Non-life insurance excluding health insurance	**R0290**	3.423.744
Health insurance	**R0300**	31.038
Life and health similar to life insurance excluding health and unit- and index-linked insurance	**R0310**	
Health similar to life insurance	**R0320**	0
Life excluding health unit- and index-linked insurance	**R0330**	0
Life insurance, unit- and index-linked	**R0340**	0
Funds withheld by ceding companies	**R0350**	25.217
Insurance and intermediaries receivables	**R0360**	272.908
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	28.161
Treasury shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not paid in	**R0400**	0
Cash and cash equivalents	**R0410**	225.551
Any other assets, not elsewhere shown	**R0420**	93
Total assets	**R0500**	4.690.982

		Solvency II value
Liabilities		**C0010**
Technical provisions for insurance policies – non-life insurance	**R0510**	3.729.804
Technical provisions for insurance policies – non-life insurance (excluding health insurance)	**R0520**	3.699.157
Technical provisions for insurance policies calculated as a whole	**R0530**	
Best estimate	**R0540**	3.672.159
Risk margin	**R0550**	26.997
Technical provisions - health insurance (similar to non-life insurance)	**R0560**	30.648
Technical provisions for insurance policies calculated as a whole	**R0570**	
Best estimate	**R0580**	29.986
Risk margin	**R0590**	662
Technical provisions for insurance policies - life insurance (excluding unit- and index-linked insurance)	**R0600**	
Technical provisions for insurance policies - health insurance (similar to life)	**R0610**	
Technical provisions for insurance policies calculated as a whole	**R0620**	
Best estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions for insurance policies - life insurance (excluding health and unit- and index-linked insurance)	**R0650**	
Technical provisions for insurance policies calculated as a whole	**R0660**	
Best estimate	**R0670**	
Risk margin	**R0680**	
Technical provisions for insurance policies – unit- and index-linked insurance	**R0690**	
Technical provisions for insurance policies calculated as a whole	**R0700**	
Best estimate	**R0710**	
Risk margin	**R0720**	
Other technical provisions for insurance policies	**R0730**	
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	5.241
Pension benefit obligations	**R0760**	242
Funds withheld under reinsurance treaties	**R0770**	103.306
Deferred tax liabilities	**R0780**	16.889
Derivatives	**R0790**	
Liabilities owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	6.064
Liabilities to insurance companies and intermediaries	**R0820**	44.505
Liabilities to reinsurers	**R0830**	202.010
Liabilities (trade, not insurance)	**R0840**	14.676
Subordinated liabilities	**R0850**	70.953
Subordinated liabilities not in the BOF	**R0860**	
Subordinated liabilities in basic own funds	**R0870**	70.953
Any other liabilities, not elsewhere shown	**R0880**	44.350
Total liabilities	**R0900**	4.238.040
Excess of assets over liabilities	**R1000**	452.942

S.04.05.21
Premiums, claims and expenses by country

		Home country	Top five countries: non-life insurance				
		C0020	C0020	C0020	C0020	C0020	C0020
R0010		Germany (DE)	United States of America (US)	United Kingdom (after Brexit)	Australia (AU)	Canada (CA)	Sweden (SE)
Premiums written - gross							
Gross premiums written (direct insurance business)	R0020	93.826	769.910	513.826	322.348	238.418	199.978
Gross premiums written (proportional reinsurance)	R0021	89.799	76.073	15.176	2.248	14.128	3.289
Gross premiums written (non-proportional reinsurance)	R0022	0	0	0	0	0	0
Premiums earned - gross							
Gross premiums earned (direct insurance business)	R0030	90.903	715.923	483.295	300.413	223.504	190.444
Gross premiums earned (proportional reinsurance)	R0031	89.335	61.439	42.700	2.712	14.306	6.399
Gross premiums earned (non-proportional reinsurance)	R0032	0	0	0	0	0	0
Expenses for insurance claims - gross							
Expenses for insurance claims (direct insurance business)	R0040	109.319	628.592	327.074	179.739	85.054	125.483
Expenses for insurance claims (proportional reinsurance)	R0041	33.742	28.089	14.307	1.690	3.793	8.989
Expenses for insurance claims (non-proportional reinsurance)	R0042	0	0	0	0	0	0
Expenses incurred (gross)							
Gross expenses incurred (direct insurance business)	R0050	19.949	177.005	152.982	73.489	61.420	45.268
Gross expenses incurred (proportional reinsurance)	R0051	12.556	12.871	2.297	485	3.637	-52
Gross expenses incurred (non-proportional reinsurance)	R0052	0	0	0	0	0	0

