HDI-Gerling Industrie Versicherung AG

Annual Report 2013

a Talanx brand

HDI-Gerling Industrie Versicherung AG at a Glance

		2013	2012
Gross premiums written	in EUR million	3,270	3,057
Increase/decrease in gross premium written	in %	7.0	12.4
Income from earned premiums for own account	in EUR million	1,329	1,329
Claims expenses for own account	in EUR million	1,139	1,053
Loss ratio for own account	in %	85.7	79.3
Operating expenses for own account	in EUR million	287	286
Expense ratio for own account	in %	21.6	21.5
Net underwriting result before equalization reserve for own account	in EUR million	-88	-15
Combined Ratio (loss/expense ratio) for own account	in %	107.3	100.8
Investments	in EUR million	6,246	6,207
Investment income	in EUR million	256	291
Net profit/loss from non-insurance business*	in EUR million	165	217
Net income/loss from ordinary activities	in EUR million	113	121
Tax expense/tax income	in EUR million	47	33
Profit transferred under a profit/loss transfer agreement	in EUR million	56	82
Operating results (net profit/loss from ordinary activities plus changes in the equalization reserve)	in EUR million	77	202
Capital, reserves and underwriting provisions			
Equity	in EUR million	407	407
Subordinated liabilities	in EUR million	142	250
Equalization reserve and similar provisions	in EUR million	570	607
Other underwriting provisions**	in EUR million	4,689	4,369
Total	in EUR million	5,808	5,633
of earned premiums for own account	in %	437.2	423.9
Ratio of underwriting provisions for own account***	in %	325.1	369.9
Insurance contracts	in 1,000	768	729
Reported claims	in 1,000	306	250
Headcount	Number	2,045	1,962

** Sum of net investment income and other net income/expenses*
*** Excluding provision for premium refunds*
**** Provision for outstanding claims as a percentage of premiums earned for own account*

For computational reasons, the tables may show rounding differences of +/- one unit count.

Contents

Ladies and Gentlemen,

We look back on an eventful financial year 2013. It was characterised both by a record high with respect to premium income as well as an all-time high for claims volume. HDI-Gerling Industrie Versicherung AG's gross written premiums increased significantly in the reporting period to more than EUR 3.2 billion. The crucial factor for this positive performance with respect to our business volume was in particular a sharp rise in premiums in our international business, with which we can be very satisfied.

In Germany, 2013 was marked above all by natural disasters from the perspective of the insurance industry: Floods, hail storms and the winter storms „Christian" and „Xaver" placed a substantial burden on the insurance industry. According to projections by the German Insurance Association (GDV), insurers paid just under EUR 7 billion to their customers for the consequences of natural disasters in 2013. Thus, the past financial year saw some of the heaviest losses in many years.

As the leading industrial insurer in Germany, HDI-Gerling Industrie Versicherung was able to impressively demonstrate its reliability in claims adjustment in this costly year 2013: Our gross expenses for insurance claims totalled nearly EUR 2.5 billion. More than ever before in the history of our Company.

Our very good reinsurance structure and a balanced risk portfolio absorbed a portion of this burden. However, these losses also hit us hard and left marks on our balance sheet as a result of our deep market penetration with German industrial and corporate customers. Our underwriting result before equalisation reserve fell to EUR -88 million and the combined ratio (net) slipped to 107.3 percent.

These figures signal that we no longer have a satisfactory balance of premiums and risk in some areas. Therefore, we will have to work to restore a healthy premium/risk relationship, which does not necessarily mean price increases. There is a whole series of other steps we can take to improve our underwriting result. For instance, there can be risks for which the prices remain the same, but with higher deductibles or other agreed terms. In addition, we are increasing loss prevention – true to our motto: „secured before insured". For example, we have developed a new geographic information system by the name of ARGOS that enables our underwriters and claims adjusters to see whether customers are located in special high risk zones such as flood, earthquake, or hurricane-prone areas and are thus particularly exposed to natural hazards. All these measures have a positive impact on the premium/risk relationship.

By the way, we are leading the way by setting a good example in loss prevention, as demonstrated by a special award we received this past year: The bvfa – Bundesverband Technischer Brandschutz e.V. (Federal Association for Fire Protection Technology) – presented our head office at HDI-Platz 1 with the „Sprinkler Protected Award“ in honour of the outstanding preventative fire safety measures in place at our corporate headquarters. This award proves that we take loss prevention very seriously – not only for our customers, but also in our own firm.

We were very satisfied in the past financial year with the performance of our international locations. In particular the branch offices in France, Italy and the United Kingdom as well as our company in the Netherlands generated significant increases in premiums. The opening of our newest branch offices in Toronto, Singapore and Bahrain was also a complete success. We are now in a position to offer services to our industrial customers in 39 countries around the world from our own local offices.

In the past year, it wasn‘t just losses as a result of natural disasters that kept us preoccupied. Another topic that is becoming increasingly important to our customers is cyber risks, i.e. threats resulting from computer and cyber-crimes. As a result of the increasing digital networking of the economy, cyber-attacks are leading to more and more frequent losses at companies. Therefore, we have developed a new insurance solution with our Police Cyber+. Our integrated insurance protection covers both direct claims due to cyber-crime as well as third-party claims for which companies are liable to customers, service providers, or other third parties.

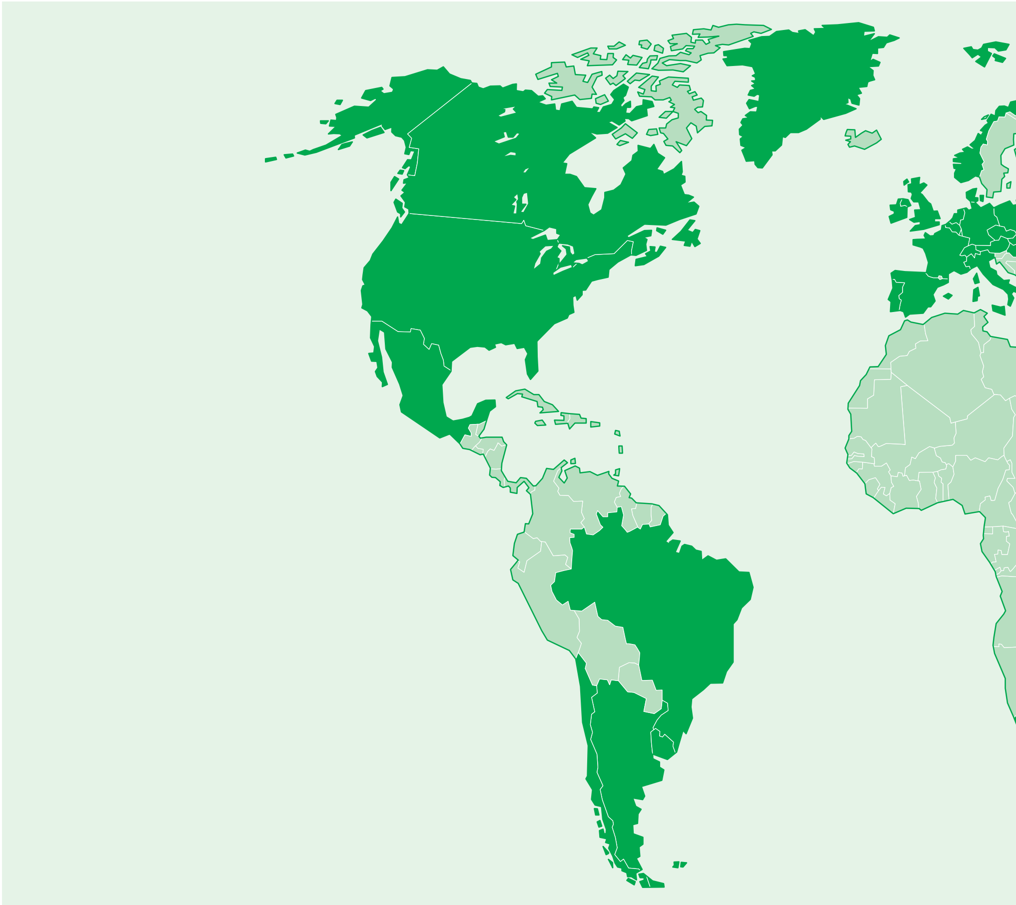
The strength of our Company lies in the energy and commitment of our employees. They demonstrate every day how valuable their personal dedication is for our Company. I would like to thank them now in the name of HDI-Gerling Industrie Versicherung‘s Board of Management. We are pleased to ensure that our Company will also pass every test with the same passion in 2014.

Sincerely,

Dr. Christian Hinsch

Chairman of the Board of Management of HDI-Gerling Industrie Versicherung AG

HDI-Gerling Industrie world-wide



Argentina
HDI Seguros S.A.
Buenos Aires

Australia
HDI-Gerling Industrie Versicherung AG
Sydney

Austria
HDI Versicherung AG
Vienna

Bahrain
HDI-Gerling Industrie Versicherung AG
Manama

Belgium
HDI-Gerling Assurances S.A.
Brussels

Brasil
HDI Seguros S.A.
São Paulo

Bulgaria
HDI Zastrahovane AD
Sofia

Canada
HDI-Gerling Industrie Versicherung AG
Toronto

Chile
HDI Seguros S.A.
Santiago

China
HDI-Gerling Industrie Versicherung AG
Hong Kong

Czech Republic
HDI Versicherung AG
Prague

Denmark
HDI-Gerling Verzekeringen N.V.
Copenhagen

France
HDI-Gerling Industrie Versicherung AG
Paris

Germany
HDI-Gerling Industrie Versicherung AG
Hannover

Greece
HDI-Gerling Industrie Versicherung AG
Athens

Hungary
HDI Versicherung AG
Budapest

India
Magma HDI General Insurance Company Limited
Kolkata
(Joint venture)

Ireland
HDI-Gerling Industrie Versicherung AG
Dublin

Italy
HDI-Gerling Industrie Versicherung AG
Milan

Japan
HDI-Gerling Industrie Versicherung AG
Tokyo

Luxembourg
HDI-Gerling Assurances S.A. Luxembourg
Luxembourg

South Africa
HDI-Gerling General Insurance of South Africa Ltd.
Johannesburg

Spain
HDI HANNOVER INTERNATIONAL (España) Cia de Seguros y Reaseguros S.A.
Madrid

Switzerland
HDI-Gerling Industrie Versicherung AG
Zurich

Turkey
HDI Sigorta A.Ş.
Istanbul

Ukraine
HDI Strakhuvannya
Kiev

Uruguay
HDI Seguros S.A.
Montevideo

Mexico
HDI-Gerling de México Seguros, S.A.
Mexico City

New Zealand
(customer service is provided through: HDI-Gerling Industrie Versicherung AG Sydney)

The Netherlands
HDI-Gerling Verzekeringen
N.V. Rotterdam

Norway
HDI-Gerling Industrie Versicherung AG
Oslo

Poland
Towarzystwo Ubezpieczeń i Reasekuracji
„WARTA" S.A.
Warsaw

Portugal
(customer service is provided through HDI HANNOVER INTERNATIONAL (España) Cia de Seguros y Reaseguros S.A. Madrid)

Russia
OOO Strakhovaya Kompaniya
„HDI Strakhovanie"
Moscow

Singapore
HDI-Gerling Industrie Versicherung AG
Singapore

Slovak Republic
HDI Versicherung AG
Bratislava

USA
HDI-Gerling
America Insurance Company
Chicago

Vietnam
PVI Insurance Corporation
Hanoi
(minority interest)

Representatives of the member groups of HDI V.a.G.

01 South German Iron and Steel Industry
Dr. Michael H. Müller
Chairman of the Supervisory Board of Saarstahl AG and the AG of Dillinger Hüttenwerke,
Lawyer,
Saarbrücken

Dr.-Ing. Hansjörg Rieger
Managing Partner of RUD Ketten Rieger & Dietz GmbH u. Co. KG,
Aalen-Unterkochen

02 West German Iron and Steel Industry
Dipl.-Kfm. Bruno Gantenbrink
Personally liable partner of BEGA Gantenbrink-Leuchten KG,
Menden

Dipl.-Betriebswirt
Friedhelm Hoffmann
former Managing Director of W. Schumacher GmbH,
Hilchenbach

03 North German Iron and Steel Industry
Dipl.-Kfm. Max Müller
Managing Partner of Hannoversches Presswerk MAX MÜLLER GmbH & Co.,
Hannover
(until 12.06.2013)

Jürgen Stulz
Managing Director of STULZ Holding GmbH and of STULZ GmbH
Hamburg
(as at 12.06.2013)

04 Steel Mills and Smelters
Ulrich Grillo
Chairman of the Board of Management of Grillo Werke AG,
Duisburg

05 Electrical, Precision Mechanics and Optical Industry
Dr.-Ing. Udo Bechtloff
Chairman of the Board of Management of KSG Leiterplatten GmbH,
Gornsdorf

Manfred Neubert
Chairman of the Board of Management of SFK GmbH,
Schweinfurt

Dipl.-Ing. Jürgen Röders
Managing Director of Röders GmbH,
Soltau
(until 12.06.2013)

Jürgen Stulz
Managing Director of STULZ Holding GmbH and of STULZ GmbH,
Hamburg
(until 12.06.2013)

06 Companies in the South German Precious Metals and Non-precious Metals Industry
Maximilian Schäfer
Breitbrunn am Chiemsee

10 Mining Companies
Dr. Jürgen Rupp
Member of the Board of Management of RAG Aktiengesellschaft,
Herne

20 Chemicals Companies
Dr. rer. nat. Helge Fänger
Chairman of the Board of Management of Serumwerk Bernburg AG,
Bernburg

Dr. Reinhard Uppenkamp
Chairman of the Board of Management of Berlin-Chemie AG,
Berlin
(as at 12.06.2013)

30 Food Companies
Dipl.-Kfm. Rainer Thiele
Chairman of the Advisory Board of KATHI Rainer Thiele GmbH,
Halle (Saale)

31 Breweries and Malthouses
Alfred Müller
Managing Director of Bitburger Braugruppe GmbH,
Bitburg

38 Wholesale and Export Companies
Andreas Möbius
Managing Director of VGA GmbH,
Berlin

40 Paper and Printing Companies
Dipl.-Ökonom Thomas Thumm
Member of the Management Board of HERMA GmbH,
Filderstadt

55 Ceramics and Glass Companies
Dipl.-Kfm. Nikolaus Wiegand
Managing Director of Wiegand-Glas GmbH,
Steinbach am Wald

58 Medical and Welfare Services
Prof. Dr. med. Karl Hoffmann
Ophthalmologist,
Hannover
(until 12.06.2013)

Dr. Andreas Tecklenburg
Vice President and Member of the Board of Directors responsible for the Patient Care Division of Hannover Medical School (MHH),
Hannover
(as at 12.06.2013)

60 Wood and Lumber Companies
Claus Ruser
Managing partner of Holz Ruser GmbH & Co. KG
Bornhöved

70 Textile Companies
Werner Ritzi
Mühlhausen-Ehingen
(until 12.06.2013)

Dipl.-Kfm. Heiko A. Westermann
Managing partner of ROY ROBSON FASHION GmbH & CO. KG
Lüneburg
(as at 12.06.2013)

81 Building and Building Materials Industry
Christian Schnieder
Managing partner of GOLDBECK GmbH,
Bielefeld

82 Banks, Insurance Companies, Administration, Liberal Professions
Walter Eßer
Lawyer,
Aachen

Götz Hartmann
Lawyer,
Gehrden

Dr. Hans-Ulrich Küver
Neurologist and Psychiatrist,
Hannover

Dr. jur. Christian Olearius
Personally liable partner and spokesman of the partners of
M. M. Warburg & CO KGaA,
Hamburg

Friedrich Schüßler former Chairman of the Board of Management of
Lucura Rückversicherungs AG,
Ludwigshafen

83 Transport and Shipping Industry
Dr. Klaus Ridder
Düsseldorf
(until 12.06.2013)

Michael Eggenschwiler
Chairman of the Board of Directors of
Flughafen Hamburg GmbH,
Hamburg
(as at 12.06.2013)

85 Energy and Utility Companies
Dipl.-Volkswirt Markus Scheib
Managing Director of
MiRO Mineralölraffinierte Oberrhein GmbH & Co. KG,
Karlsruhe

Governing bodies of the Company

Supervisory Board

Herbert Haas
Chairman
Burgwedel

Chairman of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie and Talanx AG

Dr. Erwin Möller
Deputy Chairman
Hannover

Chairman of the Supervisory Board of M. M. Warburg & Co. Gruppe KGaA

Wolfgang Brinkmann
Herford
Managing Director of bugatti GmbH

Ulrich Weber
Berlin
Member of the Board of Management of Deutsche Bahn AG

Jutta Mück*
Oberhausen
Employee

Detlev Preugschat*
Burgwedel
Employee

* Employee representative

Board of Management

Dr. Christian Hinsch
Chairman
Hannover

Member of the
Board of Management of
HDI Haftpflichtverband der Deutschen
Industrie and Talanx AG

Member of the Board of Management of
HDI-Gerling Industrie Versicherung AG
responsible for the
- Tasks assigned to the Chairman of the Board under the Rules of Procedure
- Internal Audit
- Coordination of Passive Reinsurance

Dr. Joachim ten Eicken
Member of the Board of Management of
HDI-Gerling Industrie Versicherung AG
responsible for the
- Industrial Property Insurance Line (operations/claims/safety engineering systems)
- Marine and credit insurance
- Supervision of HDI-Gerling Sicherheitstechnik GmbH

Frank Harting
Member of the Board of Management of
HDI-Gerling Industrie Versicherung AG
responsible for
- Aviation and Group Accident Insurance Line
- IT-Demand
- Industry Division

(as at 1.4.2013)

Gerhard Heidbrink
Member of the Board of Management of
HDI-Gerling Industrie Versicherung AG
responsible for
- Industrial Motor Vehicle Insurance Line (operations/claims/safety engineering systems)
- Domestic Sales except for the Corporate Division

Karl-Gerhard Metzner
Member of the Board of Management of
HDI-Gerling Industrie Versicherung AG
responsible for the
- Marine Insurance Line
- Aviation Insurance Line
- Group Accident Insurance Line
- Credit Insurance Line

(until 30.4.2013)

Dr. Stefan Sigulla
Member of the Board of Management of
HDI-Gerling Industrie Versicherung AG
responsible for the
- Industrial Liability and Legal Protection Insurance Line (operations/claims/safety engineering systems)
- Corporate Division

Jens Wohlthat
Member of the Board of Management of
HDI-Gerling Industrie Versicherung AG
responsible for the
- International Division

Ulrich Wollschläger
Member of the Board of Management of
HDI-Gerling Industrie Versicherung AG
responsible for the
- Accounting
- Premium collections
- Investments
- Controlling
- Risk Management

Report of the Supervisory Board

The Supervisory Board monitored the conduct of the business by the Board of Management in the past financial year 2013 on a continuous basis in accordance with the law, the articles of association and rules of procedure and arranged for comprehensive information about the business performance and the financial position of the Company to be presented by the Board of Management in regular written and verbal reports. The Chairman of the Supervisory Board was further informed by the Chairman of the Board of Management about important developments and upcoming decisions on a regular basis.

The Supervisory Board convened for two ordinary meetings on 12 March 2013 and 6 November 2013. At the meetings, the reports from the Board of Management were discussed in detail and suggestions and proposals for optimisation were presented. To the extent that business matters requiring approval arose in the periods between the meetings, the Board of Management submitted these for a resolution by written procedure.

In the 2013 financial year, the Board of Management presented regular reports on the current financial year and the business and financial performance of the Company. As part of the written and verbal reporting, the Supervisory Board was also informed about risk management at the Company, about its risk situation as well as any changes that had occurred together with their causes.

