HDI-Gerling Industrie Versicherung AG

Annual Report 2014

HDI-Gerling Industrie Versicherung AG at a Glance

		2014	2013
Gross premiums written	in EUR million	3,787	3,270
Increase/decrease in gross premium written	in %	15.8	7.0
Income from earned premiums for own account	in EUR million	1,602	1,329
Claims expenses for own account	in EUR million	1,335	1,139
Loss ratio for own account	in %	83.3	85.7
Operating expenses for own account	in EUR million	395	287
Expense ratio for own account	in %	24.7	21.6
Net underwriting result before equalization reserve for own account	in EUR million	-124	-88
Combined Ratio (loss/expense ratio) for own account	in %	108.0	107.3
Investments	in EUR million	6,562	6,246
Investment income	in EUR million	350	256
Net profit/loss from non-insurance business*	in EUR million	226	165
Net income/loss from ordinary activities	in EUR million	125	113
Tax expense/tax income	in EUR million	46	47
Profit transferred under a profit/loss transfer agreement	in EUR million	62	56
Operating results (net profit/loss from ordinary activities plus changes in the equalization reserve)	in EUR million	103	77
Capital, reserves and underwriting provisions			
Equity	in EUR million	407	407
Subordinated liabilities	in EUR million	200	142
Equalization reserve and similar provisions	in EUR million	560	570
Other underwriting provisions**	in EUR million	5,036	4,689
Total	in EUR million	6,203	5,808
of earned premiums for own account	in %	387.1	437.2
Ratio of underwriting provisions for own account***	in %	287.3	325.1
Insurance contracts	in 1,000	789	768
Reported claims	in 1,000	261	306
Headcount	Number	2,395	2,045

** 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,

In the past financial year, HDI-Gerling Industrie Versicherung AG increased its premium volume by 15.8% to more than EUR 3.7 billion. The primary driver for this very welcome growth was our international business, which performed very satisfactorily. Nevertheless, looking back on the financial year, we have to point out that this year was very challenging on the whole for HDI-Gerling Industrie. In particular, it was characterised by an unusual series of major, man-made losses that had a negative impact on our balance sheet. As a consequence of this unusual accumulation of losses, our net combined ratio declined to 108.0% (previous year: 107.3%). Net underwriting income fell to EUR -101 million from EUR -51 million in the previous year. We may have been able to offset some of this decrease thanks to an increased investment result, but this does nothing to alter our assessment that neither the combined ratio nor the underwriting result is satisfactory.

The losses were concentrated on German customers in the fire insurance line. Beyond that, no pattern can be discerned. The losses were incurred by long-standing customers facing risks with which we are very familiar in industries that we have successfully insured for a very long time. Therefore, we currently presume that the accumulation of losses was based on chance.

In total, expenses for insurance claims amounted to EUR 2.88 billion – a record amount. It illustrates that we stand absolutely reliably by our customers in the event of a loss. We also consider this to be one of our most important responsibilities in the future. We therefore remain true to our guiding principal of reliably providing know-how and capacities as a long-term partner of industry.

However, the environment for our promise to perform also became more difficult in the financial year just ended. Our core market Germany is subject to very strong competition. We have a weak market with respect to prices as well as terms and conditions in several lines. At the same time, interest rates on the capital markets are extremely low as a result of the European Central Bank‘s easy monetary policy. This prompts us to work further on the optimisation of our portfolio. Where the relationship between price and risk has become unacceptable, we will adapt the terms and conditions or even do without the business.

We also confront the difficult market conditions by means of an intensive improvement, standardisation and simplification of business processes.

For example, we are digitalising our claim processing and support fleet management with KControl. This online application introduced in August 2014 offers a comprehensive overview of losses as well as vehicle and contract data in a fleet.

We have made very pleasing progress with the expansion of our international business. We realise more than half of our gross premium volume outside of Germany. Internationally, we are one of the few large industrial insurers who are in a position of maintaining international insurance programmes for multinational corporate groups. We have increased the number of such programmes that we maintain or participate in to approximately 3,600. We owe this growth, among other things, to the steady expansion of our HDI-Gerling Global Network. For instance, in August we inaugurated our new unit in Brazil, HDI-Gerling Seguros Industriais S.A., based in São Paulo.