S.05.01.02

Premiums, claims and expenses by lines of business

		Business division for: non-life insurance and reinsurance obligations (direct insurance business and proportional reinsurance accepted)								
		Medical expenses insurance	Income protection insurance	Workers' compensation insurance	Motor third-party liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General liability insurance	Credit and collateral insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross – direct insurance business	**R0110**	2.009	84.371	0	23.334	191.700	408.179	800.608	860.213	151.069
Gross – Proportional reinsurance assumed	**R0120**	0	2.931	0	0	0	140.882	61.925	115.063	21.073
Gross – Non-proportional reinsurance assumed	**R0130**									
Reinsurers' share	**R0140**	1.778	77.627	0	21.930	173.555	498.306	740.156	863.526	167.090
Net	**R0200**	231	9.675		1.404	18.145	50.755	122.378	111.750	5.052
Premiums earned										
Gross – direct insurance business	**R0210**	1.514	71.763	0	27.347	183.130	401.837	773.456	841.257	90.553
Gross – Proportional reinsurance assumed	**R0220**	0	2.614	0	0	0	149.893	72.518	114.988	10.213
Gross – Non-proportional reinsurance assumed	**R0230**									
Reinsurers' share	**R0240**	1.374	68.120	0	25.338	166.726	498.988	741.177	852.611	106.703
Net	**R0300**	140	6.257		2.009	16.404	52.742	104.796	103.634	-5.936

Expenses for insurance claims										
Gross – direct insurance business	**R0310**	1.091	39.129	0	29.649	126.767	339.412	429.753	724.354	45.234
Gross – Proportional reinsurance assumed	**R0320**	0	106	0	-1.069	131	92.911	32.568	52.529	2.927
Gross – Non-proportional reinsurance assumed	**R0330**									
Reinsurers' share	**R0340**	965	35.729	0	26.047	114.809	391.703	410.483	694.808	45.764
Net	**R0400**	125	3.506	0	2.532	12.090	40.620	51.838	82.074	2.397
Expenses incurred	**R0550**	30	737	0	6.725	-4.356	12.663	51.371	33.055	-6.007
Balance sheet - other underwriting expenses/revenues	**R1210**									
Total expenses	**R1300**									

		Business division for: non-life insurance and reinsurance obligations (direct insurance business and proportional reinsurance accepted)			Business division for: non-proportional reinsurance business assumed				Total
		Legal protection insurance	Assistance	Various financial losses	Health	Casualty	Marine, aviation and transport	Property	
		C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written									
Gross – direct insurance business	**R0110**	90.691	7.014	48.189					2.667.377
Gross – Proportional reinsurance assumed	**R0120**	29.458	0	2.728					374.060
Gross – Non-proportional reinsurance assumed	**R0130**				0	0	0	0	0
Reinsurers' share	**R0140**	101.852	6.313	45.693	0	0	0	0	2.697.826
Net	**R0200**	18.297	701	5.224	0	0	0	0	343.611
Gross – direct insurance business	**R0210**	72.913	6.308	47.088					2.517.167
Gross – Proportional reinsurance assumed	**R0220**	28.980	0	2.672					381.878
Gross – Non-proportional reinsurance assumed	**R0230**				0	0	0	0	0
Reinsurers' share	**R0240**	91.186	5.752	44.758	0	0	0	0	2.602.732
Net	**R0300**	10.707	556	5.003	0	0	0	0	296.312