During the 2013 financial year, there was no occasion for the Supervisory Board to undertake examinations within the meaning of § 111 Para 2 of the German Stock Corporation Act (Aktiengesetz - AktG).

The Supervisory Board generally participated in the decisions of the Board of Management within the scope of its legal and statutory responsibility and assured itself that the management of the Company was conducted in a manner that was lawful, proper, appropriate and profitable.

Points of focus for the deliberations in plenary sessions

A major focus for the deliberations of the Supervisory Board was the implementation of the globalisation strategy, the measures to restructure the foreign units in Europe as well as the planning for the 2014 financial year.

To the extent that the transactions and measures taken by the Board of Management required the approval of the Supervisory Board in accordance with the law, the articles of association and the rules of procedure, resolutions to that effect were adopted after a review and deliberations.

The Supervisory Board assured itself that the risk management system was performing effectively and arranged to be informed on this point by the Board of Management on an ongoing basis.

Audit of the annual financial statements

The annual financial statements as of 31 December 2013 as well as the management report presented by the Board of Management, including the accounting, were audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Hannover. The auditors were appointed by the Supervisory Board, which also awarded the specific audit engagement.

The audit did not lead to any reservations. The unqualified audit opinion states that the accounting and the annual financial statements present fairly, in all material respects, the net assets, financial position and results of operations, and that the management report is consistent with the annual financial statements. The documentation for the annual financial statements and the KPMG AG audit reports were forwarded to all Supervisory Board members on a timely basis.

The independent auditor attended the meeting to discuss the annual financial statements and the management report in order to report on the conduct of the audit, and was available to the Supervisory Board to provide further information on the annual financial statements and the management report as well as the audit report. The Supervisory Board discussed the annual financial statements prepared by the Board of Management and also reviewed the audit report of the independent auditor, and addressed follow-up questions to the independent auditor on some specific points. The Supervisory Board arrived at the conclusion that the audit report was in compliance with §§ 317 and 321 of the German Commercial Code (Handelsgesetzbuch - HGB) and that it did not raise any concerns. The Supervisory Board further concluded that the management report satisfied the requirements in § 289 HGB and conformed to the statements in the reports to the Supervisory Board pursuant to § 90 AktG. The management report was also consistent with the Supervisory Board's own assessment of the Company's position.

In accordance with the final result of the review of the annual financial statements and the management report undertaken by the Supervisory Board, we concurred with the auditor's opinion and approved the annual financial statements as prepared by the Management Board on 11 March 2014, which are thereby adopted. The management report, and in particular the statements made therein regarding the future development of the Company, were also approved.

Members of the Board of Management

Karl-Gerhard Metzner stepped down from the Company's Board of Management effective at the end of 30 April 2013. The Supervisory Board would like to thank Mr. Metzner for his many years of commendable work for the Company. Frank Harting was appointed as the new member of the Company's Board of Management effective as of 1 April 2013.

The Supervisory Board wishes to thank the members of the Board of Management and all employees for their commitment and contribution during the reporting period.

Hannover, 11 March 2014

For the Supervisory Board

Herbert K. Haas
(Chairman)

Management report

Basic principles of the Company

Business operations

The Company
As an industrial insurance company, HDI-Gerling Industrie Versicherung AG meets the needs of industrial and commercial customers with insurance solutions that are specifically tailored to their requirements. Beyond its prominent presence in the German market, the Company conducts significant activities in more than 130 countries through foreign branch offices, subsidiaries and affiliated companies as well as a network of partners. The Company is thus able to offer its customers local policies for their global operations, which ensure that the established service and insurance protection is extended for all covered risks world-wide.

Economic report

Macroeconomic and industry-specific environment

Macroeconomic development
The first half of 2013 was characterised in Europe by political setbacks and the persistent euro debt crisis. The impending political stalemate in Italy as well as the contentious sovereign default of Cyprus averted at the last minute triggered considerable uncertainty on the part of market participants, in particular at the beginning of the year. As a result, gross domestic product (GDP) in the eurozone fell by 0.2% in the first quarter. In the second quarter of 2013, the economy here grew for the first time since the end of 2011 by 0.3% quarter-on-quarter – among other things, thanks to strong growth in Germany (+0.7%) and in France (+0.6%).In the third quarter, the eurozone only recorded moderate economic growth of 0.1%. The recession appears to be over; nevertheless, the eurozone recorded an overall 0.4% decrease in GDP for 2013.

In Germany, GDP stagnated in the first quarter of 2013 after falling by another 0.5% in the fourth quarter of 2012. The Ifo business climate index – one of the most-observed economic indicators in the eurozone – increased in December to 109.5 points and thus reached its highest level since April 2012.

The United Kingdom surprised in the first quarter of 2013 with GDP growth of 0.5%. In the second and third quarters of 2013, the economy here continued to recover in both quarters and expanded at a rate of 0.8% quarter-on-quarter.

The economy in the USA proved to be robust on the whole in 2013. The US economy developed a relatively strong momentum, in particular in the second half of the year: At 4.1%, it recorded the strongest expansion since the first quarter of 2012 in the third quarter. At the same time, the unemployment rate fell from 7.9% to a five year low of 6.7% over the course of the year.

The monetary policy of the major central banks remained on an unchanged expansion course. In Europe, the European Central Bank (ECB) reduced its key interest rate by 25 basis points to 0.50% in the second quarter of 2013. To the surprise of many, it reduced the key interest rate again in November to a record low of 0.25%. At the same time, the ECB expanded the unlimited provision of liquidity for the banking sector: It now intends to provide this liquidity until the middle of 2015. The Bank of England tied its key interest rate to the unemployment rate and the US Federal Reserve Bank (Fed) announced in December that it will reduce its monthly bond purchases by USD 10 billion starting in January 2014. At the same time, the Fed emphasised that the key interest rate will remain near zero for a long time, even if the US unemployment rate should fall below 6.5%.

Moderate inflation rates shored up the expansive monetary policy. In the eurozone, the rate of inflation fluctuated between 1.7% and 2.0% in the first quarter of 2013 and reached a low of 0.8% in December. In the United Kingdom, the rate of inflation fluctuated around the level of 2.7% over the course of the year, but fell to 2.0% at the end of the year. In the USA, the inflation rate also fell over the course of the year – from 2% in February to 1.2% in November.

Capital markets
The weak economy, political uncertainties and continued expansive monetary policy influenced activity on the bond markets. In the first quarter of 2013, the restructuring of the Dutch SNS Banking Group in which subordinated creditors were expropriated permanently unsettled investors. The reorganisation of the Cypriot banking system also disconcerted market participants. The interest trend in the second quarter was once again dominated by actions and statements on the part of central banks. In this environment, in addition to strong currency movements in the US dollar and yen, there were

also sharp interest rate movements with a significant rise in yields. In the third quarter, capital market participants focused on the US budget, the government crisis in Italy and the Bundestag elections in Germany. The interest rate trend was correspondingly volatile.

The fourth quarter began with a series of economic and political turbulence. An apparent convergence of political parties in the US budget dispute regarding an increase of the debt limit led temporarily to a stabilisation of interest rates. At the beginning of December, the interest rate trend became more lively as a consequence of numerous positive headlines: Stable US macro data and very positive US labour market data caused interest rates to rise significantly.

Yields in Germany rose significantly compared to the prior year: Two-year German government bonds rose by approximately 17 basis points to 0.189%, five-year bonds by just over 67 basis points to 0.959% and ten-year bonds also by just over 67 basis points to 1.959%.

In the primary market – the market for the initial offering of securities – there was quite a bit of new issue activity at the beginning of the year, in particular with respect to corporate bonds, short-term senior financials (senior financial instruments) and high-yield bonds. In contrast to the previous year, issuers of covered bonds (mortgage bonds) were very restrained during the entire first quarter. There were more offerings than usual in the months from March to May; the primary market didn't see this much activity again until September in the market for corporate bonds.

International insurance markets

Despite a few larger natural disasters, we assume that the burden on the international insurance industry was average in 2013. The sustained sovereign debt crisis in the eurozone and the restrained development of the global economy continue to represent a challenging environment for insurance companies. The economic momentum is meanwhile also slowing in emerging markets; however, their rate of growth remains considerably higher than that of developed economies.

International property and casualty insurance exhibited stable premium growth overall for 2013: Real growth in the developed insurance markets remained at the prior year's level. In contrast, continued clearly stronger growth in emerging markets declined somewhat year-on-year.

Despite the accumulation of natural disasters, claims expenses remained low for insurers due to the low degree of insurance penetration in the emerging markets. Persistently low interest rates had a considerably stronger impact on the results of insurers' operations. As a result, profitability in international property and casualty insurance recovered somewhat compared to the prior year, although it remained at a low level.

German insurance industry

Following strong premium growth in 2012, the German insurance industry also recorded premium growth in 2013, albeit at a somewhat lower level. In particular motor vehicle insurance growth contributed to the rise in premiums.

In the reporting period, a series of natural disasters caused around EUR 7 billion in losses. Approximately EUR 5.5 billion of these losses were attributable to property insurance and approximately EUR 1.5 billion to motor vehicle insurance. A comparable level of losses due to natural disasters was last incurred in the years 1990 and 2002, in which the storms "Wiebke" and "Vivian" as well as the Elbe river flood and winter storms resulted in high insurance claims. The insurance lines mainly affected by natural perils – property and motor vehicle insurance – show a higher net combined ratio for 2013 than in 2012.

Business performance

Business performance of HDI-Gerling Industrie Versicherung AG

Insurance business (total)

	2013	2013	2012	2012
Figures in EUR million	Gross	Net	Gross	Net
Premiums	3,270	1,288	3,057	1,329
Earned premiums	3,200	1,329	3,032	1,329
Claims expenses	2,478	1,139	2,167	1,053
Operating expenses	600	287	569	286
Net underwriting result for own account		-51		-96
In %				
Loss ratio	77.4	85.7	71.5	79.3
Expense ratio	18.8	21.6	18.8	21.5
Combined (loss/expense) ratio	96.2	107.3	90.3	100.8

Total gross written premiums of HDI-Gerling Industrie Versicherung AG grew in the reporting period by a significant EUR 213 million to EUR 3,270 (3,057) million and thus stronger than expected. This generally positive trend prevailed throughout almost all insurance lines. Even in the intensely competitive market environment, welcome premium increases could be achieved in the all-risk, motor vehicle, liability as well as the marine and aviation insurance lines. As expected, the crucial factor for the positive development was in particular a sharp rise in premiums in international business.

Gross premiums for the financial year (total)

EUR millions, %		
Liability insurance	960	29.4
All-risk insurance	887	27.1
Motor vehicle insurance	381	11.7
Engineering insurance	319	9.8
Marine and aviation insurance	278	8.5
Fire insurance	204	6.2
Casualty insurance	112	3.9
Other insurance	129	3.4
Total	**3.270**	**100.0**

Net premiums earned remained constant at EUR 1,329 (1,329) million.

Gross expenses for claims incurred rose year-on-year by EUR 311 million to EUR 2.478 (2.167) million. The crucial factor behind the increase was the heavy burden of EUR 786 (577) million in claims expenses for the financial year in the business accepted for reinsurance as a result of several major losses, whereby the planning was based on the assumption of a declining claims trend. Moreover, the run-off result reported was significantly lower than in the prior year, which was primarily justified based on necessary retroactive appropriations for reserves for potential major losses in the direct written liability insurance business. The gross loss ratio rose to 77.4 (71.5) %.

Gross expenses for claims incurred rose year-on-year by EUR 86 million to EUR 1.139 (1.053) million. The net loss ratio rose to 85.7 (79.3) %.

Gross expenses for insurance operations incurred rose by EUR 31 million to EUR 600 (569) million. As expected, the expense ratios remained constant in gross at 18.8 (18.8) % with a net ratio of 21.6 (21.5) %. The combined ratios reflected the developments described above and were recorded as 96.2 (90.3) % for the gross ratio and 107.3 (100.8) % for the net ratio.

On balance, our Company was able to report a year-on-year improvement of EUR 45 million in the underwriting result to a net loss of EUR -51 million (EUR -96) million, which includes a withdrawal from the equalisation reserve of EUR 36 million (prior year: an addition of EUR 81 million).

Liability insurance

Direct written insurance business

	2013	2013	2012	2012
Figures in EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	690	230	685	291
Earned premiums	690	248	684	295
Claims expenses	712	235	528	232
Operating expenses	114	70	110	57
Net underwriting result for own account		-36		-22
In %				
Loss ratio	103.2	94.6	77.2	78.6
Expense ratio	16.6	28.3	16.1	46.8
Combined	1198			
(loss/expense) ratio	93.3	122.9	93.3	97.8

Gross written premiums in the industrial liability insurance line increased in the financial year to EUR 690 (685) million. This premium growth can be attributed to the international business.

Net premiums earned declined by EUR 47 million to EUR 248 (295) million. The crucial factor was significantly higher reinsurance premiums compared to the prior year, since expenses for reinstatement premiums rose as a result of claims asserted under reinsurance contracts.

Gross expenses on insurance claims climbed significantly by EUR 184 million to EUR 712 (528) million. Claims expenses for the financial year rose due to the EUR 67 million increase in provisions for claims incurred but not yet reported. The crucial factor behind the significant increase in gross claims expenses was the considerably lower run-off result of EUR -74 (run-off profit of 43) million, which can be mainly attributed to retroactive appropriations for reserves necessary for potential major losses. The gross loss ratio climbed accordingly by a significant 26.0 percentage points to 103.2 (77.2) %.

Net expenses for insurance claims rose by EUR 3 million to EUR 235 (232) million, which was considerably less than the increase in gross expenses. Reinsurance shares rose sharply year-on-year as a result of disproportionately large recoveries from reinsurers for major losses. Lower net premiums contributed to a net loss ratio of 94.6 (78.6) %.

Gross expenses for insurance operations for the financial year rose slightly to EUR 114 (110) million. The gross loss ratio rose to 16.6 (16.1) %. In contrast, the net expense ratio increased more significantly to 28.3 (19.2) %, which can be mainly attributed to lower net premiums.

The combined ratio reflected the developments described above and was equal to 119.8 (93.3) % for the gross ratio and 122.9 (97.8) % for the net ratio.

On balance, this resulted in a net underwriting loss of EUR -36 (-22) million, which included a withdrawal from the equalisation reserve in the amount of EUR 21 (addition of 27) million.

Fire insurance

Direct written insurance business

	2013	2013	2012	2012
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	166	33	154	25
Earned premiums	164	43	161	31
Claims expenses	117	28	228	66
Operating expenses	34	9	37	15
Net underwriting result for own account		-4		-41
In %				
Loss ratio	71.3	65.0	141.4	215.0
Expense ratio	20.6	20.9	22.8	49.2
Combined (loss/expense) ratio	91.9	85.9	164.2	264.2

Gross premium income from industrial fire and fire business interruption insurance increased by EUR 12 million to EUR 166 (154) million in the financial year due to an increase in new business in Germany. Moving in parallel with gross premiums, net premiums earned rose to EUR 43 (31) million.

Gross expenses on insurance claims for the financial year rose by an appreciable EUR 111 million to EUR 117 (228) million. The crucial factor was a sharp decrease of EUR 133 million in claims expenses for the financial year, whereby the prior year was largely impacted by a major loss of hundreds of millions of euros. The positive development of claims expenses for the year was slightly offset by a lower run-off profit of EUR 38 (60) million than in the prior year. The gross loss ratio reflected a corresponding noticeable decrease to 71.3 (141.4) %.

Net expenses on insurance claims largely followed the development on a gross basis. The net loss ratio reflected a corresponding decrease to 65.0 (215.0) %.

Gross expenses for insurance operations were further reduced in the financial year just ended to EUR 34 (37) million. The gross cost ratio dropped to 20.6 (22.8) %. Expenses for own account declined to EUR 9 (15) million. Owing to the increase in premiums, the net expense ratio declined to 20.9 (49.2) %. The combined ratio reflected the development described above, declining to 91.9 (164.2) % on a gross and to 85.9 (264.2) % on a net basis.

The overall result is a net underwriting loss of EUR -4 (-41) million, which includes an addition to the equalisation reserve in the amount of EUR 7 (withdrawal of EUR 15) million.

Motor vehicle insurance

Direct written insurance business

	2013	2013	2012	2012
Figures in EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	371	333	330	301
Earned premiums	368	330	331	301
Claims expenses	348	299	273	255
Operating expenses	65	57	62	55
Net underwriting result for own account		-34		-23
In %				
Loss ratio	94.8	90.8	82.4	84.9
Expense ratio	17.6	17.4	18.6	18.4
Combined (loss/expense) ratio	112.4	108.2	101.0	103.3

Owing to the continued hardening of the market, the gross written premiums in all classes of the motor vehicle insurance line could be increased in the existing as well as the new business by a significant EUR 41 million to EUR 371 (330) million. Due to the losses from hail damage incurred during the financial year, reinstatement premiums were owed for portions of reinsurance protection for comprehensive insurance, which led to an increase in reinsurance premiums, among other things, whereby premiums earned increased somewhat less on a net basis than on a gross basis to EUR 330 (301) million.

Gross expenses on insurance claims climbed EUR 75 million to EUR 348 (273) million. The absolute increase in claims expenses can be primarily attributed to major loss events as a result of severe storms and the further expanding contract portfolio with its delayed losses, which are typical for high-volume lines such as motor vehicles. The gross loss ratio climbed by a significant 12.4 percentage points to 94.8 (82.4) %.

Net expenses for insurance claims increased more moderately to EUR 299 (255) million, since we were able to pass a large portion of claims expenses for major losses on to reinsurers. The net loss ratio was equal to 90.8 (84.9) %.

Gross expenses for insurance operations grew to EUR 65 (62) million. The major driver was the increase in commissions in proportion to premiums. The gross expense ratio fell to 17.6 (18.6) % as a result of the clear increase in gross premiums. The net expense ratio of 17.4 (18.4) % changed in line with the gross ratio. The combined ratio reflected the development described above, increasing to 112.4 (101.0) % on a gross and to 108.2 (103.3) % on a net basis.

After allocating EUR 6 (12) million to the equalisation reserve, the motor vehicle insurance line shows a net underwriting loss of EUR -34 (-23) million.

Marine and aviation insurance

Direct written insurance business

	2013	2013	2012	2012
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	223	174	213	160
Earned premiums	225	168	211	159
Claims expenses	182	156	136	108
Operating expenses	53	47	49	43
Net underwriting result for own account		-8		-11
In %				
Loss ratio	80.9	92.8	64.6	67.9
Expense ratio	23.3	28.2	23.3	26.9
Combined (loss/expense) ratio	104.2	121.0	87.9	94.8

Gross written premiums for the marine and aviation insurance segment increased by EUR 10 million to EUR 223 (213) million in the financial year. The individual insurance lines were marked by a variety of factors. Solid premium growth was recorded in the marine insurance business in the financial year due to new international business as well as rising premiums in the Group's business in Germany. The aviation insurance line recorded a decrease in gross written premiums, which can be attributed in particular to the national airline business. Nevertheless, this trend was partially offset by new and additional premiums in the international business. Net premiums earned matched the trend for gross premiums, rising by a total of EUR 9 million to EUR 168 (159) million.

Gross expenses on insurance claims climbed by a total of EUR 46 million to EUR 182 (136) million. The sharp increase in claim expenses can be attributed primarily to the marine insurance line. The reason was a sharp increase of EUR 196 (168) million in claims expenses for the financial year, which was largely driven by the high burden of claims as a result of hail damage. The international portfolio, which performed rather poorly until 2011, and in particular the Norwegian hull business, exceeded its very good result from 2012 once again. In addition, the run-off result of EUR 36 (53) million was down year-on-year. The aviation insurance line reported a normal business performance without special burdens from major losses. However, a slightly lower run-off result of EUR -2 (2) million was reported than in the prior year. The gross loss ratio increased significantly overall by 16.3 percentage points to 80.9 (64.6) %.