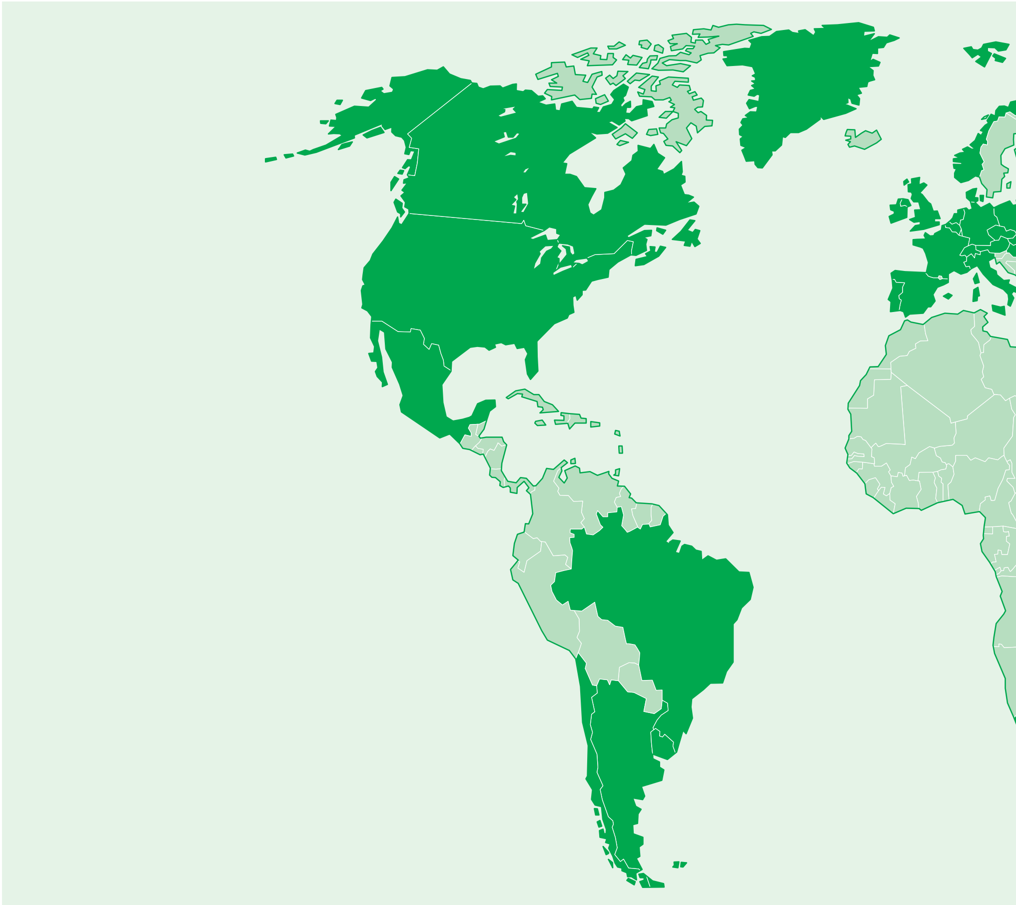
In the future, we expect our globalisation plan to provide further stimulus for our growth. It is especially important to us that we always link growth with profitability. In light of the weak market in many lines, that will be a major challenge. However, since we have decades of proven know-how at our disposal, we consider ourselves to be in a good position to expand our risk portfolio with a focus on results.

I would like to express my thanks at this time – also on behalf of my colleagues in the Board of Management – to our employees in Germany and abroad who have once again shown their exemplary dedication to HDI-Gerling Industrie Versicherung in the past year. I am confident that we have an excellent perspective for the future with their commitment and expertise.

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/Melbourne

Austria
HDI Versicherung AG
Vienna

Bahrain
HDI-Gerling Industrie Versicherung AG
Manama

Belgium
HDI-Gerling Industrie Versicherung AG
Brussels

Brasil
HDI-Gerling Seguros Industriais S.A.
São Paulo

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

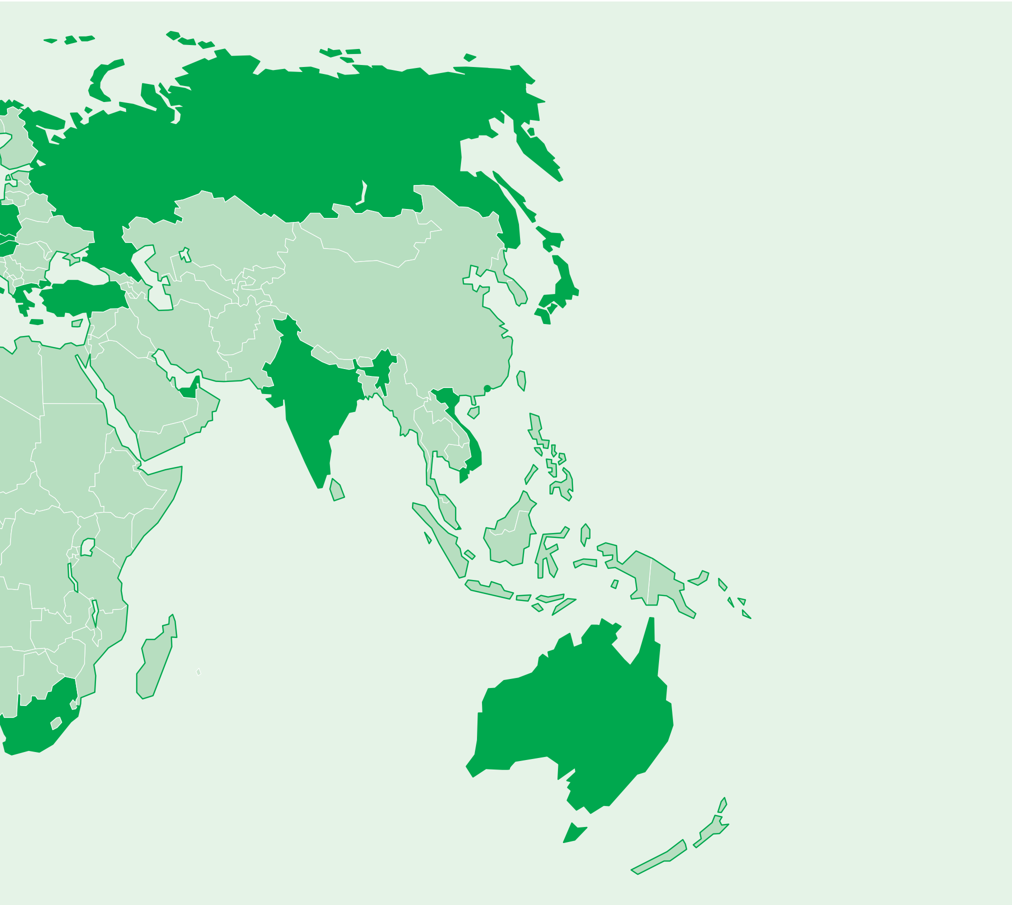
India
Magma HDI General Insurance Company Limited
Kolkata
(Joint venture)