		Business division for: non-life insurance and reinsurance obligations (direct insurance business and proportional reinsurance accepted)			Business division for: non-proportional reinsurance business assumed				Total
		Legal protection insurance	Assistance	Various financial losses	Health	Casualty	Marine, aviation and transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Expenses for insurance claims									
Gross – direct insurance business	**R0310**	25.415	7.353	27.064					1.795.220
Gross – Proportional reinsurance assumed	**R0320**	10.332	0	-345					190.090
Gross – Non-proportional reinsurance assumed	**R0330**				0	0	0	0	0
Reinsurers' share	**R0340**	32.471	6.675	24.185	0	0	0	0	1.783.638
Net	**R0400**	3.277	678	2.535	0	0	0	0	201.672
Expenses incurred	**R0550**	7.197	141	2.175	0	0	0	0	103.730
Balance sheet - other underwriting expenses/revenues	**R1210**								6.268
Total expenses	**R1300**								109.998

		Business division for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with surplus participation	Index-linked and unit-linked insurance	Other life insurance	Annuities from non-life insurance contracts related to health insurance obligations	Annuities from non-life insurance contracts and in connection with other insurance obligations (with the exception of health insurance obligations)	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1420**	0	0	0	0	0	0	0	0	0
Net	**R1500**	0	0	0	0	0	0	0	0	0
Verdiente Prämien										
Gross	**R1510**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1520**	0	0	0	0	0	0	0	0	0
Net	**R1600**	0	0	0	0	0	0	0	0	0
Aufwendungen für Versicherungsfälle										
Gross	**R1610**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1620**	0	0	0	0	0	0	0	0	0
Net	**R1700**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R1900**	0	0	0	0	0	0	0	0	0
Balance sheet - other underwriting expenses/revenues	**R2510**									
Total expenses	**R2600**									
Total amount of repurchases	**R2700**	0	0	0	0	0	0	0	0	0

S.17.01.02

Non-life insurance technical provisions

		Direct insurance business and assumed proportional reinsurance business								
		Medical expenses insurance	Income protection insurance	Workers' compensation insurance	Motor third-party liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General liability insurance	Credit and collateral insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Technical provisions for insurance policies calculated as a whole	**R0010**	0	0	0	0	0	0	0	0	0
Total amounts recoverable from reinsurance/special purpose entities and Finite Re after the adjustment for expected losses due to counterparty default associated to technical provisions calculated as a whole	**R0050**	0	0	0	0	0	0	0	0	0
Technical provisions for insurance policies calculated as a sum of BE and risk margin										
Best estimate										
Provisions for premiums										
Gross	**R0060**	226.550	-3.665.857	0	2.760.489	20.218.894	-17.104.945	-16.376.277	24.887.764	-54.304.956
Total amounts recoverable from reinsurance/special purpose entities and Finite Re after adjustment for expected losses due to counterparty default	**R0140**	213.598	-946.528	0	2.698.465	20.441.682	16.601.090	-19.591.473	58.814.181	-29.855.452
Net best estimate for provisions for premiums	**R0150**	12.952	-2.719.329	0	62.024	-222.788	-33.706.035	3.215.196	-33.926.416	-24.449.504

Direct insurance business and assumed proportional reinsurance business

		Medical expenses insurance	Income protection insurance	Workers' compensation insurance	Motor third-party liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General liability insurance	Credit and collateral insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Loss reserves										
Gross	**R0160**	498.439	32.926.649	0	32.078.436	100.146.949	812.004.263	703.643.595	1.840.334.390	80.956.623
Total amounts recoverable from reinsurance/special purpose entities and Finite Re after adjustment for expected losses due to counterparty default	**R0240**	422.935	31.348.182	0	30.205.251	87.082.807	728.007.143	680.483.521	1.636.355.398	75.039.498
Net best estimate of loss reserves	**R0250**	75.504	1.578.467	0	1.873.184	13.064.142	83.997.121	23.160.074	203.978.992	5.917.125
Total best estimate – gross	**R0260**	724.989	29.260.792	0	34.838.925	120.365.843	794.899.318	687.267.318	1.865.222.154	26.651.668
Total best estimate – net	**R0270**	88.456	-1.140.862	0	1.935.207	12.841.354	50.291.085	26.375.270	170.052.576	-18.532.378
Risk margin	**R0280**	0	661.851	0	309.699	628.477	4.337.974	5.830.099	13.102.576	918.287
Amount of the transitional measure for technical provisions										
Technical provisions for insurance policies calculated as a whole	**R0290**	0	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0	0