Net expenses on insurance claims rose by EUR 48 million to EUR 156 (108) million in line with developments on a gross basis. The net loss ratio was 92.8 (67.9) %.

Gross expenses for insurance operations grew to EUR 53 (49) million. Commission expenses increased in the marine insurance line due to premium growth. The gross expense ratio remained unchanged at 23.3 (23.3) %. The net expense ratio increased slightly to 28.2 (26.9) %.

The combined ratio reflected the aforementioned developments and increased overall on a gross basis to 104.3 (87.9) % as well as on a net basis to 121.0 (94.8) %.

After withdrawal from the equalisation reserve in the amount of EUR 23 (additions of EUR 18) million, the underwriting result was a loss of EUR -8 (-11) million.

Engineering insurance

Direct written insurance business

	2013	2013	2012	2012
Figures in EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	214	93	204	74
Earned premiums	214	92	199	73
Claims expenses	132	47	129	53
Operating expenses	44	13	41	8
Net underwriting result for own account		31		11
In %				
Loss ratio	61.6	51.5	64.7	72.9
Expense ratio	20.4	14.5	20.8	10.6
Combined (loss/expense) ratio	82.0	66.0	85.5	83.5

The engineering insurance lines encompass insurance for machinery, installation, construction services, existing structures, electronics and machinery warranties, as well as the respective associated business interruption insurances.

Gross written premiums in the engineering insurance line grew year-on-year to EUR 214 (204) million. This satisfactory increase was generated primarily in Germany. The international business remained overall at the prior year's level. Net premiums earned rose at a faster rate than gross premiums by EUR 19 million to EUR 92 (73) million. This development can be attributed to the lower level of premiums ceded to reinsurers as a result of higher deductibles in quota share reinsurance.

Gross expenses on insurance claims rose to EUR 132 (129) million. Corresponding to a low-key loss experience, the engineering insurance line reported EUR 151 (155) million in claims expenses for the financial year, which was slightly lower than in the prior year, as well as a lower run-off result of EUR 19 (26) million. The gross loss ratio of 61.6% (64.7) % was lower than in the previous year.

Net expenses on insurance claims fell to EUR 47 (53) million. This can be attributed to a considerably lower run-off profit with respect to reinsurance compared to the prior year, since the prior-year run-off result was positively impacted by a passive reinsurance adjustment from 2011. The net loss ratio dipped to 51.5 (72.9) %.

Gross expenses for insurance operations for the financial year grew to EUR 44 (41) million. This can be attributed to slightly higher commissions and increased administrative expenses in the reporting period. The gross expense ratio fell slightly to 20.4 (20.8) %; in contrast, the net expense ratio rose to 14.5 (10.6) %. The combined ratio was 82.0 (85.5) % on a gross basis and 66.0 (83.5) % on a net basis.

As a result of positive business performance, the engineering insurance line reported an increased underwriting result of EUR 31 (11) million.

Casualty insurance

Direct written insurance business

	2013	2013	2012	2012
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	104	70	96	66
Earned premiums	104	70	97	67
Claims expenses	72	53	45	36
Operating expenses	22	16	23	17
Net underwriting result for own account		7		2
In %				
Loss ratio	69.8	75.0	46.6	53.5
Expense ratio	21.5	23.1	23.3	25.7
Combined (loss/expense) ratio	91.3	98.1	69.9	79.2

The casualty insurance line includes the general accident, motor vehicle accident, clinical trials and aviation accident insurance classes. By far the largest share of gross premium income is attributable to the general accident insurance class, which is, in turn, driven by group accident insurance.

The casualty insurance line recorded an increase of EUR 8 million in gross written premiums to EUR 104 (96) million in the financial year, which can be attributed in particular to group accident insurance. The development of the individual insurance lines was marked by a variety of factors. While premiums rose in the group accident insurance class due to growth in Germany and abroad, the clinical trials insurance class recorded a slight decrease in premiums. Net premiums earned essentially tracked the development of gross premiums; however, they only increased slightly by EUR 3 million to EUR 70 (67) million.

Gross expenses for claims incurred rose by EUR 27 million to EUR 72 (45) million. This was due to higher claims expenses for the financial year in the international accident insurance class. Moreover, reported run-off profit was down year-on-year, due to an increase in provisions recognised for claims incurred but not yet reported in the clinical trials insurance class. Overall, the gross loss ratio declined significantly by 23.2 percentage points to 69.8 (46.6) %.

Net expenses on insurance claims rose to EUR 53 (36) million. The increase of EUR 17 million in net expenses turned out to be somewhat lower than the increase in gross expenses as a result of the easing of reinsurance losses on the part of an international fronting account by the reinsurer in the area of group accident insurance.

Expenses for insurance operations decreased slightly and amounted to EUR 22 (23) million on a gross basis and EUR 16 (17) million on a net basis. The gross expense ratio declined overall to 21.5 (23.3) % as a result of the positive development of premiums. The net expense ratio followed this trend and also declined to 23.1 (25.7) %. The combined ratios increased as a result of higher claims expenses to 91.3 (69.9) % on a gross basis and 98.1 (79.2) % on a net basis.

After withdrawing EUR 7 million from the equalisation reserve (addition of EUR 11 million), the overall underwriting result for the financial year was EUR 7 (2) million.

All-risk insurance

Direct written insurance business

	213	2013	2012	2012
Figures in EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	356	44	329	68
Earned premiums	348	59	313	58
Claims expenses	182	119	333	47
Operating expenses	50	6	45	10
Net underwriting result for own account		-64		1
In %				
Loss ratio	52.4	200.2	106.2	81.2
Expense ratio	14.4	9.5	14.2	17.7
Combined (loss/expense) ratio	66.8	209.7	120.4	98.9

Gross written premiums in the all-risk insurance line were successfully increased in the financial year by EUR 27 million to EUR 356 (329) million. This positive development can be attributed primarily to the international business. In particular the foreign branch offices established in the previous year contributed to the increase in premium income. The statistical decrease in net written premiums results from a change in the invoicing system for obligatory reinsurance in 2013 with a shift from premium portfolio cash outflows to the unearned premium reserve without an impact on net premiums earned. Net premiums earned grew slightly to EUR 59 (58) million. The deciding factor here was the significant increase in reinsurance premiums. Due to the large share of insurance contracts ceded to reinsurers, the reinsurers received a correspondingly large share of the increase in premiums. Furthermore the significant increase in reinsurance premiums was a result of the international programme business and the associated retrocession

Gross expenses on insurance claims declined by EUR 151 million to EUR 182 (333) million. Although the financial year was characterised by three loss events due to natural disasters, claims expenses of EUR 238 (361) million for the financial year remained considerably below the previous year's level; however, it was significantly impacted by major losses in the hundreds of millions of euros. In addition, at EUR 56 (28) million, the run-off result was up year-on-year, since higher run-off profits were realised from two major losses in the previous year. The gross loss ratio fell accordingly by significant 53.8 percentage points to 52.4 (106.2) %.

Net expenses on insurance claims rose to EUR 119 (47) million. In contrast to the previous year, claims expenses for the financial year's major losses could not be passed on to the reinsurers. In return, the reinsurers received a large share of the reported run-off profits and the net loss ratio consequently rose by 119.0 percentage points to 200.2 (81.2) %.

Gross expenses for insurance operations for the financial year grew to EUR 50 (45) million. Due to the change in premiums, the expense ratio increased only slightly to 14.4 (14.2) % on a gross basis but at a significant rate to 9.5 (17.7) % on a net basis. The combined ratios reflected the developments described above and were recorded at 66.8 (120.4) % for the gross ratio and 209.7 (98.9) % for the net ratio.

In total, an overall underwriting result of EUR -64 (1) million remained for the all-risk insurance line.

Other insurance

Direct written insurance business

	2013	2013	2012	2012
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	127	74	128	73
Earned premiums	129	79	124	73
Claims expenses	148	99	77	72
Operating expenses	33	21	32	22
Net underwriting result for own account		-38		-18
In %				
Loss ratio	114.9	125.8	62.1	98.5
Expense ratio	25.3	26.5	26.0	29.4
Combined (loss/expense) ratio	140.2	152.3	88.1	127.8

Those insurance classes that, in light of their business volumes, are not required to be reported separately, are combined under other insurance. The most important aspects of this line of business relate to industrial risks in the all-risk and extended coverage (EC) insurance classes. In addition, the multi-line and multi-risk products, which span across insurance lines, are also included under other insurance.

On balance, gross written premiums in the other insurance line decreased year-on-year to EUR 127 (128) million. Whereas a slight increase in premiums was recorded in nearly all other insurance lines, gross written premiums in connection with extended coverage decreased by EUR 4 million due to the effects of the continuing conversion of contracts from pure industrial fire and extended coverage insurance to all-risk concepts that began three years ago. Net premiums earned essentially tracked the development of gross premiums and amounted to EUR 79 (73) million.

Gross expenses on insurance claims climbed by a total of EUR 71 million to EUR 148 (77) million. The crucial factor was an increase in claims expenses for the financial year, which was mainly characterised by loss events resulting from natural disasters in the area of extended coverage. The offsetting effects are reflected in the run-off result. A positive claims trend in the multi risk insurance area led to a considerable increase in the run-off result. This was largely compensated by a reported run-off loss in the legal protection insurance line; consequently, the run-off result increased only slightly overall for the other classes. The gross loss ratio increased significantly overall by 52.8 percentage points to 114.9 (62.1) %.

Net expenses for insurance claims increased more moderately than gross expenses by EUR 27 million to EUR 99 (72) million. The net loss ratio rose by 27.3 percentage points to 125.8 (98.5) %.

The gross expenses for insurance operations were equal to EUR 33 (32) million, thus rising only slightly. As a result of the increase in net premiums earned, the gross expense ratio nevertheless declined slightly to 25.3 (26.0) %. Net expenses for insurance operations dropped slightly to EUR 21 (22) million. The net expense ratio declined to 26.5 (29.4) %. The combined ratios reflected the developments described above and were equal to 140.2 (88.1) % for the gross ratio and 152.3 (127.8) % for the net ratio.

After withdrawing EUR 3 (2) million from the equalisation reserve, the underwriting result in the other insurance classes totalled EUR -38 (-18) million due to a sharp increase in claims expenses.

Business accepted for reinsurance

	2013	2013	2012	2012
Figures in EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	1,020	237	918	270
Earned premiums	958	240	912	273
Claims expenses	583	103	419	184
Operating expenses	186	47	171	59
Net underwriting result for own account		93		4
In %				
Loss ratio	60.8	42.9	45.9	67.5
Expense ratio	19.4	19.4	18.7	21.7
Combined (loss/expense) ratio	80.2	62.3	64.6	89.2

The business accepted for reinsurance predominantly represents the share of foreign premiums from international insurance programmes for which HDI-Gerling Industrie Versicherung AG acts as the lead or sole underwriter for its customers in Germany and abroad. The ceding companies in these cases are foreign units of HDI-Gerling Industrie Versicherung AG and subsidiaries of the Talanx Group, that have written fronting policies in the respective countries in accordance with the specifications of HDI-Gerling Industrie Versicherung AG, our subsidiary HDI-Gerling Welt Service AG, or member companies of the Royal-Sun-Alliance network.

Other sources of our indirect insurance business is the reinsurance of captives of German and selected international customers as well as the central underwriting, in Hannover, of international risks of large foreign companies.

The gross premium income of the business accepted for reinsurance in the financial year was equal to EUR 1,020 (918) million. The major part of this total, or EUR 531 (412) million, was attributable to the all-risk insurance line (incl. business interruption), followed by liability at EUR 270 (252) million and engineering insurance at EUR 105 (102) million. The all-risk insurance classes recorded satisfactory premium growth due to new business in Germany and abroad. The increase in gross written premiums for liability insurance was realised as a result of a continuous expansion of the business volume, in particular international business.

Net premiums earned dropped to EUR 240 (273) million. The crucial factor for this was a significant increase in reinsurance premiums in the liability insurance line, which resulted from the reclassification of reinsurance accounting entries.

Gross expenses for insurance claims increased significantly in the financial year by EUR 164 million to EUR 583 (419) million. The crucial factor here was a sharp increase in claims expenses for the financial year in the all-risk insurance line, which was influenced by a major loss event in the hundreds of millions of euros in the reporting period. In return, the reported run-off result increased considerably year-on-year. Important here was the loss run-off for the natural catastrophes in Japan and Thailand in the all-risk insurance line that had a positive impact on the run-off result as in the previous year. The gross loss ratio climbed by 14.9 percentage points to 60.8 (45.9) %.

Net expenses on insurance claims declined by EUR 81 million to EUR 103 (184) million. This can be attributed to significant recoveries from reinsurers in the liability insurance line's run-off result. As a result of the conclusion in the reporting period of a renegotiation process related to a reinsurance agreement formed in prior years and periodically updated, reinsurance premiums and reinsurance shares were subsequently offset against claim expenses. The net loss ratio reflected a corresponding noticeable decrease to 42.9 (67.5) %.

Expenses for insurance operations rose by EUR 15 million to EUR 186 (171) million on a gross basis. The gross expense ratio rose to 19.4 (18.7) %. Net expenses decreased to EUR 47 (59) million. The net expense ratio declined by 2.3 percentage points to 19.4 (21.7) %.

In total, the business accepted for reinsurance showed an increased underwriting profit of EUR 93 (4) million. This includes an addition to the equalisation reserve of EUR 5 (30) million.

Business accepted for reinsurance – All-risk insurance line

	2013	2013	2012	2012
Figures in EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	531	116	412	99
Earned premiums	487	115	408	93
Claims expenses	393	122	307	92
Operating expenses	87	16	69	14
Net underwriting result for own account		-20		-12
In %				
Loss ratio	80.7	105.9	75.2	99.5
Expense ratio	17.9	13.7	16.9	15.6
Combined (loss/expense) ratio	98.6	119.6	92.1	115.1

Business accepted for reinsurance – Liability insurance line

	2013	2013	2012	2012
Figures in EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	270	60	252	89
Earned premiums	256	59	254	93
Claims expenses	96	-24	83	59
Operating expenses	45	18	43	23
Net underwriting result for own account		30		-12
In %				
Loss ratio	37.6	-39.9	3.7	63.0
Expense ratio	17.4	30.3	16.7	25.0
Combined (loss/expense) ratio	55.0	-9.7	49.7	88.0

Non-insurance business

Investment results

Current-year investment income for the reporting period, which was mainly attributable to coupon payments on fixed interest securities was equal to EUR 224 (244) million. This compares to current-year expenses in the amount of EUR 28 (16) million. The current result amounted to EUR 196 (228) million. In addition to a decrease in fixed-interest securities resulting from the low interest rate level compared to the previous year, the previous year's higher result from participations was not repeated. The ordinary income was distributed in special bond funds, namely the bond fund Eurorent 3 and two other volcaps (equity-equivalent funds) presented under "Other funds".

The average rate of return was 3.2 (3.7) %.

Net realised gains on the disposal of investments for the year under review were equal to EUR 25 (13) million. One-third of the EUR 30 (14) million in gains from the sale of investments accruing in 2013 resulted from the sale of real estate, one-third from bonds and one-third from stocks. The result realised thus increased by EUR 12 million, with minor losses of EUR -5 (-2) million on disposals. The result from extraordinary write-downs and reversals amounted to EUR -2 (27) million and thus decreased sharply compared to the previous year, in which a significant reversal of impairment losses on a fund was recognised. The total to be reported as the extraordinary result was a net profit in the amount of EUR 23 (40) million.

The investment result amounted to a total of EUR 219 (268) million and was thus down slightly as expected. The total net return for the reporting period reached 3.5 (4.4) %.

Other result

The other result in the financial year was EUR -54 (-51) million. A write-down in the amount of EUR 6 million was applied to reinsurance receivables during the previous year.

In the financial year this result was characterised by income from the reversal of provisions for the restructuring of pensions for our London branch office in the amount of EUR 18.6 million as well as expenses for write-downs on other receivables in the amount of EUR 21 million. Furthermore, expenses were reported as a result of a loss from the repurchase of the subordinated loan in the amount of EUR 6 million. The net balance of exchange rate gains and losses for the financial year was a net loss of EUR 10 (-7) million.

Extraordinary result

The extraordinary result in the amount of EUR -11 (-6) million is mainly related to expenses for restructuring in the amount of EUR 2 million and an amount of EUR 8 million for adjustment entries to the provision for pensions required by the German Accounting Law Modernization Act (*Bilanzrechtsmodernisierungsgesetz*; BilMoG).

Net profit/loss of HDI-Gerling Industrie Versicherung AG

	2013	2012
Figures in EUR million		
Underwriting result for own account	-51	-96
Total investment income (incl. underwriting interest)	219	268
Other result	-54	-51
Result from ordinary activities	**114**	**121**
Extraordinary result	-11	-6
Taxes	47	33
Net profit/loss transferred to Talanx AG	**56**	**82**

In the financial year, HDI-Gerling Industrie Versicherung AG was able to transfer a net profit in the amount of EUR 56 (82) million to the parent company Talanx AG under the existing profit-and-loss-transfer agreement.

Net assets and financial position

Investments

The volume of investments of HDI Gerling Industrie Versicherung AG grew by EUR 54 million in 2013 to a total of EUR 6,179 (6,125) million by the end of the year.

Fixed-interest securities held in the direct portfolio represented 59.6 (61.2) % of total investments at the end of the reporting period; other important investment classes included bond funds with a 15.2 (14.7) % share and participations and investments in affiliates with a 13.8 (11.9) % share. Investments in fixed-income securities included in particular bearer bonds, promissory note loans and registered bonds of very high credit quality. The quality of the fixed-interest securities remained unchanged from the prior year with an average rating of A (A).

Other than fixed-income securities, shareholdings and shares of a new mixed fund that invests primarily in stocks increased (EUR 40 million).

Real estate holdings were slightly expanded in the reporting period.

Correspondingly, fixed-term deposits were considerably reduced.

The carrying amounts of shares in affiliated companies and equity investments rose by EUR 123 million to EUR 852 (729) million in the reporting period. The increase in shares of HDI-Gerling Assurance S. A. (Brussels) at a purchase price of EUR 58 million, in which HDI-Gerling Industrie Versicherung AG previously held a single share, was significant. During the course of restructuring the International segment, the company was sold by the subsidiary HDI-Gerling Verzekeringen N. V. to HDI-Gerling Industrie Versicherung AG.In addition, the carrying amounts of the investees HG-I Alternative Investment Beteiligungs-GmbH & Co. KG and HG-I AI USD Beteiligungs-GmbH, which was newly established in the reporting period, increased by a total of EUR 75 million as a result of the successive capitalisation on the part of HDI-Gerling Industrie Versicherung AG. The investments in equity and equity-equivalent participations are managed primarily over these companies. In contrast, the carrying amount of Riethorst Grundstücksgesellschaft AG & Co. KG, over which owner-occupied properties are held, decreased by EUR 7 million as a result of the distribution of dividends in proportion to the shareholding from the capital reserve to the limited partner HDI-Gerling Industrie Versicherung AG.

The effect of exchange rates from the translation of foreign currency investments reported in the financial year was EUR -57 million. This was offset by the translation of loss reserves denominated in foreign currency.

The market value of the investments as at the balance sheet date was equal to EUR 6,572 (6,806) million. The decrease is substantially based on the restructuring of our Dutch subsidiary, including its equity investments, as a result of which the medium-term plan was adjusted. This adjusted medium-term plan formed the basis for determining the fair value according to the income approach.

Equity

The Company's capital stock still amounts to EUR 125 million. It is divided into 125,000 registered shares with no par value.