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
Leudelange



South Africa
HDI-Gerling Insurance of South Africa Limited
Johannesburg

Spain
HDI-Gerling Industrie Versicherung AG
Madrid/Barcelona

Switzerland
HDI-Gerling Industrie Versicherung AG
Zurich

Turkey
HDI Sigorta A.Ş.
Istanbul

United Kingdom
HDI-Gerling Industrie Versicherung AG
London

Uruguay
HDI Seguros S.A.
Montevideo

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

The Netherlands
HDI-Gerling Industrie Versicherung AG
Rotterdam

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-Gerling Industrie Verrsicherung AG, 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
Jürgen Stulz
Managing Director of STULZ Holding GmbH and of STULZ GmbH
Hamburg

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

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 Advisory Board of Serumwerk Bernburg AG,
Bernburg

Dr. Reinhard Uppenkamp
Chairman of the Board of Management of Berlin-Chemie AG,
Berlin

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

60 Wood and Lumber Companies
Dr. Peter M. Hamberger
Managing Director of Hamburger Industriewerke GmbH
Stephanskirchen
(as of 17 June 2014)

Claus Ruser
Managing Partner of Holz Ruser GmbH & Co. KG,
Bornhöved
(until 17 June 2014)

70 Textile and Leather Companies
Dipl.-Kfm. Heiko A. Westermann
Managing Partner of ROY ROBSON FASHION GmbH & CO. KG
Lüneburg

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
(until 17 June 2014)

Dipl. Ing. Gerhard Heidbrink
Authorized signatory with unlimited powers of representation of
Extremus Versicherungs-AG
Sehnde
(as of 17 June 2014)

Dr. Hans-Ulrich Küver
Neurologist and Psychiatrist
Hannover

Dr. jur. Christian Olearius
Chairman of the Supervisory Board of
M. M. Warburg & CO (AG & Co.) KGaA,
Hamburg

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

83 Transport and Shipping Industry
Michael Eggenschwiler
Chairman of the Board of Directors of
Flughafen Hamburg GmbH,
Hamburg

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 V.a.G. 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 Partner 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
Burgwedel

Deputy Chairman of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G 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

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 of 1 April 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

(until 30 April 2014)

Dr. Edgar Puls
Member of the Board of Management of HDI-Gerling Industrie Versicherung AG responsible for

- European operations
- Industrial Motor Vehicle Insurance Line (operations/claims/safety engineering systems)

(as of 1 April 2014)

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

- Global operations
- Coordination of general issues in the international industrial lines

Ulrich Wollschläger
Member of the Board of Management of HDI-Gerling Industrie Versicherung AG responsible for the

- Accounting
- Premium collections
- Investments
- Controlling
- Risk Management
- Coordination of Passive Reinsurance

Report of the Supervisory Board

The Supervisory Board monitored the conduct of the business by the Board of Management in the past financial year 2014 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 11 March 2014 and 19 November 2014. 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 2014 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 2014 financial year, there was no occasion for the Supervisory Board to undertake examinations within the meaning of § 111 Paragraph 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.

The Supervisory Board‘s Personnel Committee convened for two meetings in the reporting period and made recommendations to the full Supervisory Board regarding resolutions, in particular with respect to the remuneration of the members of the Board of Management. With a view to § 87 Paragraph 1 AktG in the current version of the statute, horizontal and vertical aspects of remuneration were referred to in comparison regarding the appropriateness of executive remuneration.

Points of focus for the deliberations in plenary sessions
The advice given to the Supervisory Board focused on the further implementation of the globalisation strategy, the continuation of the restructuring of the European units outside of Germany and the planning for financial year 2015.

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 2014 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 2015, 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
Gerhard Heidbrink stepped down from the Company's Board of Management effective at the end of 30 April 2014. The Supervisory Board would like to thank Mr. Heidbrink for his many years of highly commendable work for the Company. Dr. Edgar Puls was appointed as the new member of the Company's Board of Management effective 1 April 2014.

Composition of the Supervisory Board
Herbert Haas, Wolfgang Brinkmann, Dr. Erwin Möller and Ulrich Weber were reelected as members of the Supervisory Board by the Company's annual shareholders' meeting held on 11 March 2014. In its constituent Supervisory Board meeting held on 11 March 2014, Mr. Haas was reelected as Chairman and Dr. Möller as Deputy Chairman of the Supervisory Board.

Jutta Mück and Detlev Preugschat, whose term of office as employee representatives in the Supervisory Board ended effective at the end of the annual general meeting held on 11 March 2014, were appointed as members of the Supervisory Board by resolution of the local court of Hannover dated 10 April 2014 until the beginning of the term of office of the members of the Supervisory Board to be newly elected in accordance with § 1 of the German One-third Participation Act (*Drittelbeteiligungsgesetz* - DrittelbG).