Direct insurance business and assumed proportional reinsurance business								
Medical expenses insurance	Income protection insurance	Workers' compensation insurance	Motor third-party liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General liability insurance	Credit and collateral insurance

		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions – total										
Technical provisions – total	**R0320**	724.989	29.922.644	0	35.148.624	120.994.320	799.237.292	693.097.417	1.878.324.731	27.569.955
Amounts recoverable from reinsurance/special purpose entities and Finite Re after adjustment for expected losses due to counterparty default – total	**R0330**	636.534	30.401.654	0	32.903.717	107.524.489	744.608.233	660.892.049	1.695.169.579	45.184.046
Technical provisions less amounts recoverable from reinsurance/special purpose entities and Finite Re – total	**R0340**	88.456	-479.011	0	2.244.907	13.469.832	54.629.060	32.205.368	183.155.152	-17.614.091

		Direct insurance business and assumed proportional reinsurance business			non-proportional reinsurance business assumed				
		Legal protection insurance	Assistance	Various financial losses	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	**Total non-life insurance obligations**
		C0110	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
Technical provisions for insurance policies calculated as a whole	**R0010**	0	0	0	0	0	0	0	0
Total amounts recoverable from reinsurance/special purpose entities and Finite Re after the adjustment for expected losses due to counterparty default associated to technical provisions calculated as a whole	**R0050**	0	0	0	0	0	0	0	0
Technical provisions for insurance policies calculated as a sum of BE and risk margin									
Best estimate									
Provisions for premiums									
Gross	**R0060**	931.847	-783.984	1.522.043	0	0	0	0	-41.688.431
Total amounts recoverable from reinsurance/special purpose entities and Finite Re after adjustment for expected losses due to counterparty default	**R0140**	4.980.687	-587.420	2.512.652	0	0	0	0	55.281.481
Net best estimate for provisions for premiums	**R0150**	-4.048.840	-196.563	-990.609	0	0	0	0	-96.969.912

		Direct insurance business and assumed proportional reinsurance business			non-proportional reinsurance business assumed				Non-life insurance obligations total
		Legal protection insurance	Assistance	Various financial losses	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
Loss reserves									
Gross	**R0160**	89.113.500	2.400.617	49.730.217	0	0	0	0	3.743.833.679
Total amounts recoverable from reinsurance/special purpose entities and Finite Re after adjustment for expected losses due to counterparty default	**R0240**	81.116.286	2.184.379	47.254.945	0	0	0	0	3.399.500.347
Net best estimate of loss reserves	**R0250**	7.997.213	216.238	2.475.272	0	0	0	0	344.333.332
Total best estimate – gross	**R0260**	90.045.347	1.616.634	51.252.259	0	0	0	0	3.702.145.248
Total best estimate – net	**R0270**	3.948.374	19.675	1.484.663	0	0	0	0	247.363.420
Risk margin	**R0280**	1.295.691	8.267	566.221	0	0	0	0	27.659.143
Amount of the transitional measure for technical provisions									
Technical provisions for insurance policies calculated as a whole	**R0290**	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0
Technical provisions for insurance policies – total									
Technical provisions – total	**R0320**	91.341.038	1.624.900	51.818.481	0	0	0	0	3.729.804.391
Amounts recoverable from reinsurance/special purpose entities and Finite Re after the adjustment for expected losses due to counterparty default – total	**R0330**	86.096.973	1.596.959	49.767.596	0	0	0	0	3.454.781.828
Technical provisions less amounts recoverable from reinsurance/special purpose entities and Finite Re – total	**R0340**	5.244.065	27.942	2.050.884	0	0	0	0	275.022.563

S.19.01.21

Non-life insurance claims

Claim year/Underwriting year	Z0020	2023

Gross claims paid (non-cumulative)