Subordinated liabilities

HDI-Gerling Industrie Versicherung AG repurchased EUR 108 million in bonds prior to maturity in the financial year. Subordinated liabilities decreased accordingly from EUR 250 million to EUR 142 million. The interest rate is 7.00% p.a. until 11 August 2014; starting 12 August 2014, they accrue quarterly interest at a rate equal to the 3-months EURIBOR plus a premium of 3.75%, subject to a waiver of early call by our Company. The bonds will be redeemed at their par value on 12 August 2024.

Underwriting provisions

Underwriting provisions rose by EUR 280 million to EUR 5,265 (4,985) million. This line item primarily includes provisions for unsettled insurance claims in the amount of EUR 4,319 (3,946) million.

Our Company operates on an international scale and therefore recognises underwriting liabilities in foreign currencies. The impact of exchange rate movements on the level of provisions for losses recognised as at 1 January of the financial year as determined by the translation of provisions denominated in foreign currencies at reference date exchange rates was a reduction of EUR -113 million in the total amount to be recognised as provision for losses. The movement of underwriting equity and liability items denominated in foreign currencies are covered by matched foreign currency items on the asset site on an on-going basis.

Financial position

The Company realises incoming cash flows from ongoing premium income, investment income and the return flows from investments of capital. According to the current liquidity planning, which covers projected changes in liquidity for the coming twelve months, the cash flows required to meet current payment obligations is assured.

In addition, a profit and loss transfer agreement is in effect with Talanx AG.

Other balance sheet items

The composition of the above, as well as other line items on the balance sheet, is set out in the notes to the financial statements.

Personnel and social report

The employees of HDI-Gerling Industrie Versicherung AG are an important factor for the Company's success. They have made decisive contributions to the Company's success with their expertise, continuous willingness to innovate and their commitment. Their dedicated efforts made it possible to master the permanent social and technological changes impacting HDI-Gerling Industrie Versicherung AG and the insurance industry as a whole in recent years. Qualified and motivated employees are also an important key for achieving long-term success in the environment of the international financial crisis, climate change and cyber risks. Therefore, attracting new employees for the Company, encouraging them to continuously expand their qualifications and ensuring their loyalty to the Company are essential goals of personnel management at HDI-Gerling Industrie Versicherung AG. In connection with these activities, our personnel management is closely oriented to the strategic goals of the Company and the entire Talanx Group.

The Talanx Group's corporate culture is characterised by common values and guidelines that serve to orient and facilitate long-term success and coalescence within the Group. In 2013, a group-wide dialogue on values was initiated in order to make these values more tangible for the employees, integrate them in daily work routines and bring them to life into all units. The Group has committed itself to the following basic values: an entrepreneurial approach to thinking and working within the group, trust and open communication, orientation on achieving results and a holistic focus on customers.

Furthermore, the group-wide Diversity Management Programme set up by the Talanx Group reflects its international and multi-faceted character. This relates in particular to HDI-Gerling Industrie Versicherung AG due to the international nature of its business. The Diversity Management Programme is intended to consciously promote diversity among the employees in order to reach as many potential applicants as possible and to ensure our continued success in the marketplace. The programme is focusing first on the topics of demography, gender and migration. The significance of Diversity Management is also illustrated by our accession in 2013 to the "Diversity Charter" – an initiative to promote corporate diversity. So far 1,500 companies and institutions have announced their commitment to Diversity Management in this manner.

One area that personnel management focuses on at HDI-Gerling Industrie Versicherung AG lies in the recruitment of young talent. In addition to classic professional training, HDI-Gerling Industrie Versicherung AG has various trainee programmes for account managers and underwriters in the individual lines. The twin track of studies for a bachelor of arts (business management, insurance, sales) as well as a bachelor of science (business information technology) was further enhanced as well. For this purpose, HDI-Gerling Industrie Versicherung AG works closely together with the Berlin School of Economics and Law (HWR). At HWR, five out of six semesters focus on the "industrial and international insurance business". To strengthen the international approach, work-study rotations in international subsidiaries or branches were increasingly incorporated into the course of studies. This practice will also be continued in the coming years.

Various job rotation programmes were developed to supplement the individual advanced training measures and personnel development programmes in order to ensure our employees' further qualification in connection with succession planning. This should encourage the transfer of know-how between segments and further expand the collaboration between group companies.

The established Potential Development Programme for prospective technical and management personnel was expanded in 2013 to include area-specific development training variants (such as Senior Underwriter); consequently, all three professional career paths are correspondingly prepared and supported.

In addition, our first employee stock purchase programme, in which the employees can acquire shares of Talanx at favourable terms, was successfully set up one year after the Company's IPO. This programme is intended to increase our employees' participation in the Company's success as well as their long-term loyalty to the Company. Additional goals of the programme include boosting the Company's attractiveness as an employer as well as identification with the corporate group's strategic goals.

In the reporting year, the annual headcount for HDI-Gerling Industrie Versicherung AG was 2,045 (1,962) employees. The average age of the employees was 44.6 (44.6) years. The part-time employment ratio was 11.8 (11.7) %. The average length of service at the Company was 16.3 (16.3) years. The Board of Management of HDI-Gerling Industrie Versicherung AG would like to thank all of the employees for their high degree of personal commitment, whereby they have contributed significantly to the Company's positive performance. The Board would also like to thank all social partners for their constructive collaboration.

Non-financial performance indicators

As a traditional industrial insurance company, HDI-Gerling Industrie Versicherung AG has deep-rooted ties to Germany's industry. Medium-sized companies and Groups rely on its more than 100 years of experience, its specific functional know-how and comprehensive expertise in realising industrial and commercial insurance solutions.

It is becoming ever more important to accompany firms as they move beyond Germany, and to offer global support. Therefore, HDI-Gerling Industrie Versicherung AG continues to expand its international network to support its customers in their challenges even in demanding markets. In addition to the establishment of new branch offices, HDI-Gerling is meeting this strong demand by expanding the international programme to include the motor vehicle and D&O insurance lines.

The customers can rely on specific contacts abroad as well as in the German home market who provide advice and support for all their concerns. In the domestic business, in particular, the relationships are based on long-standing contacts that are characterised by reliable cooperation and mutual trust - be it in connection with the implementation of risk management activities or of claims adjustment.

In working with customers, HDI-Gerling Sicherheitstechnik GmbH plays an important role in the field of loss prevention. Together with engineers and scientists from various disciplines, this subsidiary focuses on the development of specific risk assessment tools and risk mitigation strategies.

In contrast to industry trends, HDI-Gerling Industrie Versicherung AG continues to emphasise closeness to its insurance customers. Salaried, regionally active employees guarantee a high level of quality and continuity in the direct consultation of the insured companies. The decentral regional presence with eleven locations all around Germany ensures that consultation is never far away thanks to our proximity to our customers' locations.

The specialised knowledge of HDI-Gerling experts is appreciated across the industry, as shown by numerous requests for interviews and contributions in trade journals, presentations at conventions and the cooperation in committees. Our own events, such as the "HDI-Gerling Marine Academy" conducted for the third time this year, also generate a large response. This year's programme was largely devoted to the topic of global trade and the associated international marine insurance. The book entitled "Goods in Transport" newly published this year also demonstrates the proven expertise of HDI-Gerling transport specialists.

HDI-Gerling Industrie Versicherung AG counters the rising risk of cyber-attacks on large as well as "Mittelstand" enterprises (medium-sized enterprises) with its new product "Cyber+". Other than with comparable products, Cyber+ offers not only sector-specific coverage, but a comprehensive and integrated solution across all lines of business to protect against losses resulting from cyber-attacks: On the one hand, companies can insure against losses that they personally suffer as the victim of computer crime; on the other, losses are insured for which they are liable to customers, suppliers, or third parties. A security analysis and individual extensions of coverage, such as the purchase of a D&O policy for management, are also part of the innovative product solution.

With increasing internationalisation, employee business trips abroad are an ever more common part of everyday business. This gives rise to a statutory fiduciary duty on the part of employers to protect their employees from risks to life and health. In light of this, HDI-Gerling Travel Insurance "TriB" was developed, with which companies can ensure integrated insurance protection across all lines for their employees travelling abroad. Coupled with HDI-Gerling group accident insurance, companies can cover medical expenses, even if they were not caused by an accident.

With "BAUplus", the special project policy, HDI-Gerling Industrie Versicherung AG offers builder-owner/developers, investors and general contractors all-inclusive protection for large-scale building projects. The integrated insurance solution across all lines includes planning, construction activity and liability risks and ranges from the planning stage to realisation of the construction project. As a special feature, the financial consequences of weather-related delays are also covered by including the weather risk insurance "KLIMA-risk".

For the fifth time in a row, readers of the trade journal "Autoflotte" selected the industrial insurer as the best fleet service provider in the category of fleet insurance. The "Fleet Award 2013" once again confirms the Company's prominent market position. At the same time, the award is proof that HDI-Gerling Industrie Versicherung AG's industrial customers are permanently satisfied with its range of insurance products.

For the fire safety measures implemented in the new corporate headquarters at HDI-Platz 1, HDI-Gerling was presented with the

"Sprinkler Protected Award" by the Bundesverband Technischer Brandschutz e. V. (bvfa). The installed sprinkler system, which meets the highest standards and exceeds the legal requirements, makes it clear that the industrial insurer also places great importance on the topic of fire safety in its own firm.

The guarantor of success for optimum customer service is the education and advanced training of employees. Our highly qualified business advisers are supported by technical underwriters with many years of expertise and knowledge of various subject areas. In order to maintain expertise in the area of security technology for the future, the training course for technical underwriters at HDI-Gerling is being stepped up and – in accordance with the Company's international orientation – supported by practical semesters in the USA, United Kingdom, Spain and soon also India.

HDI-Gerling Industrie Versicherung AG is known as an industrial insurer in the national and international markets and perceived as a strong brand of the Talanx Group. The insurer stands for expertise and experience in individual solutions as well as in risk and claims management.

Overall assessment of our economic position

HDI-Gerling Industrie Versicherung AG regards its business performance in the reporting period to be stable considering the economic and industry-specific environment: The underwriting result remained below expectations due to the high burden of disasters. Nevertheless, it benefited from the satisfactory increase in premiums realised in particular in the international business. The investment result was consistent, despite the persistent tension in the capital markets and the low interest rate level. HDI-Gerling Industrie Versicherung AG's economic position remains consistently positive at the time the management report was prepared.

Events after the balance sheet date

There were no known significant events after the closing of the financial statements that might have a material effect on the net assets, financial position and results of operations of the Company.

Risk Report

Risk controlling in a time of change

HDI-Gerling Industrie Versicherung AG offers its policyholders comprehensive insurance protection so that the assumption of risks represents the core of its business. Pronounced risk awareness is an indispensable prerequisite for managing these risks. In this context, the Company developed a variety of processes and instruments some time ago, that are used not only to recognise, assess and manage risk but also to identify opportunities. The Company's risk management is focused on the negative random variations, i.e. risks.

HDI-Gerling Industrie Versicherung AG is incorporated into the pre-application process for the internal model of HDI V.a.G.

The monitoring systems and decision-making processes of HDI-Gerling Industrie Versicherung AG are embedded in the standards of the Talanx Group.

Structural organization of risk management

The structural and organisational framework for the Company's risk management has been set out using a role concept that defines and delimits the rights and responsibilities. In addition, risk management and risk monitoring functions are separated under the segregation of functions.

The Company's Board of Management is responsible for the introduction and continued development of the risk management systems as well as the risk strategy. It is assisted by the Risk Committee. The major tasks of the Risk Committee include, for example, the coordination of risk control measures, the analysis of risk positions, with particular regard to the risk strategy adopted by the Board of Management as well as the regular reporting of risk positions.

The roles of the Head of Risk Management include, inter alia, the coordination of activities of the independent Risk Controlling function.

The activities of the independent Risk Controlling function are mainly focused on the identification and assessment of risks at the aggregate level, including the validation of the risk assessments made by the risk management officers. The preparations for risk reporting, including statements about the utilisation of existing limits and thresholds as well as the regular quantitative analysis of risk bearing capacities also fall within the scope of its responsibilities.

The risk management system is regularly reviewed by Talanx AG's internal auditing department.

Risk controlling process

Based on the Company's risk strategy targets, which are consistent with those of Talanx AG, as well as the objectives of its own business strategy, the Company's risk-bearing capacity is regularly reviewed and reported to the Board of Management throughout the year. These quantitative views at the Company level are applied in operational terms as a consistent system of limits and thresholds, with the limits broken down to the level of the controlling organisational units, combined with the regular monitoring of limit utilisation. Appropriate limits and thresholds are amongst the tools used to manage concentration risk.

Within the framework of the qualitative risk management process, HDI-Gerling Industrie Versicherung AG focuses on significant risks. As a general rule, the single risks named by the risk management officers are aggregated into a report on risks and opportunities attached to future developments. The risk meetings, which are regularly held by the divisions and the corporate functions, rely on systems-supported risk identification.

The findings from the qualitative and quantitative analyses of the risk position provide the foundation for an internal risk report that is regularly prepared by HDI-Gerling Industrie Versicherung AG. This ensures that an overview of the Company's risk situation can be provided at all times. The risk categories required under MaRisk VA are fully covered by HDI-Gerling Industrie Versicherung AG. This enables them to be mapped to the risk categories in the German Accounting Standard DRS 20, which are discussed in the following.

Underwriting risk

Underwriting risks derive primarily from the premium/loss risk and the reserving risk.

In the property and casualty insurance line the premium/loss risk refers to the risk of having to pay future indemnification from insurance premiums that have been fixed in advance, but that, due to their limited predictability, are not known with certainty when premiums are set (risk of random loss and change). To limit this risk, HDI-Gerling Industrie Versicherung AG uses actuarial models, in particular for the setting of rates, monitors the claims experience on a regular basis and obtains reinsurance coverage.

The reserving risk refers to the risk that underwriting provisions will not be sufficient to settle all unsettled and unreported claims in full. In order to lower this risk, the level of reserves is regularly reviewed on a period-by-period basis and the run-off results are monitored. In addition, a provision (Spätschadenrückstellung) is recognised for losses presumed to have occurred but not yet reported. The following table shows the development of the loss ratio for own account:

Loss ratio for own account

Claims expenses as percentage of premium earned	
2013	85.7
2012	79.3
2011	97.2

HDI-Gerling Industrie Versicherung AG seeks, in particular, to mitigate the potential effect of a simultaneous occurrence of natural disasters within the context of underwriting risk by obtaining adequate reinsurance cover on behalf of the Company for peak claims. In addition, it uses loss analyses, natural disaster models, selective underwriting and regular monitoring of the claims experience to control and reduce risk.

The following table shows the development of the run-off ratio for own account:

Run-off result

Run-off of the initial loss reserve in %	
2013	10.7
2012	7.9
2011	7.7

Default risks under the insurance business

In this connection HDI-Gerling Industrie Versicherung AG reduces the risk of a loss of receivables from reinsurers by carefully choosing the reinsurers via a Group-owned reinsurance broker, by paying particular attention to their credit worthiness, and if necessary by taking suitable measures to obtain surety for the receivables. Depending on the nature and the expected run-off period of the reinsured business, the selection of the reinsurers is based, in part, on minimum ratings from the rating agencies Standard & Poor's and A.M. Best. This approach has proven itself in past years, which is shown by the low default rates for receivables.

The default risk from claims due from policy holders and insurance agents is accounted for in the form of general allowances for doubtful debt. Agents are also evaluated in terms of their credit worthiness. To manage potential delays or defaults on premium payments, in particular, the Company maintains very effective procedures for both direct and agent collections and for the reduction of outstanding receivables.

In the direct written insurance business outstanding receivables due from policy holders and insurance agents that were more than 90 days in arrears as at the balance sheet date totalled EUR 95.8 million. This represents 22.0% of gross receivables. Over the past three years, HDI-Gerling Industrie Versicherung AG was required to write off an average of 3.9 (3.9) % of receivables on reinsurance business as at the balance sheet date.

Investment risks

Investment risks encompass primarily market risk, credit risk and liquidity risk.

Market risk arises from potential losses due to unfavourable changes in market prices and may be attributable to changes in interest rates, share prices and exchange rates. Credit risk refers to the risk that a debtor will be unable to meet its payment obligations. Liquidity risk involves the inability to meet payment obligations under insurance agreements, in particular, at any and all times.

The measurement, control and management of risks with respect to market price risk rely on stress tests, modified duration and convexity and on the asset-liability management model that has been implemented. The actual developments in the capital markets are then taken into account as part of the on-going process.

Credit risk is managed by means of a system of rating classes under the special investment guidelines. Credit risk related to mortgages and land charges as well as real properties is limited under the special investment guidelines. Liquidity and concentration risk is taken into account through adequate fungibility and diversification of investments.

Risk management objectives

The aim of risk management is to ensure that the investment targets give appropriate consideration to safety, profitability and liquidity while maintaining an appropriate asset allocation and diversification. The intent is to consider the overall-risk situation of the Company. This is characterised, in particular, by the underwriting obligations assumed, the existing structure of investments, own funds and other financial reserves of the Company.
The results of liquidity planning and controlling performed throughout the year are incorporated into the risk management and are taken into account in terms of the time horizon.

Management of the investment portfolio

Investments are subject to detailed guidelines and adherence is continuously monitored, as is compliance with the statutory requirements such as the German Regulation on the Investment of Restricted Assets of Insurance Undertakings (Anlagenverordnung) and official circulars. These investment guidelines are designed to serve as framework for the investment strategy, taking into account the operating insurance business and the time horizon, and as evidence vis-à-vis outside parties (German Federal Financial Supervisory Authority [BaFin], independent auditors, etc.). The monitoring of the ratios and limits specified in these guidelines is incumbent on Risk Controlling and on the Chief Financial Officer. All material changes to the investment guidelines including appendices and/or investment policies must be approved by the full Management Board of the Group and reported to the Supervisory Board.

Risk measurement and control

The risk associated with the bond portfolio is monitored by determining the interest rate risk on the basis of scenario analyses. Compliance with the limits established by the Chief Financial Officer with respect to the duration of the bond portfolio is also controlled. To monitor changes in the market values of interest-rate sensitive products, the convexity limits of bond products are further tracked on a daily basis. In connection with listed shares, Risk Controlling determines the risk associated with equity instruments on the basis of scenario analyses and stress tests, which are performed at least monthly in compliance with the supervisory regulations.

Scenarios for changes in the market value of securities

Portfolio changes based on market value in EUR million	
Portfolio	
Equities and other non-fixed interest securities	
Share prices - 20%	-41.9
Fixed-interest securities and other loans	
Rise in yield + 100 basis points	-177.2
Decline in yield - 100 basis points	181.6

In connection with the exchange rate risk, cover in matching currencies is monitored. In addition exposures are controlled with respect to the additional limits by currency set by the Chief Financial Officer.

The default risks to be monitored comprise counterparty and issuer risk. Counterparty and issuer risk is controlled on the basis of counterparty lists issued by the Chief Financial Officer as well as by monitoring the limits that are defined for each rating class.

Figures in EUR million, %		
Bearer Bonds:		
Rating AAA	764	43.8
Rating AA	364	20.9
Rating A	348	19.9
Rating BBB	171	9.8
Rating < BBB	98	5.6
Total	1,745	100.0
Registered bonds/ Promissory note loans:		
Rating AAA	640	33.4
Rating AA	795	41.5
Rating A	329	17.2
Rating BBB	108	5.6
Rating < BBB	32	1.7
n.r.	12	0.6
Total	1,916	100.0
Fixed income funds:		
Rating AAA	161	18.6
Rating AA	74	8.5
Rating A	352	40.7
Rating BBB	250	28.8
Rating < BBB	23	2.7
n.r.	7	0.7
Total	867	100.0
Loans:		
Rating A	89	30.7
Rating BBB	155	53.5
Rating < BBB	46	15.8
Total	290	100.0
Grand total:		
Rating AAA	1,565	32.5
Rating AA	1,233	25.6
Rating A	1,118	23.2
Rating BBB	684	14.2
Rating < BBB	199	4.1
n.r.	19	0.4
Total	4,818	100.0

As a result of the persistently low interest rate level, there is an elevated rollover risk associated with fixed-interest securities. In addition, capacities on the market for attractive new investments are correspondingly limited as a result of issuers' deteriorating ratings.