Sebastian Gascard was newly elected and Jutta Mück was reelected to the Company's Supervisory Board as employee representatives effective at the end of the Company's annual general meeting held on 11 March 2015 in accordance with § 1 DrittelbG. Mr. Preugschat term of office as a member of the Supervisory Board ended at the same time. The Supervisory Board would like to thank Mr. Preugschat for his service on the Company's Supervisory Board.

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 2015

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 140 countries through foreign branch offices, subsidiaries and affiliated companies as well as a network of partners. In the financial year, the foreign units in Spain and Belgium were merged with HDI-Gerling Industrie Versicherung AG and further operated as branch offices. 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.

Report on economic position

Macroeconomic and industry-specific environment

Macroeconomic development
The year 2014 was characterised by highly heterogeneous economic development worldwide that could also be observed within the country groups. Whereas the recovery of the US economy continued, the lacklustre upswing in the eurozone weakened. Economic concerns in emerging markets had a negative impact on the global upswing. The US economy benefited from the real recovery in the labour and housing markets. In China, the overheated real estate market and high level of debt had a negative impact and growth subsided.

The eurozone continued to suffer under the reform fatigue of France and Italy, where growth is impeded in particular by an inflexible labour market. The economy in the eurozone climbed in the third quarter by a meagre 0.2% compared to the previous quarter. German gross domestic product rose moderately in the third quarter by 0.1%. Italy fell back into recession; France surprised positively in the third quarter with 0.3% expansion. Positive news is being increasingly reported from countries that have subjected themselves to a strict reform program:

For instance, growth in Spain increased at +0.5% in both the second and third quarter. In Portugal, the unemployment rate decreased to 13% in September 2014. For the early indicators in the eurozone, a stabilisation became evident at the end of the year. In Germany, the Ifo index increased to 105.5 in December – the second month in a row after having declined over the course of the year for six months in succession (annual low 103.2 in October 2014). The individual indicators signal that the heterogeneous development will continue in the future. Whereas the purchasing managers index for industry in France recorded a new annual low of 47.5 in December, the corresponding mood indicator in Spain consolidated over the course of the year and was at 53.8 in December.

The economy in the USA recovered quickly after the weather-related collapse at the beginning of the year: Growth increased in the third quarter to 5.0% (on an annual basis) – the strongest growth in eleven years. The unemployment rate fell in December 2014 to 5.6% (six year low); in November, the strongest job growth since January 2012 was registered. The housing market, which is an important indicator for US consumer confidence, continued to recover. An economic upswing was also recorded in the United Kingdom, with growth accelerating to 0.7% in the third quarter.

The monetary policy of the major central banks remained on an unchanged expansion course. The Federal Reserve Bank in the US ("the Fed") ended its monthly bond purchases in October and signalled a cautious turnaround in interest rates for 2015 in its December meeting. In the eurozone, the European Central Bank ("the ECB") carried out an extensive package of measures in the summer of 2014. In the second half of the year, the ECB once again lowered its refinancing rate from 0.15% to 0.05%. Due to decreasing long-term inflation expectations, the ECB held out the prospect of considerably expanding its balance sheet in November.

As a consequence of low inflation rates at the beginning of the reporting period, the deflationary trend strengthened over the course of the year in the eurozone. The annual rate of inflation fell to –0.2% at the end of the year. In the USA, inflation data was also somewhat lower in the fourth quarter compared to the rest of the year. US consumer price inflation fell in the third quarter of 2014 to 1.7% and decreased to 1.3% in November due to the price decline in the energy sector. In the United Kingdom, inflation tempered from 1.9% at mid-year to 0.5% in December.

Capital markets

On the euro bond markets, the economic situation in the eurozone, which remained uncertain and above all highly heterogeneous despite positive trends, various geopolitical risks and the ECB's persistently expansive monetary policy had a significant influence on activity in the markets. The trend toward decreasing German Bund yields continued until the end of the third quarter with only minor adjustments.

After the stress test results of banks in the eurozone, which on the whole were unspectacular, the geopolitical focus in the fourth quarter was on the unresolved Russia-Ukraine crisis.

German government bond yields further decreased in the final quarter of 2014 compared to the third quarter. New record lows developed at year-end. Yields were slightly negative up to a maturity of four years. Two-year bonds were quoted at –0.122%, five-year German government bonds fell to 0.001% and yields for ten-year German government bonds once again fell considerably to 0.509% at year-end. At the end of the year, the trend toward more quality continued: segments with strong ratings (AAA to A) performed better than the BBB segment in particular in the final quarter. In addition, investments in risky bonds showed a clear increase in value in 2014. Insurance bonds and subordinated financial bonds also performed better than average. Losers in the fourth quarter included oil and gas securities.

The primary market – the market for the initial offering of securities – exhibited a high volume of new issue activity until July 2014, which clearly exceeded that of the previous year. Significant amounts were also raised in the second half of the year up to December. Demand for yields was unbroken, in particular corporate bonds with longer maturities, issuers from the Crossover/High Yield segment and subordinated bank issues were strongly represented. Covered bonds exhibited an average level of new issue activity. However, as before in the previous year, new issuing volume was slightly negative.