(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10 &+		In the current year	Sum of years (accumu-lated)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Before	R0100											7.434.580	R0100	7.434.580	7.434.580
N-9	R0160	44.645.658	360.928.991	197.406.581	72.981.285	68.804.309	63.548.945	35.825.775	18.056.552	23.965.337	10.663.502		R0160	10.663.502	896.826.935
N-8	R0170	65.037.268	326.446.079	167.639.035	124.411.586	95.506.502	37.530.110	24.178.403	45.745.393	14.046.995			R0170	14.046.995	900.541.371
N-7	R0180	57.883.727	365.711.563	240.915.296	111.497.893	46.964.950	78.511.735	45.171.489	16.267.576				R0180	16.267.576	962.924.231
N-6	R0190	65.595.361	455.990.836	311.092.515	181.215.880	121.217.526	96.596.643	26.373.776					R0190	26.373.776	1.258.082.537
N-5	R0200	84.702.936	484.405.849	331.627.012	179.875.359	170.572.878	153.751.373						R0200	153.751.373	1.404.935.406
N-4	R0210	125.871.510	645.144.437	476.510.703	269.778.134	117.157.814							R0210	117.157.814	1.634.462.598
N-3	R0220	138.213.965	734.819.195	454.304.884	121.262.008								R0220	121.262.008	1.448.600.052
N-2	R0230	141.520.724	835.580.576	284.917.006									R0230	284.917.006	1.262.018.306
N-1	R0240	146.125.901	458.279.364										R0240	458.279.364	604.405.265
N	R0250	81.610.020											R0250	81.610.020	81.610.020
												Total	R0260	1.305.312.695	15.542.302.537

Best (gross) estimate for undiscounted loss reserves

(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Before	R0100											21.851.545
N-9	R0160			447.871.519	304.559.847	241.622.842	208.934.111	252.111.851	227.240.372	190.152.994	79.395.951	
N-8	R0170		615.263.384	423.761.526	310.336.858	214.713.882	198.997.206	190.634.888	187.617.884	75.863.261		
N-7	R0180	410.836.661	603.517.218	419.654.731	301.904.815	241.379.829	192.897.740	223.655.305	88.107.490			
N-6	R0190	534.293.832	729.325.659	542.314.220	421.588.955	340.210.145	304.410.362	116.820.589				
N-5	R0200	541.047.700	906.203.059	586.098.175	403.231.076	418.157.530	150.029.291					
N-4	R0210	634.820.098	1.393.857.402	956.381.918	798.300.171	305.338.347						
N-3	R0220	702.705.982	1.574.531.351	1.201.793.795	451.167.162							
N-2	R0230	1.089.012.035	2.104.960.779	970.835.753								
N-1	R0240	1.184.067.451	1.142.739.216									
N	R0250	578.284.189										

	End of year (discounted data)
	C0360
R0100	21.302.201
R0160	75.725.549
R0170	70.242.073
R0180	81.564.104
R0190	107.704.730
R0200	139.135.595
R0210	282.250.622
R0220	414.866.043
R0230	890.555.272
R0240	1.039.065.792
R0250	506.428.333
Gesamt R0260	3.743.833.679

S.22.01.21
Impact of long-term guarantees and transitional measures

		Amount with long-term guarantees and transitional measures	Effect of the transitional measure on technical provisions for insurance policies	Effect of the transitional measure on interest rates	Effect of reducing the volatility adjustment to zero	Effect of reducing the matching adjustment to zero
		C0010	**C0030**	**C0050**	**C0070**	**C0090**
Technical provisions	**R0010**	3.729.804	-3.729.804	0	0	0
Basic own funds	**R0020**	523.895	-523.895	0	0	0
Eligible own funds for the fulfilment of the SCR	**R0050**	523.895	-523.895	0	0	0
Solvency capital requirement	**R0090**	193.393	-193.393	0	0	0
Eligible own funds for the fulfilment of the MCR	**R0100**	465.493	-465.493	0	0	0
Minimum capital requirement	**R0110**	62.757	-62.757	0	0	0