Government bonds and other fixed-interest securities from the euro periphery states are generally subject to a heightened default risk. Owing to the Company's conservative investment policy, the exposure to the so-called PIIGS countries (Portugal, Ireland, Italy, Greece and Spain) and the resulting risk can be considered manageable.

Exposure of GIIPS countries	Market value in EUR million
Greece	4,6
Ireland	78,4
Italy	144,2
Portugal	0,0
Spain	56,8
Total	284,0

The existing exposures from investments in the PIIGS countries were increased in comparison to the prior year and are currently equal to approximately 5.1 (4.6) % of total investments. As at the balance sheet date, there were virtually no hidden liabilities (Stille Lasten). Due consideration is given to the risks within the framework of the Company's risk management system.

Key liquidity indicators are reviewed and reported quarterly to monitor liquidity risk. Compliance with the minimum and maximum limits set by the Chief Financial Officer is tested in connection with the liquidity reserve.

Any risk limit excesses are immediately reported to the Chief Financial Officer and to Portfolio Management.

Operational risks

Operational risks include operating and legal risks. Within the internal risk categories, these risks can be classified under the following sub-groups of operational risk: IT, process, legal and other operational risks.

A failure of EDP systems is considered a typical IT risk. This risk is limited for example by a back-up data centre which is operated by Talanx Systeme AG under a service agreement, as well as by contingency plans.

Process risk is mitigated by the internal management and control system. Based on structured process documentation, material risks and controls are identified, and assessed in a risk/control assessment and action items are formulated where necessary. In a specific case, this might mean that existing controls are adapted and/or that new/ additional improvements and measures are initiated by the risk management officers.

Legal risk may arise from contractual agreements or the general legal framework. In organisational terms, the handling of these issues is supported by appropriate organisational and operational arrangements, such as the division of competences between the functional departments at HDI-Gerling Industrie Versicherung AG and the corporate legal department at Talanx AG.

Against the background of a business that grows ever more complex and in which customer orientation plays an important role, among other factors, HDI-Gerling Industrie Versicherung AG attaches a high priority to the qualitative aspects of human resources management as well as the continuing education and training programmes for functional and management staff. This is intended to mitigate other operational risks which might be posed, for example, by a limited availability of personnel.

Other risk
Other risks may include strategic risks, risks to reputation and so-called emerging risks. The principal strategic risk of a rating downgrade is mitigated by the continuous monitoring of capital adequacy and/or the risk bearing capacity as well as regular analyses of plans and forecasts.

Overview of the risk position
On balance, there are presently no known risks that could jeopardise the continued existence of HDI-Gerling Industrie Versicherung AG. The Company exceeded the solvency requirements.

Report on expected developments and on opportunities

Economic climate
The eurozone appears to have overcome the recession and the economic situation there has noticeably relaxed – proof that the advancing consolidation of the southern crisis countries' government finances and their labour market reforms are effective. Trust in the eurozone's economy is returning, which should be followed by progress in the real economy. The brightening mood is based on an increasingly stable macroeconomic foundation: The eurozone's current account shows encouraging structural improvements; for instance, periphery countries in particular have become net exporters. The deep recession in these countries as a consequence of structural adjustments is expected to gradually ease off; pent-up consumer demand on the part of private households built up over the course of deep spending cuts should be released. This is expected to be accompanied by rising credit volume. In total, we expect moderate economic growth for the eurozone in 2014.

Tailwind for the eurozone economy comes from the USA: The US economy appears robust and its gross domestic product (GDP) is recording satisfactory rates of growth. Furthermore, private household debt has decreased considerably in recent years. Both the real estate market as well as the rising rate of employment will bolster consumption on the part of private US households. Parallel to increasing wealth, the disposable income of US households is also rising significantly. The course of the US Federal Reserve Bank (Fed) will also remain expansive, despite a tighter monetary policy, because the key rate will remain close to zero for the foreseeable future.

Momentum recently slowed in emerging markets. In our view, these countries are facing both structural as well as cyclical challenges. However, growth rates in the future should also be at a relatively high level – among other things, thanks to these countries' occasionally large currency reserves and their overall low level of sovereign debt. In addition, stronger US demand is more important for the economic development of most emerging markets than the Fed's shrinking liquidity. Economic development in China should remain stable in 2014.

In our opinion, central banks' continued expansive monetary policies will not generate any inflationary pressure in the current year.

Moreover, we expect that inflation will remain below western central banks' inflation targets.

Capital markets

More stable economic fundamentals – in combination with the lingering political and economic risks – give rise to the expectation that interest rates will remain low in the medium term. With regard to central banks, a shift from expansive monetary policies is not expected for the near future for the core currencies of the euro, US dollar and British pound sterling. Market participants continue to demonstrate a low acceptance to take on risk and a high degree of interest in investing in bonds with high spreads (spread products). This can also be seen in the strong resonance for corresponding issues at the beginning of 2014.

Although the state of the market currently appears stable and various political problems have been solved or postponed, the general risk situation has not yet been permanently stabilised. Many countries will continue to have a high need for refinancing; therefore, they will also continue to issue large volumes of government bonds. In the medium term, we expect yields to rise moderately mainly for bonds with longer maturities and also stable development of risk premiums.

European and US stocks are already highly valued, limiting the potential for further price increases. At the same time, the Fed's promise to leave the key interest rate at its low level will continue to bolster stock markets in 2014 and accelerate the shift from bonds to stocks. In 2014, an advantageous scenario for European stocks can be expected: The recent strong performance of US stock markets makes European stocks a relatively good value for the money. Moreover, corporate profits are growing again in the eurozone for the first time since the beginning of 2012. The expected economic recovery in the eurozone also supports the expectation of a trend reversal in corporate profits. In contrast, US-based companies are now only recording consistent profits after recent high rates of growth. In our view, European and American corporate profits are gradually converging – a positive stimulus for stock indices in the eurozone.

International insurance markets

In international property and casualty insurance, we expect real premium income growth to be insignificant for 2014. While a slight decrease in real premium growth can be expected in emerging markets, we expect a slight increase for developed markets. The current persistently weak market is showing the first signs of recovery in many non-life segments. However, a broad recovery remains elusive; consequently, we continue to expect low profitability in international property and casualty insurance for 2014.

German insurance industry

For 2014, we expect premium growth in non-life and casualty insurance in Germany to remain at the same level as in the reporting period. The losses incurred in 2013 as a result of a series of natural disasters could support further increases in premiums.

HDI-Gerling Industrie Versicherung AG

HDI-Gerling Industrie Versicherung AG is among the market leaders in industrial insurance in Germany and throughout Europe. Rising premium income and the growth of its foreign business are reinforcing its strong position as an international competitor. Industrial insurance customers in Germany and abroad benefit from decades of experience in risk assessment and risk management, because the complex risks to which industry and middle-market firms are exposed, demand special protection. Individually tailored coverage concepts realise comprehensive insurance solutions and thus offer a complete range of products for the coverage of entrepreneurial risks. Just as important: Owing to many years of experience, HDI-Gerling Industrie Versicherung AG can provide professional claims management, which can provide immediate assistance in a loss event.

The Company has built a comprehensive global network in response to the needs of its customers. HDI-Gerling Industrie Versicherung AG is able to offer insurance solutions that meet international standards to industrial customers in 39 countries through primary insurance providers in the Talanx Group and through network partners in more than 100 countries. In the 2014 financial year, plans provide for the further expansion of the industrial insurance business in Europe as well as in Latin America, (South) East Asia and the Arabian Peninsula.

For 2014, we plan to merge our foreign units in Spain and Belgium with HDI-Gerling Industrie Insurance AG and continue to operate them as branch offices. These units' policy holders will be our direct customers in the future. Thus, they will have higher subscription capacities directly at their disposal and benefit from our excellent rating (S&P: A+, stable). We will also achieve cost-savings and improve processes and efficiencies as a result of the restructuring. Furthermore, the allocation of risk capital will be optimised.

In addition, we plan to transfer our foreign unit in Austria (HDI Insurance AG, Vienna) to HDI-Gerling Welt Service AG (HG-WS) in 2014. With these measures, we are optimising our corporate architecture and, at the same time, consolidating our competitive position on foreign industrial insurance markets.

We expect gross premiums to rise significantly in the coming year, in particular as a result of the restructuring in Spain and Belgium. In addition, we are expecting organic growth that – in view of our already high market penetration in Germany – should be generated primarily in our foreign branch offices. Despite the continued tight competition in the industrial insurance market, it is anticipated that the hardening of the market will continue so that it will likely be possible to enforce some limited premium adjustments.

After the claims expense in 2013 driven by the flood in southern and eastern Germany and hail events from the summer, we expect the loss situation to improve considerably for the coming year.

While reinforcing existing strength in direct sales on the basis of close customer contacts and technical and personal competencies, work continues on the ongoing improvement of internal procedures, systems and processes. The slight increase in associated expenses is anticipated to be compensated by the expected increase in premiums. Consequently, expenses are expected to lie at the previous year's level.

We are assuming that the tensions in the capital markets will continue in 2014, and that the very low level of interest rates will change very little on the whole. This will affect the yields on new investments accordingly. Therefore, we expect the investment result to be at the level of 2013, despite an expanded investment portfolio as a result of the new structure of foreign units.

In summary, we expect the result to increase considerably for 2014 due to underwriting improvements.

Scope of business operations

The Company operates its business through the following branch offices:

In Germany:
Berlin, Dortmund, Düsseldorf, Essen, Hamburg, Hannover, Leipzig, Mainz, Munich, Nuremberg, Stuttgart.

International:
Athens, Dublin, Hong Kong, London, Milan, Manama, Oslo, Paris, Singapore, Sydney, Tokyo, Toronto, Zurich.

Casualty insurance
Aviation accident insurance,
clinical trials insurance,
individual comprehensive accident insurance,
individual partial accident insurance,
group accident insurance,
motor vehicle accident insurance,
medical insurance in connection with foreign travel insurance;
other accident insurance

Liability insurance line
Occupational and industrial injury liability insurance,
water pollution liability insurance,
business and property damage liability insurance,
property damage liability insurance,
Directors and Officers (individual),
fire liability insurance,
aviation liability insurance,
environmental liability insurance,
space flight liability insurance,
Pharmaceutical, radiation and nuclear facility liability insurance,
sports liability insurance,
other general liability coverage

Motor liability insurance

Other motor vehicle insurance
Comprehensive motor vehicle insurance
Partial motor vehicle insurance

Legal protection insurance

Fire and property insurance
Industrial fire insurance,
agricultural fire insurance,
fire business interruption insurance,
other fire insurance
machinery insurance,
electronics insurance,
installation insurance,
construction services insurance,
existing buildings´ insurance,
TV - business interruption insurance
other technical insurance coverage,
extended coverage (EC) insurance,
EC - business interruption insurance,
burglary and theft insurance,
tap water insurance,
glass insurance,
storm insurance,
umbrella insurance,
other property loss insurance (motor vehicles),
other property loss insurance (marine),
motor vehicles warranty insurance

Marine and aviation insurance
Comprehensive aircraft insurance,
comprehensive aviation war risk insurance;
comprehensive spaceflight insurance,
merchandise insurance,
comprehensive maritime insurance/ ocean-going travel
traffic liability insurance,
comprehensive maritime insurance/ river travel
terrorist risk - transport
goods in transport insurance,
valuables insurance,
comprehensive insurance,
other transport insurance,
other aviation and spaceflight insurance

Credit and surety insurance
Surety insurance,
export credit insurance

Other insurance
Machinery warranty insurance,
other property loss insurance
(motor vehicles warranty insurance),
other property damage insurance (aviation),
other property damage insurance (transport),

other property damage insurance (ransom payments),
other property loss insurance (remediation consultation insurance),
other business interruption insurance,
other miscellaneous insurance,
other property damage insurance (exhibitions, hunting and sporting weapons, motor vehicle luggage, musical instruments, cameras, reefer cargo, nuclear facilities, automated devices),
other business interruption insurance (film production insurance, operations shut-down),
Other financial losses (loss of license, loss of rent),
other miscellaneous insurance (tank and barrel leakage)
loss of reputation (computer misuse),
burglary, theft and robbery insurance,
tap water insurance,
glass insurance,
storm insurance,
omnium insurance,
other casualty insurance

All-risk insurance
All-risk property insurance,
all-risk business interruption insurance,
multi line insurance,
multi peril insurance

HDI-Gerling Industrie Versicherung AG also provides reinsurance in the following insurance classes:
Accident insurance,
liability insurance,
motor vehicle insurance,
aviation insurance,
legal protection insurance,
industrial fire insurance (including terrorism risk, TV),
fire business interruption insurance,
credit insurance,
other miscellaneous insurance,
loss of reputation insurance,
engineering insurance

In addition, HDI-Gerling Industrie Versicherung AG also covers liability risks in relation to nuclear installations, pharmaceuticals and terrorism risks as part of the business accepted for reinsurance.

Balance sheet as of 31 December 2013

Assets			**31/12/2013**	**31/12/2012**
Figures in EUR thousand				
A. Intangible fixed assets				
I. Purchased concessions, industrial and similar rights and assets, and licences in such rights				
and assets			4,076	5,120
B. Investments				
I. Land, land rights and buildings, including buildings on third-party land		57,286		63,168
II. Investments in affiliated companies and other equity investments		1,046,966		1,021,484
III. Other investments		5,074,868		5,040,009
IV. Deposits retained on business accepted for reinsurance		66,424		82,242
			6,245,544	**6,206,903**
C. Receivables				
I. Receivables arising from direct written insurance business, due from:				
1. Policy holders	268,671			263,279
2. Intermediaries	161,009			216,176
		429,680		**479,455**
II. Receivables on reinsurance business thereof due to affiliated companies: EUR 91,305 (92,152) thousand		442,021		279,750
III. Other receivables thereof due to affiliated companies: EUR 10,205 (36,273) thousand		211,062		199,412
			1,082,763	**958,617**
D. Other assets				
I. Tangible fixed assets and inventories		7,231		6,030
II. Cash (current account balances with financial institutions, checks and cash)		156,169		147,888
III. Other assets		102		102
			163,502	**154,020**
E. Prepaid expenses				
I. Deferred rent and interest income		70,536		75,490
II. Other prepaid expenses		1,360		1,534
			71,896	**77,024**
F. Excess of plan assets over post-employment benefit liability			5,928	6,646
Total assets			**7,573,709**	**7,408,330**

Equity and liabilities			**31/12/2013**	**31/12/2012**
Figures in EUR thousand				
Equity				
I. Subscribed capital		125,000		125,000
II. Capital reserves		281,536		281,536
			406,536	**406,536**
B. Subordinated liabilities			142,108	250,000
C. Underwriting provisions				
I. Unearned premium reserve				
1. Gross amount	660,287			610,562
2. less: share for business ceded for reinsurance	321,752			218,936
		338,535		**391,626**
II. Provision for outstanding claims				
1. Gross amount	8,363,284			8,165,798
2. less: share for business ceded for reinsurance	4,044,564			4,220,113
		4,318,720		**3,945,685**
III. Provision for profit-related and non-profit related premium refunds				
1. Gross amount	6,238			10,443
2. less: share for business ceded for reinsurance	770			408
		5,468		**10,035**
IV. Equalization reserve and similar provisions		570,150		606,566
V. Other underwriting provisions				
1. Gross amount	33,561			33,414
2. less: share for business ceded for reinsurance	1,794			2,088
		31,767		**31,326**
			5,264,640	**4,985,238**
D. Other provisions				
I. Provisions for pensions and similar obligations		312,538		300,248
II. Provisions for taxes		62,858		37,588
III. Other provisions		74,315		95,814
			449,711	**433,650**
E. Deposits retained on insurance ceded			76,186	57,895
F. Other liabilities				
I. Liabilities from direct written insurance business due to:				
1. Policy holders	58,635			68,777
2. Intermediaries	137,906			182,114
		196,541		**250,891**
II. Payables on reinsurance business -thereof due to affiliated companies: EUR 141,884 (131,779) thousand		559,541		640,023
III. Other liabilities: thereof taxes: EUR 33,512 (34,276) thousand thereof social security: EUR 1,472 (3,058) thousand thereof due to affiliated companies: EUR 240,893 (152,714) thousand		477,887		383,462
			1,233,969	**1,274,376**
G. Deferred and accrued items			559	635
Total equity and liabilities			**7,573,709**	**7,408,330**

The annuity provision recognised on the balance sheet as at the close of the 2013 financial year under Equity and Liabilities C.II. is equal to EUR 21,757,616. It is confirmed that the provision for outstanding pension claims shown on the balance sheet under line C.II. has been calculated under consideration of § 341f and § 341g as well as the regulations issued based on § 65 Para 1 of the Insurance Supervision Act (Versicherungsaufsichtsgesetz; VAG).

Hannover, 3 March 2014 The Responsible Actuary Schmidt

Income statement for the period from 1 January to 31 December 2013

I. Underwriting account			**2013**	**2012**
Figures in EUR thousand				
1. Premiums earned for own account				
a) Gross premiums written	3,270,098			3,056,939
b) Premiums ceded to reinsurance	1,982,103			1,728,188
		1,287,995		1,328,751
c) Change to the gross premium reserve unearned	-69,841			-24,962
d) Adjustment of reinsurers' share in gross premiums unearned	-110,486			-25,345
		40,645		**383**
			1,328,640	**1,329,134**
2. Interest income on premium funds and provisions for own account			384	375
3. Other underwriting income for own account			14,088	4,028
4. Expenditures on insurance claims incurred for own account				
a) Claims payments				
aa) Gross amount	2,143,215			2,045,373
bb) Reinsurer's share	1,441,963			945,791
		701,252		**1,099,582**
b) Changes to loss and loss adjustment expense provision				
aa) Gross amount	334,613			121,768
bb) Reinsurer's share	-102,798			167,990
		437,411		**-46,222**
			1,138,663	**1,053,360**
5. Change to other net underwriting provisions			567	4,523
6. Expenses for profit-related and non-profit related premium refunds for own account			5,569	3,658
7. Expenses for insurance operations for own account				
a) Gross expenses for insurance operations		600,078		569,089
b) less: commissions and profit commissions received for business ceded to reinsurance		313,535		283,276
			286,543	**285,813**
8. Other underwriting expenses for own account			-447	1,576
9. Subtotal			**-87,783**	**-15,393**
10. Changes to equalization reserve and similar provisions			36,416	-80,605
11. Underwriting result for own account			**-51,367**	**-95,998**

II. Non-underwriting account			**2013**	**2012**
Figures n EUR thousand				
1. Investment income				
a) Income from long-term equity investments - of which from affiliated companies: EUR 58,954 (24,219) thousand	34,879			63,756
b) Income from other investment - of which from affiliated companies: EUR 19,664 (19,896) thousand				
ba) Income from land, land rights and buildings, including buildings on third-party land	8,675			8,962
bb) Income from other investments	179,598			171,633
c) Income from write-ups	1,767			32,402
d) Gains on disposal of investments	29,696			14,489
e) Income from profits received under profit pooling, profit or loss transfer, or partial profit transfer agreements	1,000			–
		255,615		**291,242**
2. Investment-related expenses				
a) Investment management expenses, interest expenses and other expenses related to capital investments	20,626			12,803
b) Write-downs of investments	9,924			8,566
c) Losses on disposal of investments	4,893			1,597
d) Cost of loss absorption	904			36
		36,347		**23,002**
		219,268		**268,240**
3. Interest income on premium funds and provisions		384		375
			218,884	**267,865**
4. Other income		72,155		48,659
5. Other expenses		126,206		99,568
			-54,051	**-50,909**
6. Net income/loss from ordinary activities			**113,466**	**120,958**
7. Extraordinary income		13		1,734
8. Extraordinary expenses		10,493		8,293
9. Extraordinary result			**-10,480**	**-6,559**
10. Taxes on income		32,796		26,718
11. Other taxes		14,258		6,044
			47,054	**32,762**
12. Profit transferred on the basis of profit pooling, profit and loss transfer, or partial profit transfer agreements		55,932		81,637
13. Net profit/loss for the year			**0**	**0**

Notes to the financial statements

General information

The annual financial statements for the 2013 financial year were prepared in accordance with the regulations in the German Commercial Code (Handelsgesetzbuch; HGB) and the German Stock Corporation Act (Aktiengesetz; AktG) in conjunction with the Regulation on Insurance Accounting (Verordnung über die Rechnungslegung von Versicherungsunternehmen; RechVersV).