In the fourth quarter, stock markets were characterised by high volatility. Following a sharp adjustment in the first half of October, in particular speculation over the ECB's bond purchases and robust US economic data provided for a fulminant stock price recovery. The sharply falling price of oil, the crisis in Russia and the failed presidential election in Greece once again provided for major price fluctuations at the end of the year. Compared to the beginning of the year, the DAX rose by 2.7%, the EuroStoxx 50 recorded a plus of 1.2% and the S&P 500 rose 11.4%. In Japan, the Nikkei recorded a plus of 7.1% for the full year.

International insurance markets

If anything, after the year ended without any major natural disasters, the strain on the international insurance industry may be below average. The persistent sovereign debt crisis in the eurozone, geopolitical crises such as in Ukraine and the merely lacklustre recovery of the global economy continue to present a challenging environment for insurance companies. On the whole, the economy in emerging markets once again gained momentum, albeit with heterogeneous regional results.

International property and casualty insurance exhibited weakened premium growth overall for 2014: In developed insurance markets, real growth decreased slightly below the previous year's level. Growth in emerging markets turned out to be considerably more robust, but decreased significantly year-on-year.

Despite the accumulation of natural disasters, insurers' claims expenses were lower than in 2013 and were also clearly below the average of the preceding ten years. Continued low interest rates exerted sustained strong pressure on insurers' results of operations. As a result, profitability in the international property and casualty insurance lines decreased year-on-year.

German insurance industry

Following strong premium growth in the previous year, the German insurance industry also recorded premium growth in 2014, albeit at a somewhat lower level. In particular motor vehicle insurance growth contributed to the rise in premiums.

At around EUR 2 billion, the balance of property insurers for payments made as a result of the consequences of natural disasters in 2014 turned out considerably better than in the previous year. However, more than one-fourth of this amount can be attributed to just two events: Insurers paid around EUR 400 million for the consequences of storm "Ela", whereby "Ela" was the second most expensive summer storm of the past 15 years. A heavy rain at the end of July in the Münsterland region with one of the highest litre per square meter values ever measured in Germany, was responsible for insured losses of around EUR 140 million. In total, the year 2014 was among the five most consequential storm and hail years since 1998. After the relatively moderate volume of claim expenses, despite the stormy weather, the net combined ratio for the entire property and casualty insurance increased compared to the previous year.

Business performance

Business performance of HDI-Gerling Industrie Versicherung AG

Insurance business (total)

	2014	2014	2013	2013
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	3,787	1,623	3,270	1,288
Earned premiums	3,756	1,602	3,200	1,329
Claims expenses	2,885	1,335	2,478	1,139
Operating expenses	701	395	600	
Net underwriting result for own account		-101		-51
In %				
Loss ratio	76.8	83.3	77.4	85.7
Expense ratio	18.7	24.7	18.8	21.6
Combined (loss/expense) ratio	95.5	108.0	96.2	107.3

As expected, HDI-Gerling Industrie Versicherung AG recorded an overall significant increase in gross written premiums of EUR 517 million to EUR 3,787 (3,270) million in the reporting period. This generally positive trend prevailed throughout all insurance lines. As expected, the crucial factor for this development was a sharp increase in premiums in the international business, which can essentially be explained by the foreign units in Spain and Belgium merged with HDI-Gerling Industrie Versicherung AG in the financial year in the amount of EUR 296 million. In addition, renewal rights were transferred from the subsidiary HDI-Gerling Verzekeringen N.V., Rotterdam, to the Dutch permanent establishment in the financial year. The resulting increase in premiums amounted to EUR 109 million.

Gross premiums for the financial year (total)

EUR millions, %		
Liability insurance	1,135	30.0
All-risk insurance	1,018	26.9
Motor vehicle insurance	408	10.8
Engineering insurance	372	9.8
Marine and aviation insurance	364	9.6
Fire insurance	232	6.1
Casualty insurance	115	3.8
Other insurance	143	3.0
Total	**3,787**	**100.0**

Net premiums earned rose by EUR 273 million to EUR 1,602 (1,329) million.

Gross expenses for insurance claims increased year-on-year more strongly than expected by EUR 407 million to EUR 2,885 (2,478) million. Claims expenses for the financial year increased by a total of EUR 510 million due to increased claims expenses primarily as a result of the new foreign branch offices as well as high catastrophe losses in the area of man-made losses. In contrast, a EUR 103 million higher run-off result was reported. Owing to the favourable trend in premiums, the gross loss ratio decreased slightly to 76.8 (77.4) %.

Net expenses on insurance claims rose by EUR 196 million to EUR 1,335 (1,139) million. The net loss ratio declined to 83.3 (85.7) %.

Gross expenses for insurance operations incurred rose by EUR 101 million to EUR 701 (600) million. The increase resulted mainly from the growth in foreign markets and the associated increase in costs, which was explained primarily by the new foreign branch offices. As expected, the expense ratios remained constant in gross at 18.7 (18.8) % with a net ratio of 24.7 (21.6) %. The combined ratios reflected the developments described above and were recorded as 95.5 (96.2) % for the gross ratio and 108.0 (107.3) % for the net ratio.

After withdrawing EUR 23 (36) million from the equalisation provisions (“equalisation reserve”), an underwriting result in the amount of EUR -101 (-51) million remained for our Company.