S.23.01.01

Own funds

		Total	Tier 1 – unre-stricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for investments in other financial sectors within the meaning of Article 68 of Commission Delegated Regulation (EU) 2015/35						
Share capital (without deduction of treas-ury shares)	**R0010**	121.600	121.600		0	
Issue premium related to share capital	**R0030**	153.072	153.072		0	
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type insurance companies	**R0040**	0	0		0	
Subordinated member accounts of mutual insurance companies	**R0050**	0		0	0	0
Surplus funds	**R0070**	0	0			
Preference shares	**R0090**	0		0	0	0
Issue premium account related to prefer-ence shares	**R0110**	0		0	0	0
Equalisation reserve	**R0130**	178.271	178.271			
Subordinated liabilities	**R0140**	70.953			70.953	0
Amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items not listed above which have been approved by the supervi-sory authority as basic own funds	**R0180**	0	0	0	0	0
Own funds from the financial state-ments 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 investments in financial and credit institutions	**R0230**	0	0	0	0	0
Total basic own funds after deductions	**R0290**	523.895	452.942	0	70.953	0

		Total	Tier 1 – unre-stricted	Tier 1 – restricted	Tier 2	Tier 3
Supplementary own funds						
Unpaid and uncalled ordinary share capital that is callable on demand	**R0300**	0			0	
Initial fund, members' subscriptions or equivalent basic own fund item of mutual and mutual-type insurance companies and other similar undertakings which have not been paid up and are not called up, but which may be called up on request	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding obligation to write and settle subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Requests issued to members for back payment pursuant to the first subpara-graph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Requests issued to members for back payment – other than those pursuant to the first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other supplementary own funds	**R0390**	0			0	0
Total supplementary own funds	**R0400**	0			0	0
Available and eligible own funds						
Total amount of own funds available to meet the SCR	**R0500**	523.895	452.942	0	70.953	0
Total amount of own funds available to meet the MCR	**R0510**	523.895	452.942	0	70.953	
Total amount of eligible own funds to meet the SCR	**R0540**	523.895	452.942	0	70.953	0
Total amount of eligible own funds to meet the MCR	**R0550**	465.493	452.942	0	12.551	
Solvency capital requirement	**R0580**	193.393				
Minimum capital requirement	**R0600**	62.757				
Ratio of eligible own funds to SCR	**R0620**	270,90%				
Ratio of eligible own funds to MCR	**R0640**	741,74%				

		C0060	
Equalisation reserve			
Excess of assets over liabilities	**R0700**	452.942	

Treasury shares (held directly and indirectly)	**R0710**	0	
Foreseeable dividends, distributions and remuneration	**R0720**	0	
Other basic own fund items	**R0730**	274.672	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and specialised entities	**R0740**	0	
Equalisation reserve	**R0760**	178.271	
Expected profits			
Expected profits included in future premiums (EPIFP) – life insurance	**R0770**	0	
Expected profits included in future premiums (EPIFP) – non-life insurance	**R0780**	31.407	
Total expected profits included in future premiums (EPIFP)	**R0790**	31.407	

S.25.05.21

Solvency capital requirements - for companies using an internal model (partial or full model)

		Solvency capital requirements	Modelled amount	USP	Simplifications
		C0010	**C0070**	**C0090**	**C0120**
Type of risk					
Total diversification	**R0020**	-210.491	-210.491	0	0
Total diversified risk before tax	**R0030**	207.400	207.400	0	0
Total diversified risk after tax	**R0040**	193.393	193.393	0	0
Total market and credit risk	**R0070**	158.073	158.073	0	0
Market and credit risk - diversified	**R0080**	88.647	88.647	0	0
Credit event risk not recognised under market and credit risk	**R0190**	61.718	61.718	0	0
Credit event risk not recognised under market and credit risk - diversified	**R0200**	66.087	66.087	0	0
Total business risk	**R0270**			0	0
Total business risk - diversified	**R0280**			0	0
Total net non-life insurance underwriting risk	**R0310**	217.800	217.800	0	0
Total net non-life insurance underwriting risk - diversified	**R0320**	158.319	158.319	0	0
Total life and health underwriting risk	**R0400**			0	0
Total life and health underwriting risk - diversified	**R0410**			0	0
Total operational risk	**R0480**	41.148	41.148	0	0
Total operational risk - diversified	**R0490**	41.148	41.148	0	0
Other risks	**R0500**	16.538	16.538	0	0