Assets

Intangible fixed assets
Intangible fixed assets were recognised at cost less amortisation applied in accordance with their customary useful lives.

Land, land rights and buildings, including buildings on third-party land
Land and buildings were recognised at historical cost less depreciation according to their customary useful life.

To determine the fair value of our real properties, the gross rental value method is applied in accordance with the regulations concerning the principles governing the assessment of the fair market values of properties (German Ordinance on the Valuation of Property/Real estate– Immobilienwertermittlungverordnung; ImmoWertV) and the supplementary Valuation Guidelines. The present value of cash flows generated by the property and discounted over its remaining economic useful life is determined using this approach. The gross rental value method is considered a "generally accepted method" within the meaning of § 55 of the Regulation on Insurance Accounting (Verordnung über die Rechnungslegung von Versicherungsunternehmen; RechVersV). In accordance with § 55 Para 3 RechVersV, current fair market values are determined by external auditors no later than every five years. These amounts are reviewed annually and adjusted when and if required. The cost or the value assessed in a report compiled by an external, publicly certified expert is recognised for land and buildings recently acquired as well as properties under construction. As at the balance sheet date, all real estate was measured at current value. During the financial year, the large majority of items were valued in accordance with the German Real Estate Valuation Ordinance (ImmoWertV).

Investments in affiliated companies and other equity investments
Shares in affiliated companies and equity investments are recognised at cost in accordance with § 255 Para 1 of the German Commercial Code (Handelsgesetzbuch; HGB) less write-downs (if any) to their fair value in accordance with § 341b Para 1 sentence 2 HGB in conjunction with § 253 Para 3 sentence 3 HGB (modified lower of cost or market principle).

The market value of the shares in affiliated companies and equity investments has been determined in accordance with § 56 RechVersV. As a rule, the present value of future financial surpluses (capitalised value of expected earnings) was recognised as the fair value. In individual cases, the fair value was set equal to the carrying amount as long as there was no indication of impairment. For companies whose noteworthy assets comprise land and buildings, the fair market value of the land and buildings was taken into account. For companies acquired near the balance sheet date, the fair value was also set equal to the carrying amount as at the acquisition date representing the purchase price as long as there was no indication of impairment.

For companies that underwrite equity instruments not traded on the capital markets, the value was determined by analogy to similar instruments held directly. If the determination of the fair value indicated an impairment that was expected to be permanent, a write-down was applied.

Private equity investments held directly as fixed assets are recognised at the lower of cost or market. Owing to the J-curve effect, no write-downs were generally applied to new investments in the first two years, unless there were significant losses. Write-downs were applied during years 3 to 5 from the subscription if the net asset value was lower than 80% of the carrying amount; in year 6 after the subscription as soon as the net asset value was lower than the carrying amount. In the case of some asset backed securities products, the Company assumes for reasons of prudence that there will be no distributions until maturity and recognised the loans at their present value. The repayment amount is reached at the final maturity date by the recognition of gains or losses as described above.

In accordance with IDW Accounting Principle HFA 18, shares in commercial partnerships were presented as participating interests as defined under § 271 Para 1 sentence 1 of the German Commercial Code or as investments in affiliates as defined under § 271 Para 2 HGB. Shares in private equity funds are treated as the equivalent of partnerships, so that they must also be recognised as equity investments.

Amounts lent to affiliated companies were recognised at cost and/or the notional loan amount in the case of amounts provided as loans and at cost for all other forms of lending, less any write-downs to their fair value as at the balance sheet date, if applicable.

Other investments
Shares, investments shares and other non-fixed interest securities as well as bearer bonds and other fixed interest securities were recognised at the lower of cost or market. Securities designated for use in continuing operations were recognised pursuant to § 341b Para 2 HGB in conjunction with §253 Para 3 HGB in accordance with the modified lower of cost or market principle. The permanent nature of the applicable write-down was assessed on a case-by-case basis.

The fair value of other investments was generally determined on the basis of their open market value in accordance with § 56 RechVersV. For investments having a market or listed price, the market value is defined as the market or listed price on the balance sheet date, or on the last day prior to this date for which a market or listed price could be identified. In cases in which no listed prices are available, pricing methods that are established in the financial markets are employed. Investments were valued at maximum at their expected realisable value in accordance with the principle of prudence.

The fair value was determined for shares and stock funds using the earnings per share (EPS) method, an income approach for each share on the basis of expected annual profits estimated by independent analysts, or the higher fair market value. If earnings per share exceed 120% of fair market value, they are capped at 120%.

Bonds and bond funds were valued on the basis of a nominal value approach that relies on the nominal value of the bonds expected at their final maturity, provided that no adjustment must be applied due to credit concerns. For mixed funds, the individual components were valued as appropriate in accordance with either method.

Registered bonds, borrower's note loans including refinancing loans, mortgages and other loans are recognised at amortised cost. For this purpose, investments were recognised at cost upon acquisition and the amount of the difference from the repayment amount is amortised over the remaining term using the effective interest method. The option provided for in § 341c Para 1 HGB to recognise registered bonds at their nominal value so that no positive or negative differences would be reportable as accrued or deferred items was not exercised. Zero-coupon registered bonds and zero-coupon borrower's note loans were measured at cost plus interest receivable calculated by the effective interest method using a capital markets-based rate.

Deposits with banks and deposits retained were recognised at their nominal amounts.

Receivables

Receivables from direct written insurance business were recognised at their notional amounts. A global valuation allowance based on the aging of the receivables was recognised for receivables due from policy holders. Under this process, all receivables outstanding for more than three years were written off in full.

Reinsurance receivables and other receivables were recognised on the balance sheet at their nominal amounts. The general default risk related to receivables was accounted for by recognising an appropriate allowance for impairment losses.

Since the cost accounts were closed for new postings before the balance sheet date, costs that were posted after the record date for accrued and deferred items were recognised as other receivables. This item is offset by estimated costs for the period between the closing of the cost accounts and the balance sheet date, which were reported under other provisions.

The corporate tax credit was calculated in accordance with the Act on Fiscal Measures Accompanying the Introduction of the European Corporation and the Amendments of Other Tax Regulations (Gesetz über steuerliche Begleitmaßnahmen zur Einführung der Europäischen Gesellschaft und zur Änderung weiterer steuerlicher Vorschriften; SEStRG) using a notional interest rate of 0.47%.

Other assets

Tangible fixed assets and inventories are recognised at cost. Operating and office equipment was recognised at cost and is depreciated over the customary useful life. The depreciation was applied according to the straight-line method; the periods of useful life range from 3 to 20 years. Low-value assets of up to EUR 150 are immediately deductible as operating expenses. Low-value assets of up to EUR 410 are fully depreciated/ amortised in the year in which they are acquired. In previous years (2008 and 2009) assets with acquisition and/or production costs between EUR 150 and EUR 1,000 were recognised in a collective account that is being depreciated over five years. Some inventory items are carried at a fixed value.

Current balances with financial institutions, checks and cash have been recognised at their notional amount.

Prepaid expenses

The items to be included under prepaid expenses were recognised at nominal value.

Excess of plan assets over post-employment benefit liability

The line item "Excess of plan assets over pension liability" represents the excess amount remaining after offsetting pension obligations with plan assets (primarily pension plan reinsurance).

Reversals of write-downs and the requirement to reverse write-downs

In connection with the requirement to reverse write-downs in accordance with § 253 Para 5 of the German Commercial Code (Handelsgesetzbuch, HGB), reversals of write-downs are recognised for assets that were written down in previous years up to the depreciated or amortised carrying amount or lower fair market value if the reasons for permanent impairment no longer apply and the value of the asset has recovered. Reversals of write-downs are recognised in profit or loss.

Equity and liabilities

Subordinated liabilities

The subordinated liability was recognised at its nominal amount.

Approximation and simplification methods

A new closing process for underwriting data was initiated under fast-close conditions in the financial year and used beginning with the fourth quarter.

In the calculation of gross underwriting figures, the gross data were recognised completely on an accrual basis.

In order to adequately present the reporting period, the following approximation method was applied to calculate the shares for reinsurance:

In the determination of the reinsurers' contractual shares in all gross basis items, a timing offset of one month was applied. The calculation was made on the basis of gross data written for the first eleven months, and the shares for reinsurance were estimated for the remaining month. The following method was applied to calculate the estimate:

The shares of locally managed reinsurers were deducted from the gross underwriting items relevant for reinsurance for the foreign branch offices, since they were written by year-end similar to the gross values. A standard reinsurance regime representing an average reinsurance valuation was applied to the shares and total German portfolio calculated using this approach. Special cases, e.g. a loss event exceeding the priority for non-proportional reinsurance, were taken into account separately.

The method used is subject to regular technical controls; in aggregate, it does not have a material effect on the net assets, financial position and results of operations of the Company.

Underwriting provisions

The underwriting provisions were calculated as follows, using the methods and approaches described above:

For both the direct written business and the business accepted for reinsurance – provided no information in this respect was provided by the ceding companies – unearned premiums were determined according to the 1/360 method or for the exact number of days (pro rata temporis) in compliance with the regulations of the supervisory authority and the circular from the German Federal Minister of Finance dated 30 April 1974. The shares ceded for reinsurance are accrued in accordance with the contractual agreements.

For the direct written insurance business, the provision for outstanding claims was determined separately for each individual claim. In the co-insurance business, the information provided by the lead insurers was adopted. If the information from the lead insurers was not available as at the balance sheet date, the provisions were estimated for each business relationship on the basis of past experience. In motor vehicle liability, motor vehicle comprehensive and motor vehicle partial own damage insurance, the group-valuation option was used for unsettled minor claims. In the comprehensive maritime and river travel insurance lines, the provision for the indemnification of claims for the financial year losses was measured globally based on past experience. A provision for losses incurred but not reported was calculated on the basis of empirical data for losses unknown as at the balance sheet date. If current information was available in individual instances, the relevant appropriate amounts were recognised as provisions on a case-by-case basis. The annuity provision calculated in accordance with § 65 VAG (Versicherungsaufsichtsgesetz; German Insurance Supervisory Act) and the provision for anticipated claims settlement expenses were recognised in addition. A two-step method was chosen to calculate the provision for adjustment expenses. The starting point in this approach is the calculation of the provision for claims adjustment expenses in accordance with the Decree issued by the Federal Minister of Finance on 2 February 1973 for each HGB class on the basis of prior year values. The provision for claims adjustment expenses thus calculated is then compared to the residual provisions for indemnification. The resulting percentage rate serves as a factor for the relevant calculation method applied in the current financial year, for which the factors are then applied to the current residual provisions for indemnification. The annuity provision included in the provision for outstanding claims was calculated in accordance with § 341f HGB using the prospective method on the basis of individual contracts in combination with a flat-rate surcharge for the longevity risk and taking future costs into account. Receivables from recoveries, salvages and loss sharing agreements for settled claims have been taken into account as deductions to the net loss reserve.

A provision for premium refunds was recognised in accordance with contractual terms and conditions.

The equalisation reserve was calculated in compliance with the regulations according to § 29 RechVersV and the Appendix to § 29 RechVersV as well as the Regulations on Reporting for Insurance Undertakings (Versicherungsberichterstattungsverordnung; BerVersV).

The provision for the insurance for nuclear facilities and terrorism risk was calculated in accordance with § 30 Para 2 and Para 2a RechVersV. The provision for major risks relating to pharmaceutical risk was determined in accordance with § 30 Para 1 RechVersV.

The other underwriting provisions were determined as follows: The provision for premium lapse risks included under other underwriting provisions was calculated by multiplying the annual premiums by the average ratio of premiums to the provisions for premium lapse risks over the last three years. The provision for obligations arising from membership in the Verkehrsopferhilfe e.V. association was recognised according to the notice from the association. The provision for repayment amounts on suspended motor vehicle insurance policies was determined on a contract-by-contract basis.

In the case of the insurance business accepted for reinsurance, the provisions ceded by the lead underwriters were generally recognised as liabilities, except and unless better information was directly available to the Company. To the extent that the amounts ceded were not yet available at the time that the financial statements were prepared, the reserve for losses was estimated using the amounts ceded last year. The resulting effects on the net assets, financial position and results of operation of the Company were immaterial.

Other provisions
Pursuant to § 253 Para 1 and Para 2 HGB, the provision for pensions was recognised at its settlement amount determined in accordance with the principles of commercial prudence. This measurement required estimates for salary and pension trends as well as probable turnover rates. The provisions for pensions for employer-funded commitments and for employee-funded commitments not contingent on securities were calculated in accordance with the entry age normal method. The calculations were based on the actuarial decrement tables for active employees and retirees. They relied on the 2005 G actuarial tables of Professor Dr Klaus Heubeck. The total amount was discounted to the balance sheet date assuming a remaining term of 15 years. The applicable interest rate for the calculation was determined and published by the German Bundesbank in accordance with the Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung - RückAbzinsVO).

For employee funded commitments contingent on securities, the settlement amount is equal to the fair value of the plan assets.

The calculation of the provisions for partial requirement included all employees of the Company who have already taken advantage of partial retirement and/or who are expected to take advantage of the partial retirement regulations (eligible candidates). The calculations are based on the actuarial tables 2005 G of Professor Dr Klaus Heubeck. The calculations were based on the actuarial decrement tables for active employees. To this end, an actuarial interest rate of 3.68% was applied assuming an average remaining term of three years. In accordance with § 246 Para 2 sentence 2 HGB the amounts thus calculated were offset against all assets intended for the settlement of this obligation and protected against attachment by all creditors. The net amount is the amount recognised on the balance sheet.

Provisions for anniversary bonuses were recognised depending on tenure with the Company and existing eligibility requirements, taking the increase in eligibility into account.

The provisions for taxes and other provisions took all recognisable risks and contingent liabilities into account.

Provisions with a remaining term of more than one year were discounted at the average market interest rate for the last seven years as determined and published by the German Bundesbank in accordance with the RückabzinzVO.

Deposits retained
Deposits retained on direct written insurance were recognised as a liability at the settlement amount.

Other liabilities
Other liabilities are recognised at their settlement amounts.

Deferred income
Income prior to the balance sheet date was presented under deferred income to the extent that it represents income for a specific period after the balance sheet date.

Currency translation
If there are items denominated in foreign currency, they are translated as at the balance sheet date at the closing rate (mean spot exchange rate) for balance sheet items and at the average rate for items in the income statement. The conversion rate for items in inventory is the average rate, or the respective month-end closing rate for monthly measurements. The translation rate for the monthly measurement of income statement line items is the respective final rate on the last day of the preceding month. These positions are translated using a rolling method. The addition of the translated individual items effectively resulted in a translation at average rates. Thus the currency translation was not based on cumulative data as at the closing date but represented a composite of the respective individual exchange rate translations for each month.

In order to limit exposure to currency risk as much as possible, liabilities denominated in a foreign currency are largely matched with assets in the same currencies/amount. For the major foreign currencies, any currency translation gains net of currency translation losses during the period were allocated to a provision for currency risk. The provision is reviewed quarterly.

Income statement

The income statement items were calculated in accordance with the German Regulation on the Accounting of Insurance Undertakings (RechVersV).

Assets

Changes to assets A., B.I. through B.III in the 2013 financial year

Assets in EUR thousands		Balance sheet amount previous year	Additions
A.	A. Intangible fixed assets		
	1. Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	5,120	204
B. I.	Land, land rights and buildings, including buildings on third-party land	63,168	11,304
B. II.	Investments in affiliated companies and other equity investments		
	1. Shares in affiliated companies	601,520	143,217
	2. Loans to affiliated companies	292,507	43,939
	3. Other long-term equity investments	127,457	–
	4. Total B.II.	**1,021,484**	**187,156**
B. III.	Other investments**		
	1. Shares, investment shares and other non-fixed interest securities	1,024,520	217,741
	2. Bearer bonds and other fixed-interest securities	1,470,343	695,163
	3. Mortgages, land charges and annuity land charges	2,552	–
	4. Other loans		
	a) Registered bonds	1,153,941	34,762
	b) Promissory notes and loans	1,105,996	30,207
	c) Other loans	21,000	–
	5. Deposits with financial institutions	261,657	–
	6 Total B.III.	**5,040,009**	**977,873**
Total		**6,129,781**	**1,176,537**

** The carrying amount of owned properties used in connection with Company operations was equal to EUR 43,008 (32,172) thousand.*

***Disclosure pursuant to § 277 Para 3 HGB*

No write-downs were applied during the financial year to assets recognised as fixed assets.

The Company has exercised the option pursuant to § 341b Para 2 HGB to classify investments with a carrying amount of EUR 2,251,973 thousand as fixed assets.

§ 285 no. 18 HGB
The fair values of the following investments recognised at cost were less than the carrying amounts:

Investments with hidden losses

Figures in EUR thousand	Carrying amounts	Market values
Loans to affiliated companies	88,828	88,140
Shares, investment shares and other non-fixed interest securities	73,086	68,071
Bearer bonds and other non-fixed interest securities	421,348	411,787
Other loans	135,907	131,572
Total	**719,169**	**699,570**

A write-down in the amount of EUR 14.6 (1.3) million was avoided by means of dedication as fixed assets in accordanIn our ce with § 341b Para 2 HGB. In our estimation, the impairment is temporary.

Disposals	Write-ups	Exchange rate fluctuations	Depreciation, amortisation and write-downs	Balance sheet value for the financial year	Market value of Investments
–	–	-7	1,241	**4,076**	–
14,098	–	–	3,088	**57,286***	**80,200**
19,322	–	–539	–	**724,876**	**836,341**
140,469	–	-1,272	72	**194,633**	**201,936**
–	–	–	–	**127,457**	**121,822**
159,791	**–**	**-1,811**	**72**	**1,046,966**	**1,160,099**
67,403	404	-3,732	2,586	**1,168,944**	**1,216,123**
377,271	1,363	-40,643	4,178	**1,744,777**	**1,846,148**
500	–	–	–	**2,052**	**2,282**
171,653	–	-1,865	–	**1,015,185**	**1,082,555**
230,124	–	-5,119	–	**900,960**	**935,042**
–	–	–	–	**21,000**	**21,501**
33,632	–	-6,075	–	**221,950**	**221,950**
880,583	**1,767**	**-57,434**	**6,764**	**5,074,868**	**5,325,601**
1,054,472	**1,767**	**-59,252**	**11,165**	**6,183,196**	**6,565,900**

Shares in investment asset pools

Disclosures pursuant to § 285 no. 26 HGB concerning shares in investment asset pools Figures in EUR thousand	Balance sheet amount 31/12/2013	Market value 31/12/2013	Distribution in 2013
Fixed income funds			
Gerling Euro-Rent 3	866,829	893,387	25,583
Subtotal Fixed income funds	**866,829**	**893,387**	**25,583**
Mixed funds			
HG-I Commodity Fonds	25,945	25,945	–
HG-I Aktien VC-Strategie	41,426	51,341	926
HG-I Aktien VC-Dynamic	40,809	44,523	894
Subtotal Mixed funds	**108,180**	**121,809**	**1,820**
Real property funds			
HG-I Real Estate Euro	10	2	–
Subtotal Real property funds	**10**	**2**	**–**
Total	**975,019**	**1,015,198**	**27,403**

Write-downs pursuant to § 253 Para 3 sentence 4 HGB were not fully applied to the special funds reportable under hidden reserves, since we considered the impairments to be temporary.