Liability insurance

Direct written insurance business

	2014	2014	2013	2013
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	822	209	690	230
Earned premiums	805	212	690	248
Claims expenses	662	155	712	235
Operating expenses	139	73	114	70
Net underwriting result for own account		-33		-36
In %				
Loss ratio	82.3	73.0	103.2	94.6
Expense ratio	17.2	34.5	16.6	28.3
Combined (loss/expense) ratio	99.5	107.5	119.8	122.9

In the industrial liability insurance line, HDI-Gerling Industrie Versicherung AG recorded a clear increase of EUR 132 million in gross written premiums to EUR 822 (690) million, despite the persistently strong competition. The premium growth resulted mainly from the international business, to which the growth in premiums of 111 EUR million owing to the transformation of former subsidiaries into branch offices contributed.

Net premiums earned declined by EUR 36 million to EUR 212 (248) million. The crucial factor was clearly higher reinsurance premiums compared to the previous year, which can be mainly attributed to the fact that expenses for reinstatement premiums increased as a result of claims asserted under reinsurance contracts.

Gross expenses for claims incurred declined by EUR 50 million to EUR 662 (712) million. Due to increased claims expenses primarily as a result of the new foreign branch offices, claims expenses for the financial year increased by EUR 46 million. A run-off profit of EUR 22 (-74) million was presented in the reporting period, after substantial retroactive appropriations to reserves for potential major losses were recognised in the previous year. The gross loss ratio thus fell sharply by 20.9 percentage points to 82.3 (103.2) %.

Expenses for insurance claims decreased by EUR 80 million to EUR 155 (235) million more sharply on a net basis than on a gross basis, because reinsurers' share in the burden of losses as a result of major losses was substantial, whereas their share of run-off profits from minor losses was considerably smaller. The net loss ratio was 73.0 (94.6) %.

Gross expenses for insurance operations for the financial year grew to EUR 139 (114) million. The increase resulted mainly from the growth in foreign markets and the associated increase in costs, which was explained primarily by the new foreign branch offices. The gross expense ratio rose to 17.2 (16.6) %. The net expense ratio increased to 34.5 (28.3) % as a result of the aforementioned decrease in net premiums.

The combined ratio reflected the developments described above and was equal to 99.5 (119.8) % for the gross ratio and 107.5 (122.9) % for the net ratio.

After allocating EUR 17 (withdrawing 21) million to (from) the equalisation reserve, the liability insurance line shows a net underwriting loss of EUR -33 (-36) million.

Fire insurance

Direct written insurance business

	2014	2014	2013	2013
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	187	74	166	33
Earned premiums	193	69	164	43
Claims expenses	372	140	117	28
Operating expenses	42	27	34	9
Net underwriting result for own account		-82		-4
In %				
Loss ratio	192.9	203.8	71.3	65.0
Expense ratio	21.6	38.8	20.6	20.9
Combined (loss/expense) ratio	214.5	242.6	91.9	85.9

Gross premium income from industrial fire and fire business interruption insurance increased by EUR 21 million to EUR 187 (166) million in the financial year. The premium growth resulted primarily from the international business, whereby in particular the new foreign branch offices contributed to this positive development with gross premium income in the amount of EUR 14 million. Net premiums earned rose at a faster rate than gross premiums by EUR 26 million to EUR 69 (43) million. Due to an increase in the deductible with respect to obligatory reinsurance, the reinsurance premiums decreased compared to the previous year.

Gross expenses on insurance claims for the financial year rose by an appreciable EUR 255 million to EUR 372 (117) million. The crucial factor was a significant increase of EUR 256 million in claims expenses for the financial year. This was significantly influenced by a major loss in the hundreds of millions of euros. The gross loss ratio reflected a corresponding noticeable increase to 192.9 (71.3) %.

Net expenses for insurance claims increased more moderately than gross expenses by EUR 112 million to EUR 140 (28) million. Most of the aforementioned major loss for the financial year was ceded to reinsurers. At the same time, the share of reinsurance in the gross loss expenses for the financial year decreased due to the increase in the deductible. The net loss ratio climbed accordingly by a significant 138.8 percentage points to 203.8 (65.0) %.

Gross expenses for insurance operations for the financial year just ended grew to EUR 42 (34) million. The gross expense ratio rose to 21.6 (20.6) %. Expenses for own account increased to EUR 27 (9) million. Due to the aforementioned increase in the deductible, the reinsurers’ share of commissions decreased. The net expense ratio increased accordingly to 38.8 (20.9) %. The combined ratio reflected the development described above, increasing to 214.5 (91.9) % on a gross and to 242.6 (85.9) % on a net basis.

On balance, this resulted in a net underwriting loss of EUR -82 (-4) million, which included a withdrawal from the equalisation reserve in the amount of EUR 21 (addition of 7) million.

Motor vehicle insurance

Direct written insurance business

	2014	2014	2013	2013
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	391	350	371	333
Earned premiums	390	349	368	330
Claims expenses	342	323	348	299
Operating expenses	64	56	65	57
Net underwriting result for own account		-17		-34
In %				
Loss ratio	87.8	92.6	94.8	90.8
Expense ratio	16.4	16.0	17.6	17.4
Combined (loss/expense) ratio	104.2	108.6	112.4	108.2

Gross written premiums in the motor vehicle insurance line increased by EUR 20 million to EUR 391 (371) million in the reporting period. Premiums increased in both existing as well as new business. Net premiums earned matched the trend for gross premiums earned, rising by EUR 19 million to EUR 349 (330) million.