Calculation of the solvency capital requirements

		Value
		C0100
Total undiversified components	**R0110**	**370.739**
Diversification	**R0060**	-163.338
Adjustment due to the aggregation of the notional SCR of the special associations/MAP	**R0120**	0
Capital requirement for business operated according to Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency capital requirement excluding capital add-on	**R0200**	**193.393**
Capital add-ons already set	**R0210**	0
Capital add-ons already set - Article 37 (1) Type A	**R0211**	0
Capital add-ons already set - Article 37 (1) Type B	**R0212**	0

Capital add-ons already set - Article 37 (1) Type C	**R0213**	0
Capital add-ons already set - Article 37 (1) Type D	**R0214**	0
Solvency capital requirement	**R0220**	**193.393**
Other information on SCR		
Level/estimate of the total loss-absorbing capacity of the technical provisions for insurance policies	**R0300**	0
Level/estimate of the loss-absorbing capacity of deferred taxes	**R0310**	-14.007
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of the notional solvency capital requirement for the remaining part	**R0410**	0
Total amount of the notional solvency capital requirement for specialised entities	**R0420**	0
Total amount of the notional solvency capital requirement for matching adjustment portfolios	**R0430**	0
Diversification effects due to the aggregation of the notional solvency capital requirement for specialised entities for Article 304	**R0440**	0
Method for calculating the adjustment due to the aggregation of the notional SCR of the specialised entities	**R0450**	0
Method for calculating the adjustment due to the aggregation of the notional SCR of the specialised entities	**R0450**	0
Future surplus participations (net)	**R0460**	0

Procedure for the tax rate

		Yes/No
		C0109
Approach based on the average tax rate	R0590	1 - Yes

Calculation of the loss-absorbing capacity of deferred taxes (LAC DT)		**LAC DT** **C0130**
Amount/estimate of LAC DT	**R0640**	-14.007
Amount/estimate of LAC DT due to reversal of deferred tax liabilities	**R0650**	-14.007
Amount/estimate of LAC DT due to probable future taxable profits	**R0660**	0
Amount/estimate of LAC DT due to carryback, current year	**R0670**	0
Amount/estimate of LAC DT due to carryback, future years	**R0680**	0
Amount/estimate of maximum LAC DT	**R0690**	0

S.28.01.01

Minimum capital requirement – only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL result	**R0010**	62.757

		Best estimated value (net of reinsurance/special purpose entity) and technical provisions calculated as a whole	Written premiums (net of reinsurance) in the last 12 months
		C0020	**C0030**
Medical expenses insurance and proportional reinsurance	**R0020**	88	231
Income protection insurance and proportional reinsurance	**R0030**		9.675
Workers' compensation insurance and proportional reinsurance	**R0040**		
Motor third-party liability and proportional reinsurance	**R0050**	1.935	1.404
Other motor insurance and proportional reinsurance	**R0060**	12.841	18.145
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	50.291	50.755
Fire and other property insurance and proportional reinsurance	**R0080**	26.375	122.378
General liability insurance and proportional reinsurance	**R0090**	170.053	111.750
Credit and collateral insurance and proportional reinsurance	**R0100**		5.052
Legal protection insurance and proportional reinsurance	**R0110**	3.948	18.297
Assistance and proportional reinsurance	**R0120**	20	701
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	1.485	5.224
Non-proportional health reinsurance	**R0140**		
Non-proportional casualty reinsurance	**R0150**		
Non-proportional marine, aviation and transport reinsurance	**R0160**		
Non-proportional property reinsurance	**R0170**		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL result	R0200	0

		Best estimated value (net of reinsurance/special purpose entity) and technical provisions calculated as a whole	Total risk capital (net of reinsurance/special purpose entity)
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	0	
Obligations with profit participation – future profit participations	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total risk capital for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	62.757
SCR	R0310	193.393
MCR cap	R0320	87.027
MCR floor	R0330	48.348
Combined MCR	R0340	62.757
Absolute floor of MCR	R0350	0

Minimum capital requirement	R0400	62.757