For the equity funds held as fixed assets, the fair value of every single stock in the portfolio was calculated by the EPS (“earnings per share”) method. If EPS data was not available, market values (max. 120%) were used as an alternative.

For bond funds held as fixed assets, the fair value of fund shares represents the sum of its constituting components (bonds, cash, accrued interest, payables/receivables, derivatives, etc.). The fair value of each individual bond in the portfolio corresponds to the nominal value for each bond or the lower market value in the event of a default or for securities with a market value lower than 50% of the nominal value. The fair value of each individual bond in the portfolio corresponds to the nominal value for each bond or the lower market value in a credit event or if the market value is lower than 50% of the nominal value.

B. II. Investments in affiliated companies and other equity investments

Name, registered office	Share[1)] in %	Currency	Equity in thousand	Result in in thousand
Gerling Norge A/S, Oslo*	100.00	NOK	258	10
HDI Gerling Assurance S.A. Luxembourg, Luxembourg*	100.00	EUR	7,413	1,530
HDI Gerling Assurance S.A./HDI-Gerling Verzekeringen N.V. , Brussels*	100.00	EUR	36,630	5,325
HDI Hannover International España, Cia de Seguros y Reaseguros S.A., Madrid*	100.00	EUR	52,829	8,635
HDI Versicherung AG, Vienna*	89.74	EUR	40,937	6,295
HDI-Gerling Services N.V., Brussels*	100.00	EUR	203	33
HDI-Gerling AI USD Beteiligungs-GmbH & Co. KG, Cologne	100.00	EUR	18,583	167
HDI-Gerling Alternative Investments Beteiligungs GmbH & Co. KG, Cologne	100.00	EUR	164,499	2,815
HDI-Gerling Schadenregulierung GmbH, Hannover	100.00	EUR	25	0
HDI-Gerling Sicherheitstechnik GmbH, Hannover	100.00	EUR	2,093	846
HDI-Gerling Verzekeringen N. V., Rotterdam*	100.00	EUR	127,422	-1,584
HDI-Gerling Welt Service AG, Hannover	100.00	EUR	91,378	-903
Institutional Venture and Equity Capital AG, Cologne*	23.80	EUR	131,633	5,766
Magma HDI General Insurance Ltd., Kolkata*	25.50	INR	2,065	-15
Nassau Assekuranzkontor GmbH, Cologne*	100.00	EUR	25	-32
Petro Vietnam Insurance Holdings, Hanoi*	31.82	VND	5,999,892,009	396,980,644
Riethorst Grundstücksgesellschaft AG & Co. KG, Hannover*	50.00	EUR	173,325	4,886

**Information as at 31 December 2012*

1) *The percentage of shares held is determined as the sum of all shares held directly or indirectly.*

C. III. Other receivables

Figures in EUR thousand	31/12/2013	31/12/2012
Claims payments/Co-insurance/Share of losses attributable to other companies	78,135	43,093
Receivables not yet attributed	59,803	51,873
Receivables due to timing differences in accounting entries	25,033	20,259
Receivables from tax authorities	21,250	17,745
Receivables from affiliated companies*	10,205	36,273
Trade receivables	1,652	12,664
Miscellaneous**	14,984	17,450
Total	**211,062**	**199,357**

** These include other receivables from investment income in the amount of EUR 7.8 million. In addition, these also include receivables from HDI-Gerling Sicherheitstechnik GmbH in the amount of EUR 846 thousand and from Nassau Assekuranzkontor GmbH in the amount of EUR 155 thousand from the transfer of profits.*

*** Costs posted after the closing of the cost accounts (30.11.2013) were recognised as other receivables. In the following period, the accruals were reversed through profit and loss. This expense amounted to EUR 1,634 (3,278) thousand*

D. Other assets

I. Tangible fixed assets and inventories

Figures in EUR thousand	31/12/2013	31/12/2012
Balance as of the start of the financial year	6,030	5,937
Additions	2,897	1,722
Disposals	257	167
Depreciation, amortisation and write-downs	1,317	1,339
Exchange rate fluctuations	-122	-123
Balance as at the end of the financial year	**7,231**	**6,030**

E. Prepaid expenses

I. Deferred rent and interest income

	31/12/2013	31/12/2012
Figures in EUR thousand		
Interest	70,515	75,490
Rental income	21	–
Total	70,536	75,490

II. Other prepaid expenses

	31/12/2013	31/12/2012
Figures in EUR thousand		
Administrative expenses	1,309	1,378
Discount on subordinated loans	51	156
Total	**1,360**	**1,534**
Prepaid expenses - total	**71,896**	**77,024**

Equity and liabilities

A. Equity

	31/12/2013	31/12/2012
Figures in EUR thousand		
I. Subscribed capital*		
Balance as of the start of the financial year	125,000	125,000
Balance as the end of the financial year	**125,000**	**125,000**
II. Capital reserves		
Balance as of the start of the financial year	281,536	281,536
Balance as of the end of the financial year	**281,536**	**281,536**

** The subscribed capital is fully paid in and is divided into 125,000 registered shares of EUR 1,000 each. Talanx AG is the sole shareholder.*

The creation of a statutory reserve is not required since § 150 Para 2 AktG ("statutory reserve fund") has already been satisfied by the creation of a capital reserve in accordance with § 272 Para 2 no. 1 HGB.

B. Subordinated liabilities

The subordinated liabilities in the amount of EUR 142,108 thousand are fixed/variable interest-bearing subordinated bearer bonds issued by Gerling-Konzern Allgemeine Versicherungs-AG with a notional amount of EUR 1,000 each. Following a re-listing, the securities are traded on the Euro MTF market of the Luxembourg exchange. The interest rate is 7.00% p.a. until 11 August 2014 inclusive; starting 12 August 2014, they accrue quarterly interest at a rate equal to the 3-months EURIBOR plus a premium of 3.75%, subject to a waiver of early call by our Company. The bonds will be redeemed at their par value on 12 August 2024.

C. Total gross underwriting provisions

Figures in EUR thousand	**31/12/2013**	**31/12/2012**
Direct written insurance business		
Casualty insurance	170,911	158,463
Liability insurance	4,211,709	4,144,107
Motor vehicle liability insurance	627,899	604,248
Other motor vehicle insurance	86,706	59,749
Fire and property insurance	889,651	876,128
thereof:		
a) Fire insurance	330,511	368,965
b) Engineering insurance	454,981	450,676
c) Other property insurance	104,159	56,487
Marine and aviation insurance	481,395	509,276
All-Risk-insurance	454,081	487,611
Legal protection insurance	79,547	72,540
Other insurance	114,316	107,871
Total	**7,116,215**	**7,019,993**
Reinsurance business accepted	2,517,303	2,406,791
Total insurance business	**9,633,518**	**9,426,784**

Thereof:
a) Gross provision for outstanding claims: EUR 8,363,284 (8,165,798) thousand
b) Equalisation reserve and similar provisions: EUR 570,150 (606,566) thousand.

C. II. 1. Gross provision for outstanding claims

	31/12/2013	31/12/2012
Figures in EUR thousand		
Direct written insurance business		
Casualty insurance	127,139	109,378
Liability insurance	4,025,780	3,934,717
Motor vehicle liability insurance	501,129	486,181
Other motor vehicle insurance	79,468	53,670
Fire and property insurance	691,270	679,581
thereof:		
a) Fire insurance	252,927	298,868
b) Engineering insurance	345,274	337,428
c) Other property insurance	93,069	43,285
Transport and aviation insurance	404,482	400,760
All-Risk-insurance	376,343	416,263
Legal protection insurance	77,120	66,879
Other insurance	109,256	102,811
Total	**6,391,987**	**6,250,240**
Reinsurance business accepted	1,971,297	1,915,558
Total insurance business	**8,363,284**	**8,165,798**

C. III. 1. Gross provisions for profit-related and non-profit related premium refunds

	As at 31/12/2012	Distribution	Reversal	Addition	Changes in exchange rates	As at 31/12/2013
in EUR thousand						
Profit-related premium refunds						
Casualty insurance	2,082	820	3,709	4,725	-50	2,228
Liability insurance	1,234	190	0	703	–	1,747
Fire and property insurance	2,125	–	1,198	1,026	-60	1,893
thereof:						
a) Fire insurance	1,222	–	1,171	–	-52	-1
b) Engineering insurance	904	–	28	1,026	-9	1,893
Marine and aviation insurance	4,998	280	4,777	431	-3	369
Legal protection insurance	4	4	–	–	–	0
Total provision (gross)	10,443	**1,294**	**9,684**	**6,885**	**-113**	**6,237**

C. IV. Equalization reserve and similar provisions

Figures in EUR thousand	31/12/2013	31/12/2012
Direct written insurance business		
Casualty insurance	19,503	26,316
Liability insurance	40,849	61,981
Motor vehicle liability insurance	113,945	107,488
Fire and property insurance	48,954	41,965
thereof:		
a) Fire insurance	48,954	41,965
Marine and aviation insurance	46,408	69,737
Legal protection insurance	–	3,486
Other insurance	–	11
Total	**269,659**	**310,973**
Reinsurance business accepted	300,491	295,582
Total insurance business	**570,150**	**606,555**

D. I. Provision for pensions and similar liabilities

As required by the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz; BilMoG), the provision for pensions was measured at the settlement amount, taking into account salary and pension trends as well as employee turnover rates, and discounted to the balance sheet date. The assumed rates of increase were 2.75% for salaries and 2.06% for pensions. The assumed probable employee turnover rates are shown in the table below.

Probable staff turnover rates in %

Age	Men	Women
20	37.0	21.2
25	12.3	9.3
30	8.9	8.4
35	7.0	7.4
40	5.8	5.1
45	5.1	4.6
50	4.3	4.6
55	3.2	5.1
60 or older	0.0	0.0

The provision for pensions was discounted using an interest rate of 4.91% and assuming a remaining term of 15 years. In the 2010 balance sheet year, the option in Article 67 Para 1 sentence 1 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch; EGHGB) to distribute the required addition to the provisions for pensions over the maximum of 15 years and to recognise in each case as extraordinary expenses, was exercised. This method of allocations was continued in the reporting period.

Provision for pensions

Figures in EUR thousand	
Provision for pensions according to BilMoG as of 31 December 2012	**300,248**
Use	15,338
Reversal	–
Addition	10,429
Accrued interest/interest rate change	20,161
Offset (carried forward)	-2,962
Provision for pensions recognised as at 31 December 2013	**312,538**

The settlement amount for the employer-funded provision for pensions as at 31 December 2013 was EUR 380,793 thousand. The fair value of the funds held as cover for this amount as at 31 December 2013 was EUR 40,167 thousand. The amortised cost was equal to EUR 28,491 thousand. The settlement amount for the employee-funded provision for pensions was EUR 9,565 thousand. Nettable plan assets totalling EUR 9,212 thousand represent pension liability insurance claims offset in the amount of EUR 9,053 thousand with the obligations. The amortised cost determined according to the lower of cost or market principle and thus the fair value within the meaning of § 255 Para 4 sentence 3 HGB is equal to the so-called actuarial reserves of the insurance agreement plus excess. Income from plan assets for pension obligations in the amount of EUR 294 thousand was netted with expenses from the unwinding of the discount on provisions for pension obligations in the amount of EUR 353 thousand in the reporting period

The amounts not recognised as provisions for current pensions, vested pension benefits or similar obligations on the balance sheet by exercising the option according to Article 67 (1) sentence 1 EGHGB are equal to EUR 73,628 thousand.

D. III. Other provisions

	As at 31/12/2012	Reclassifications	Use	Reversal
Figures in EUR thousand				
Provisions for pension plans of the London branch	19,000	–	–	19,000
Cartel law infringement proceedings	5,900	–	5,887	13
Partial retirement*	7,286	–	2,244	–
Foreign branches	1,526	–	646	348
Remuneration payable	16,467	–	15,872	251
Provisions for restructuring	860	–	160	700
Outstanding invoices for building-related expenses	13,573	–	9,074	10
Anniversary bonuses	4,693	–	655	461
Litigation expenses	706	–	149	–
Provisions for costs	2,593	–	2,586	7
Vacation claims and credit balances in flextime accounts	3,476	–	2,208	908
Contributions pension fund	790	–	776	13
Costs for the preparation of the annual financial statements	1,529	–	1,355	120
Consulting costs	4,152	–	2,927	1,107
Contribution to employers' liability insurance association	439	–	417	21
Provisions for obligations assumed**	6,241	–	–	223
Other provisions for investment losses	856	–	–	–
Interest on additional taxes resulting from the tax audit	4,570	–	–	–
Miscellaneous	1,157	–	1,567	283
Total	**95,814**	–	**46,523**	**23,465**

** The settlement amount of the provision of partial retirement was equal to EUR 12,905 thousand. The fair value of the funds held as cover for this amount as at 31 December 2013 was EUR 6,207 thousand. The amortised cost was equal to EUR 6,457 thousand. Income from plan assets for provisions for partial retirement in the amount of EUR 123 thousand were netted with expenses from the unwinding of the discount on provisions for partial retirement in the amount of EUR 458 thousand in the income statement.*

*** HDI-Gerling Industrie Versicherung AG has assumed sole liability for the pension obligations of HDI-Gerling Sicherheitstechnik GmbH under a contractual undertaking to perform the obligation in the internal relationship. HDI-Gerling Industrie Versicherung AG is required to recognise a provision for the obligations under this contractual undertaking.*

F. III. Other liabilities

	31.12.2013	31.12.2012
Figures in EUR thousand		
Liabilities to affiliated companies	240,893	149,796
Liabilities not yet attributed	135,061	92,722
Liabilities from non-group lead business	50,246	38,795
Liabilities due to tax authorities	33,512	34,276
Liabilities from un-cashed cheques	5,007	5,233
Liabilities from interest on hybrid capital	3,871	6,757
Trade payables	630	12,697
Miscellaneous	8,667	43,186
Total	477,887	383,462

** This includes a liability from the transfer of profits in the amount of EUR 55,932 thousand to Talanx AG as well as a liability to HDI-Gerling Verzekeringen N. V. from the EUR 57,700 thousand increase in equity interest in HDI-Gerling Assurance S. A.*

Addition	Discounting	Accrued interest/interest rate change	Offset (carried forward)	Carrying amount 31/12/2013
–	–	–	–	**–**
–	–	–	–	**–**
1,279	–	458	-81	**6,698**
1,243	–	–	–	**1,775**
16,897	–	8	–	**17,249**
–	–	–	–	**–**
4,697	–	258	–	**9,444**
–		176	–	**3,753**
256	–	–	–	**813**
1,530	–	–	–	**1,530**
3,005	–	–	–	**3,365**
855	–	–	–	**856**
1,811	–	–	–	**1,865**
3,000	–	–	–	**3,118**
432	–	–	–	**433**
–	–	252	–	**6,270**
4,057	–	–	–	**4,913**
2,459	–	–	–	**7,029**
5,207	–	691	–	**5,205**
46,728	–	**1,843**	**-81**	**74,316**

G. Deferred and accrued items

	31/12/2013	31/12/2012
Figures in EUR thousand		
Rents and ancillary expenses	39	39
Other	520	596
Total	**559**	**635**

Income statement

I. 1.a) Gross premiums written

Direct written insurance business

	2013	2012
Figures in EUR thousand		
Casualty insurance	103,972	96,176
Liability insurance	690,219	685,238
Motor vehicle liability insurance	237,456	210,743
Other motor vehicle insurance	133,532	119,592
Fire and property insurance	432,920	414,874
thereof:		
a) Fire insurance	165,976	153,807
b) Engineering insurances	213,637	203,762
c) Other property insurance	53,307	57,305
Marine and aviation insurance	222,910	212,596
All-risk insurance	356,031	329,447
Legal protection insurance	17,847	16,813
Other insurance	55,701	53,875
Total	**2,250,588**	**2,139,354**
Reinsurance business accepted	1,019,510	917,585
Total insurance business	**3,270,098**	**3,270,098**

Origin of gross written premiums for the direct written insurance business

	2013	2012
Figures in EUR thousand		
a) In Germany	1,560,328	1,506,521
b) Other member states of the European Community as well as other treaty states of the Agreement Creating the European Economic Area	441,029	390,744
c) Third countries	249,231	242,089
Total	**2,250,588**	**2,139,354**

I. 1. Gross premiums earned

Direct written insurance business

Figures in EUR thousand	2013	2012
Casualty insurance	103,899	97,023
Liability insurance	690,420	683,824
Motor vehicle liability insurance	235,270	211,326
Other motor vehicle insurance	132,433	119,441
Fire and property insurance	433,480	414,898
thereof:		
a) Fire insurance	164,041	161,071
b) Engineering insurances	214,036	199,246
c) Other property insurance	55,403	54,581
Marine and aviation insurance	225,431	210,727
All-risk insurance	347,675	313,230
Legal protection insurance	17,585	16,796
Other insurance	55,646	52,689
Total	**2,241,839**	**2,119,954**
Reinsurance business accepted	958,418	912,023
Total insurance business	**3,200,257**	**3,031,977**

I. 1. Net premiums earned

Direct written insurance business

Figures in EUR thousand	2013	2012
Casualty insurance	70,248	66,554
Liability insurance	248,278	295,122
Motor vehicle liability insurance	212,070	193,115
Other motor vehicle insurance	117,449	107,475
Fire and property insurance	153,900	122,883
thereof:		
a) Fire insurance	43,282	30,732
b) Engineering insurances	91,799	72,978
c) Other property insurance	18,819	19,173
Marine and aviation insurance	167,860	159,083
All-risk insurance	59,254	57,795
Legal protection insurance	15,637	14,945
Other insurance	44,328	39,036
Total	**1,089,024**	**1,056,008**
Reinsurance business accepted	239,616	273,126
Total insurance business	**1,328,640**	**1,329,134**

I. 2. Underwriting interest income

In the direct written gross insurance business, underwriting interest income was calculated on the annuity provision. The underwriting interest income is calculated as 1.75% of the average of the opening balance and the closing balance of the provision.

I. 4. Gross expenses on insurance claims

Direct written insurance business

	2013	2012
Figures in EUR thousand		
Casualty insurance	72,477	45,185
Liability insurance	712,478	528,223
Motor vehicle liability insurance	187,594	157,119
Other motor vehicle insurance	160,898	115,445
Fire and property insurance	332,848	370,946
thereof:		
a) Fire insurance	116,959	227,684
b) Engineering insurances	131,919	128,988
c) Other property insurance	83,970	14,274
Marine and aviation insurance	182,458	136,084
All-risk insurance	182,102	332,591
Legal protection insurance	29,420	18,034
Other insurance	34,429	44,765
Total	**1,894,704**	**1,748,392**
Reinsurance business accepted	583,125	418,750
Total insurance business	**2,477,829**	**2,167,142**

I. 7.a) Gross expenses for insurance operations

Direct written insurance business

	2013	2012
Figures in EUR thousand		
Casualty insurance	22,337	22,573
Liability insurance	114,316	110,298
Motor vehicle liability insurance	39,992	37,058
Other motor vehicle insurance	24,782	24,397
Fire and property insurance	90,093	91,079
thereof:		
a) Fire insurance	33,849	36,767
b) Engineering insurances	43,633	41,357
c) Other property insurance	12,611	12,955
Marine and aviation insurance	52,570	49,066
All-risk insurance	50,157	44,543
Legal protection insurance	4,859	4,502
Other insurance	15,030	14,729
Total	**414,136**	**398,245**
Reinsurance business accepted	185,942	170,844
Total insurance business	**600,078**	**569,089**

Of the gross expenses for insurance operations for the financial year, EUR 84.949 (88,180) thousand are attributable to acquisition expenses and EUR 515,128 (480,909) thousand are attributable to general and administrative expenses.