Gross expenses on insurance claims incurred decreased by EUR 6 million and were equal to EUR 342 (348) million. Claims expenses for the financial year fell by EUR 4 million. Whereas the previous year was characterised by major losses due to natural disasters, an accumulation of major losses was recorded in the motor vehicle liability insurance in the financial year. In addition, the motor vehicle insurance line reported a slightly higher run-off profit of EUR 46 (44) million. As a result, the gross loss ratio decreased by 7.0 percentage points to 87.8 (94.8) %.

Net expenses on insurance claims incurred rose to EUR 323 (299) million. Important here was a clear decrease in the share of reinsurance in the gross loss expenses for the financial year. In the previous year, this line item showed a disproportionate reduction in the burden from losses due to hail damage ceded to reinsurers. In addition, the motor vehicle insurance line recorded a slightly lower run-off profit of EUR 36 (39) million, which can be mainly attributed to the increased run-off profit from natural catastrophes on the part of reinsurers. The net loss ratio rose to 92.6 (90.8) %.

Gross expenses for insurance operations were nearly unchanged at EUR 64 (65) million. The gross expense ratio fell to 16.4 (17.6) % as a result of the increase in gross premiums. The net expense ratio of 16.0 (17.4) % changed in line with the gross expense ratio. The combined ratio reflected the development described above, declining to 104.2 (112.4) % on a gross and increased slightly to 108.6 (108.2) % on a net basis.

After a withdrawal from the equalisation reserve in the amount of EUR 13 million (addition of EUR 6 million), the overall underwriting result for the financial year was EUR -17 (-34) million.

Marine and aviation insurance

Direct written insurance business

	2014	2014	2013	2013
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	291	207	223	174
Earned premiums	290	206	225	168
Claims expenses	183	155	182	156
Operating expenses	63	52	53	47
Net underwriting result for own account		-9		-8
In %				
Loss ratio	63.2	75.0	80.9	92.8
Expense ratio	21.8	25.5	23.3	28.2
Combined (loss/expense) ratio	85.0	100.5	104.2	121.0

Gross written premiums for the marine and aviation insurance segment increased by EUR 68 million to EUR 291 (223) million in the financial year. The individual insurance lines were marked by a variety of factors. Considerable premium growth was recorded in the marine insurance business in the financial year due to the new business in Germany and abroad, whereby in particular the new foreign branch offices contributed EUR 36 million to the increase in gross premium income. The aviation insurance class recorded a slight decrease in gross written premiums in the amount of EUR 3 million, which can be attributed in particular to the national airline business. Nevertheless, this trend was partially offset by new and additional premiums in the national and international business. Net premiums earned rose by a total of EUR 38 million to EUR 206 (168) million.

Gross expenses on insurance claims rose slightly by a total of EUR 1 million to EUR 183 (182) million. Gross loss expenses in the marine insurance line increased slightly by EUR 1 million. Marine insurance recorded a normal claims trend in the financial year, whereby the previous year was characterised by large losses due to hail events. The run-off in domestic business was also more positive than in the previous year in particular in former years of occurrence (“accident years”) as well as a run-off profit on the part of the new foreign branch office in Belgium. Overall, the marine insurance line recorded an increase in the run-off result in the amount of EUR 89 (36) million. At EUR 23 (23) million, gross loss expenses in the aviation line remained at the previous year's level. The financial year was characterised by two major losses in the international business. Other aviation business developed positively and the aviation line reported an increased run-off result of EUR 13 (-2) million. The gross loss ratio fell significantly by a total of 17.7 percentage points to 63.2 (80.9) %.

Net expenses for insurance claims fell by EUR 1 million to EUR 155 (156) million. The net loss ratio was 75.0 (92.8) %.

Gross expenses for insurance operations grew to EUR 63 (53) million. This was due to increased administrative expenses in the marine insurance line, which can be explained primarily by cost increases attributable to the new foreign branch offices. The expense ratios fell on a gross basis to 21.8 (23.3) % and on a net basis to 25.5 (28.2) %.

The combined ratio reflected the aforementioned developments and decreased overall on a gross basis to 85.0 (104.2) % as well as on a net basis to 100.5 (121.0) %.

After additions to the equalisation reserve in the amount of EUR 8 (withdrawal of EUR 23) million, the net underwriting result was a loss of EUR -9 (-8) million.

Engineering insurance

Direct written insurance business

	2014	2014	2013	2013
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	253	133	214	93
Earned premiums	248	125	214	92
Claims expenses	135	71	132	47
Operating expenses	57	27	44	13
Net underwriting result for own account		27		31
In %				
Loss ratio	54.6	57.1	61.6	51.5
Expense ratio	23.0	21.3	20.4	14.5
Combined (loss/expense) ratio	77.6	78.4	82.0	66.0

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 increased by EUR 39 million to EUR 253 (214) million in the financial year. This positive development can be attributed primarily to the international business. In particular the new foreign branch offices contributed EUR 46 million to the increase in gross premium income. Net premiums earned increased more moderately than gross premiums by EUR 33 million to EUR 125 (92) million. This development can be attributed to the lower level of premiums ceded to reinsurers, mainly as a result of an increase in the base deductible in quota share reinsurance.