Reinsurance balance

Direct written insurance business

Figures in EUR thousand	2013	2012
Casualty insurance	-7,748	-15,474
Liability insurance	79,483	-38,873
Motor vehicle liability insurance	-11,323	-5,520
Other motor vehicle insurance	29,738	-1,078
Fire and property insurance	-7,695	1,962
thereof:		
a) Fire insurance	-7,126	52,915
b) Engineering insurances	-7,269	-16,839
c) Other property insurance	6,700	-34,114
Marine and aviation insurance	-25,631	-17,270
All-risk insurance	-180,399	64,528
Legal protection insurance	4,318	3,084
Other insurance	-545	-4,078
Total	**-119,802**	**-12,719**
Reinsurance business accepted	-99,115	-293,067
Total insurance business	**-218,917**	**-305,786**

- = in favor of the reinsurers

The reinsurance balance is calculated as the reinsurers' earned premiums and the reinsurers' share of gross claims expenses and gross operating expenses for the insurance business.

** The balance for the reinsurance business includes a total amount of EUR 206 (182) million for non-cash reinstatement premiums. This breaks down into EUR 196 (136) million for the direct written insurance business and EUR 10 (45) million for the business accepted for reinsurance.*

I. 11. Underwriting result for own account

Direct written insurance business

Figures in EUR thousand	2013	2012
Casualty insurance	7,421	1,814
Liability insurance	-35,650	-21,539
Motor vehicle liability insurance	-10,073	-1,064
Other motor vehicle insurance	-23,480	-21,816
Fire and property insurance	-7,579	-36,276
thereof:		
a) Fire insurance	-3,679	-40,737
b) Engineering insurances	30,606	11,229
c) Other property insurance	-34,506	-6,768
Marine and aviation insurance	-7,503	-10,541
All-risk insurance	-64,249	976
Legal protection insurance	-8,884	-523
Other insurance	5,637	-11,068
Total	**-144,360**	**-100,037**
Reinsurance business accepted	92,993	4,039
Total insurance business	**-51,367**	**-95,998**

Run-off result

In the financial year, HDI-Gerling Industrie Versicherung AG realised a run-off profit in the amount of EUR 414,630 (317,213) thousand. The information on the run-off results for the individual lines of business are discussed in the management report under "results of operations".

Commissions and other compensation for insurance agents, personnel expense

Figures in EUR thousand	2013	2012
1. Commissions of any kind for insurance agents within the meaning of § 92 HGB for direct written insurance business	181,985	178,281
2. Wages and salaries	151,605	143,280
3. Social insurance contributions and expenditures for benefits	25,551	23,964
4. Expenditures for retirement benefits	7,116	1,630
5. Total expenditures	**366,257**	**347,155**

Number of insurance contracts with a minimum term of one year

Direct written insurance business

Number	2013	2012
Casualty insurance*	45,559	44,463
Liability insurance	22,910	22,598
Motor vehicle liability insurance*	659,125	622,355
Other motor vehicle insurance*	421,795	399,472
Fire and property insurance	37,563	38,677
thereof:		
a) Fire insurance	9,514	10,706
b) Engineering insurance	20,034	19,767
c) Other property insurance	8,015	8,204
Marine and aviation insurance	15,313	14,376
All-risk insurance	7,773	6,430
Legal protection insurance	6,089	6,262
Other insurance	2,599	2,528
Total	**1,218,726**	**1,157,161**
Total of all contracts	768,137	729,734
Change due to inclusion of risks under motor vehicle insurance under motor vehicle insurance	450,589	427,427
Total insurance business	**1,218,726**	**1,157,161**

**With respect to accident insurance and motor vehicle insurance, this represents the number of risks.*

II. 4. Other income

Figures in EUR thousand	2013	2012
Currency exchange gains	21,200	5,824
Income from the reversal of other provisions for the restructuring of pensions for our London branch office	18,578	–
Income from services rendered	18,569	21,483
Income from agency and portfolio management services	2,128	2,231
De-recognition of liabilities	1,710	9,939
Income from reversal of specific and global valuation allowances	940	427
Other interest and similar income	507	1,690
Miscellaneous	8,523	7,065
Total	**72,155**	**48,659**

II. 5. Other expenses

Figures in EUR thousand	2013	2012
Interest expense*	20,745	23,229
Write-downs of receivables	20,522	6,449
Additions to the interest portion of the provision for pensions	20,059	20,474
Expenses for services	17,867	19,207
Expenses on behalf of the enterprise as a whole	15,957	6,181
Currency exchange losses	11,621	12,583
Losses from the repurchase of the subordinated loan	5,659	–
Expenses from the addition to other provisions for process costs	3,500	–
Miscellaneous	10,276	11,445
Total	**126,206**	**99,568**

** This also includes expenses of EUR 1,462 thousand from the application of the discount.*

II. 9. Extraordinary result

The extraordinary items in the amount of EUR -10,480 thousand are mainly related to expenses for restructuring in the amount of EUR 2,225 thousand and an amount of EUR 8,268 thousand for adjustment entries to the provision for pensions required by the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz; BilMoG).

II. 10. Taxes on income

In the financial year, taxes on income in the amount of EUR 32,796 thousand only affect the result from ordinary business activities.

The anticipated future tax expenses and refunds were netted when determining accrued tax amounts. The deferred tax assets in excess of net deferred taxes were not recognised in accordance with § 274 Para 1 sentence 2 HGB. Since the Company is a controlled company (Organgesellschaft), deferred taxes on measurement differences of the German parent company were presented at the level of the controlling company (Organträger), so that only differences between the financial and local tax carrying amounts of the foreign branch office are to be taken into account. Deferred tax liabilities (in particular from other receivables, accounts receivable from the reinsurance business and provisions for unsettled insurance claims) were netted with deferred tax assets (in particular with respect to the different financial and tax carrying amounts of the receivables from direct written insurance business, other receivables, the equalisation reserve and other liabilities). Deferred taxes are measured based on the local tax rate.

Other disclosures

Employees

	2013	2012
Full-time employees	1,835	1,770
Part-time employees	210	192
Total	**2,045**	**1,962**

Governing bodies of the Company

Please find the names of the members of the Supervisory Board and the Board of Management in the overview on pages 26 and 27 of this report.

Remuneration for the members of executive bodies and advisory boards

Remuneration for the members of the Board of Management totalled EUR 4,943 thousand. Total remuneration for the Supervisory Board was equal to EUR 82 thousand and remuneration for the Advisory Board totalled EUR 752 thousand. The remuneration of former Board of Management members and their survivors totalled EUR 4,653 thousand. A total of EUR 53,985 thousand was recognised for pension liabilities due to former Management Board members and their survivors.

Derivative financial instruments

Foreign exchange futures are derivatives that are subject to a prohibition on recognition according to the so-called non-recognition principle for pending transactions. In case of a negative market value, provisions for impending losses from pending transactions are recognised. As at 31 December 2013, the portfolio included two forward exchange deals to hedge currency fluctuations in USD and CAD as well as options on stocks for the purpose of increasing earnings.

Class	Currency	Nominal amount in thousand	Carrying amount in thousand	Market value in thousand
Foreign Exchange Future	EUR	28,900	0	223
Foreign Exchange Future	CAD	-41,998	0	0
Foreign Exchange Future*	EUR	-100,000	0	-3,756
Foreign Exchange Future	USD	132,605	0	0
Stock options	EUR	-54	-15	-14
Stock options	EUR	-15	-11	-10
Stock options	EUR	-69	-19	-4
Stock options	EUR	-106	-27	-11
Stock options	EUR	-43	-17	-2
Stock options**	EUR	-30	-8	-13
Stock options	GBP	-920	-17	-3
OTC options	EUR	-9,180	0	0

** A provision for impending losses from pending transactions was recognised in the amount equal to the market value of EUR 3.8 million.*

*** A provision for impending losses from pending transactions was recognised in the amount of EUR 5 thousand.*

Important agreements

A controlling and profit and loss transfer agreement is in effect with Talanx AG as the controlling entity. Control and profit and loss transfer agreements are further in effect between HDI-Gerling Industrie Versicherung AG as the controlling company and, respectively, Nassau Assekuranzkontor GmbH, HDI-Gerling Schadenregulierung GmbH as well as HDI-Gerling Sicherheitstechnik GmbH as the controlled companies. In addition a profit and loss transfer agreement is in effect between HDI Gerling Industrie Versicherung AG and HDI-Gerling Welt Service AG.

Shareholdings in the Company

The sole shareholder of HDI-Gerling Industrie Versicherung AG is Talanx AG, which holds 100% of the share capital. Talanx AG has notified us that it holds a direct majority interest in HDI-Gerling Industrie Versicherung AG, Hannover (notice pursuant to § 20 Para 4 AktG) and that it holds more than one fourth of the shares of HDI-Gerling Industrie Versicherung AG directly at the same time (notice pursuant to § 20 Para 1 and Para 3 AktG).

Other financial commitments

HDI-Gerling Industrie Versicherung AG is a member of Verkehrsopferhilfe e.V., Hamburg. As a result of this membership, it is obligated to contribute to the potential payments made by the association as well as its general and administrative expenses in line with our pro-rata share of the premium income generated by the members of the association in direct written motor vehicle liability insurance in the next to last calendar year.

As a member of the Pharma-Rückversicherungs-Gemeinschaft, HDI-Gerling Industrie Versicherung AG is required to assume a pro-rata share of the outstanding obligations in the event that any of the remaining members becomes insolvent. The similar obligation exists under a contractual agreement with the Deutsche Kernreaktor-Versicherungsgemeinschaft as regards a default of one of the association members.

The carrying amount of the assets pledged, assigned or deposited as security is equal to EUR 22,864 (74,891) thousand.

Talanx AG, Hannover has assumed liability, in the internal relationship, for the settlement of the retirement benefit obligations of the Company to former employees. Under this pension commitment, the Company has a joint liability in an amount totalling EUR 48,934 thousand as at the end of the financial year. As a result of the spin-offs of various divisions from HDI-Gerling Industrie Versicherung AG to HDI-Gerling Firmen und Privat Versicherung AG or HDI Direkt Versicherung AG (currently trading under the name HDI Versicherung AG) completed in 2007, HDI-Gerling Industrie Versicherung AG is joint and severally liable as the transferring legal entity in accordance with § 133 of the German Transformation Act (Umwandlungsgesetz; UmwG) for liabilities to HDI Versicherung AG (as the legal successor of HDI-Gerling Firmen und Privat Versicherung AG) incurred before the spin-off took effect. HDI-Gerling Industrie Versicherung AG is only liable for the obligations transferred to the assuming legal entities for a period of five years or, in the case of pension obligations based on the Occupational Pensions Act (Betriebsrentengesetz; BetrAVG), for a period of ten years. As a result of the spin-offs of various participations from HDI-Gerling Industrie Versicherung AG to HDI-Gerling Firmen und Privat Versicherung AG or HDI Service AG (currently trading under the name Talanx Service AG) or HDI-Gerling International Holding AG (currently trading under the name Talanx International AG) completed in 2007 and 2008, HDI-Gerling Industrie Versicherung AG is joint and severally liable as the transferring legal entity in accordance with § 133 UmwG for the liabilities on the part of HDI-Gerling Industrie Versicherung AG to HDI Versicherung AG (as the legal successor of HDI-Gerling Firmen und Privat Versicherung AG) and/or Talanx Service AG and/or Talanx International AG. As a result of the spin-off of a division from HDI-Gerling Rechtsschutz Versicherung AG to HDI-Gerling Industrie Versicherung AG completed in 2010, HDI-Gerling Industrie Versicherung AG is joint and severally liable as the assuming legal entity for the liabilities on the part of HDI-Gerling Rechtsschutz Versicherung AG incurred before the spin-off took effect. HDI-Gerling Industrie Versicherung AG is only liable for the obligations remaining with the transferring legal entity for a period of five years or, in the case of pension obligations based on the Occupational Pensions Act, for a period of ten years. As a result of the spin-off of various equity investments from HDI-Gerling International Holding AG (currently trading under the name of Talanx International AG) to HDI-

Gerling Industrie Versicherung AG that were implemented in the year 2010, HDI-Gerling Industrie Versicherung AG (as the legal successor) under § 133 of the German Reorganisation of Companies Act (Umwandlungsgesetz; UmwG)—is liable together with Talanx International AG as a joint and several debtor, for the liabilities of Talanx International AG that were created prior to the effectiveness of the spin-off, and is so liable for a period of five years, or for a period of ten years for pension obligations based on the Occupational Pensions Act (Betriebsrentengesetz). The total amount of these liabilities is equal to EUR 53,923 thousand.

The Company opts to take advantage of the option afforded under Art. 28 Para 1 sentence 2 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch; EGHGB) not to recognise provisions for indirect obligations via pension funds. The settlement amount related to these obligations is EUR 5,534 thousand. As the pension fund's sponsoring entity, the Company is proportionately liable for any shortages. The current level of underfunding is EUR 378 thousand.

As the sponsoring company for the Gerling Versorgungskasse [Pension Fund], the Company is liable, on a pro-rata basis, for shortfalls, if any.

Additional liabilities in the amount of EUR 2,979 thousand are related to guaranteed credits (Avalkredite). Letters of credit in effect with various banks total EUR 335,946 thousand.

The Board of Management of our Company views the probability that obligations arising from the above contingent liabilities will result in actual claims and payments to be low.

Call commitments are in effect vis-à-vis HG-I Alternative Investments Beteiligungs GmbH & Co. KG in the amount of EUR 274,970 thousand, vis-à-vis Equity Partners III GmbH & Co. KG in the amount of EUR 1,900 thousand, vis-à-vis Equity Partners IV GmbH & Co. KG in the amount of EUR 2,200 thousand and vis-à-vis HG-I AI USD Beteiligungs GmbH & Co. KG in the amount of EUR 126,291 thousand. In addition, there are call commitments vis-à-vis AirView Düsseldorf GmbH in the amount of EUR 800 thousand and Logix XV MC in the amount of EUR 500 thousand. There are no further call commitments on shares and equities, notes payable or other contingent liabilities of any kind.

Related party disclosures

The Company is engaged in extensive reinsurance agreements with companies in the Talanx Group. Appropriate considerations are paid and received for all reinsurance coverage as well as any and all services that are received and/or rendered in connection with this protection. To that extent, this business has no effect on the net assets or results of operations when compared to the use and rendering of the described services by or for companies that are not related parties.

In the reporting period, there were no non-arms' length transactions with related parties that were relevant to an assessment of the financial position or results of operations.

Total audit fees

The fee for the financial auditor – broken down into expenses for audit service, for other certification services, for tax advisory services and for other services – are included in the consolidated financial statements of HDI Haftpflichtverbandes der Deutschen Industrie V.a.G. and Talanx AG on a pro-rata basis.

Consolidated financial statements

The Company is a member company of the HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit, Hannover and of Talanx AG, Hannover. HDI (the parent company of the HDI Group) prepares consolidated financial statements for the Group according to § 341 i HGB that includes the Company within the basis of consolidation. Talanx AG as the parent company of the Talanx Group is further required to prepare consolidated financial statements for the Group pursuant to § 290 HGB, which are prepared—as provided for in § 315a (1) HGB—on the basis of the International Financial Reporting Standards (IFRS) adopted for the European Union (EU) in accordance with Article 4 of Regulation (EC) No. 1606/2002. The consolidated financial statements are published in the German Federal Gazette (Bundesanzeiger).

Hannover, 3 March 2014

The Board of Management

Dr. Hinsch

Dr. ten Eicken	Harting
Heidbrink	Dr. Sigulla
Wohlthat	Wollschläger

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of HDI-Gerling Industrie Versicherung AG, Hannover for the financial year from 1 January to 31 December 2013. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and the supplementary provisions of the Company's articles of association are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, Incorporated Association - IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and the supplementary provisions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting (Grundsätze ordnungsmäßiger Buchführung; GoB). The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hannover, 10 March 2014

KPMG AG

Wirtschaftsprüfungsgesellschaft (Public Audit Firm)

Husch

Wirtschaftsprüfer
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Hellwig

Wirtschaftsprüfer
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Konzernstruktur
Group structure

Talanx AG

Geschäftsbereich Industrieversicherung
Industrial Lines Division

- HDI-Gerling Industrie Versicherung AG
- HDI Versicherung AG (Austria)
- HDI-Gerling Assurances (Belgique) S.A.
- HDI-Gerling Welt Service AG
- HDI-Gerling de México Seguros S.A.
- HDI-Gerling Verzekeringen N.V. (Netherlands)
- HDI-Gerling Insurance of South Africa Ltd.
- HDI Seguros S.A. (Spain)
- HDI-Gerling America Insurance Company

Geschäftsbereich Privat- und Firmenversicherung Deutschland
Retail Germany Division

- Talanx Deutschland AG
- HDI Versicherung AG
- HDI Lebensversicherung AG
- Talanx Pensionsmanagement AG
- HDI Pensionskasse AG
- neue leben Lebensversicherung AG
- neue leben Unfallversicherung AG
- PB Lebensversicherung AG
- PB Versicherung AG
- PB Pensionsfonds AG
- TARGO Lebensversicherung AG
- TARGO Versicherung AG

Geschäftsbereich Privat- und Firmenversicherung International
Retail International Division

- Talanx International AG
- HDI Seguros S.A. (Argentina)
- HDI Seguros S.A. (Brazil)
- HDI Zastrahovane AD (Bulgaria)
- HDI Seguros S.A. (Chile)
- Magyar Posta Biztosító Zrt. (Hungary)
- Magyar Posta Életbiztosító Zrt. (Hungary)
- HDI Assicurazioni S.p.A. (Italy)
- HDI Seguros S.A. de C.V. (Mexico)
- TU na Życie WARTA S.A. (Poland)
- TUiR WARTA S.A. (Poland)
- TU na Życie Europa S.A. (Poland)
- TU Europa S.A. (Poland)
- OOO Strakhovaya Kompaniya „CiV Life“ (Russia)
- OOO Strakhovaya Kompaniya „HDI Strakhovanie“ (Russia)
- HDI Sigorta A.Ş. (Turkey)
- HDI STRAKHUVANNYA (Ukraine)
- HDI Seguros S.A. (Uruguay)

Geschäftsbereich Rückversicherung
Reinsurance Division

Schaden-Rückversicherung *Non-Life Reinsurance* | Personen-Rückversicherung *Life and Health Reinsurance*

- Hannover Rück SE
- Hannover ReTakaful B.S.C. (c) (Bahrain)
- Hannover Re (Bermuda) Ltd.
- E+S Rückversicherung AG
- Hannover Re (Ireland) Plc
- Hannover Reinsurance Africa Limited
- International Insurance Company of Hannover Ltd. (UK)
- Hannover Life Re of Australasia Ltd
- Hannover Life Reassurance Bermuda Ltd.
- Hannover Life Reassurance Africa Limited
- Hannover Life Reassurance Company of America

Konzernfunktionen
Corporate Operations

- Talanx Asset Management GmbH
- Ampega Investment GmbH
- Talanx Immobilien Management GmbH
- Talanx Service AG
- Talanx Systeme AG
- Talanx Reinsurance Broker GmbH
- Talanx Reinsurance (Ireland) Ltd.

Nur die wesentlichen Beteiligungen
Main participations only

Stand / As at: 31.12.2013

400-GB100

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