Gross expenses on insurance claims rose slightly to EUR 135 (132) million. Claims expenses for the financial year increased by EUR 26 million to EUR 177 (151) million as a result of the new foreign branch offices. The run-off result developed positively in particular in Germany and increased by EUR 42 (19) million compared to the previous year. Overall, the engineering insurance line's loss experience was unremarkable due to the lack of major losses and shock losses. The gross loss ratio of 54.6% (61.6) % was lower than in the previous year.

Net expenses for insurance claims rose at a faster rate than gross expenses to EUR 71 (47) million. This was due to a clearly higher run-off profit in reinsurance compared to the previous year, which mainly resulted from the positive development in Germany. The net loss ratio rose to 57.1 (51.5) %.

Gross expenses for insurance operations for the financial year grew to EUR 57 (44) million. Primarily the inclusion of the new foreign branch offices led to an increase in the level of commissions as well as increase in administrative expenses in the reporting period. The gross expense ratio rose to 23.0 (20.4) %; the net expense ratio to 21.3 (14.5) %. The combined ratio was 77.6 (82.0) % on a gross basis and 78.4 (66.0) % on a net basis.

On balance, an underwriting profit of EUR 27 (31) million remained for the engineering insurance line.

Casualty insurance

Direct written insurance business

	2014	2014	2013	2013
Figures in EUR million	Gross	Net	Gross	Net
Premiums	108	77	104	70
Earned premiums	106	77	104	70
Claims expenses	58	47	72	53
Operating expenses	23	18	22	16
Net underwriting result for own account		4		7
In %				
Loss ratio	54.9	61.4	69.8	75.0
Expense ratio	21.9	23.5	21.5	23.1
Combined (loss/expense) ratio	76.8	84.9	91.3	98.1

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.

Gross written premiums in the casualty insurance line grew year-on-year to a total of EUR 108 (104) million. The development of the individual insurance classes was marked by a variety of factors. A slight decrease in premiums on the part of a major foreign fronting account was compensated by premium growth in Germany and abroad in the group accident insurance class; consequently, gross written premiums increased to a total of EUR 94 (91) million. At EUR 12 (12) million, gross written premiums fluctuated around the previous year's level in clinical trials insurance. Net premiums earned essentially tracked the development of gross premiums and amounted to EUR 77 (70) million.

Total gross expenses on insurance claims declined by EUR 14 million to EUR 58 (72) million. The crucial factor was an increased run-off result of EUR 11 million in the group accident insurance class that was reported by a major fronting account as a result of non-recurring effects in the international business and run-off profits in individual cases. At EUR 83 (82) million, claims expenses for the financial year slightly exceeded the previous year's level. Overall, the gross loss ratio declined by 14.9 percentage points to 54.9 (69.8) %.

Net expenses for claims incurred declined by EUR 6 million to EUR 47 (53) million. The run-off profits realised on a gross basis in the area of group accident insurance were in part ceded to reinsurers by the major foreign fronting account; as a result, the decrease in net expenses was somewhat smaller than the decrease in gross expenses.

Expenses for insurance operations amounted to EUR 23 (22) million on a gross basis and EUR 18 (16) million on a net basis. The gross loss ratio rose to 21.9 (21.5) %. The net expense ratio followed this trend and also rose slightly to 23.5% (23.1%). The combined ratios reflected the developments described above and fell to 76.8 (91.3) % for the gross ratio and 84.9 (98.1) % for the net ratio.

After additions to the equalisation reserve in the amount of EUR 6 million (withdrawal of 7 million), the overall underwriting result for the financial year was EUR 4 (7) million.

All-risk insurance

Direct written insurance business

	2014	2014	2013	2013
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	440	125	356	44
Earned premiums	433	118	348	59
Claims expenses	196	73	182	119
Operating expenses	62	25	50	6
Net underwriting result for own account		21		-64
In %				
Loss ratio	45.3	62.2	52.4	200.2
Expense ratio	14.4	21.6	14.4	9.5
Combined (loss/expense) ratio	59.7	83.8	66.8	209.7

In the financial year, the all-risk insurance line achieved an increase in gross written premiums by EUR 84 million to EUR 440 (356) million. This development can be mainly attributed to the international business, whereby in particular the new foreign branch offices contributed EUR 81 million to the increased premium income. Net premiums earned increased to EUR 118 (59) million.

Gross expenses on insurance claims incurred rose by EUR 14 million to EUR 196 (182) million. Analogous to the development of premiums, claims expenses for the financial year increased by EUR 40 million mainly as a result of the new foreign branch offices. This increase was largely compensated as a result of an increased run-off result of EUR 82 (56) million compared to the previous year. The gross loss ratio declined by 7.1 percentage points to 45.3 (52.4) %.

Net expenses on insurance claims fell to EUR 73 (119) million. The previous year was characterised by loss events for major losses due to natural disasters that could not be ceded to the reinsurers. In contrast, the financial year was considerably less impacted by claims expenses for natural catastrophes. For this reason, the share of reinsurance coverage exceeded that of the previous year. The net loss ratio reflected a corresponding noticeable decrease by 138.0 percentage points to 62.2 (200.2) %.

Expenses for insurance operations increased in the financial year to EUR 62 (50) million on a gross basis and EUR 25 (6) million on a net basis. Due to the positive development of premiums, the gross expense ratio remained unchanged at 14.4 (14.4) %. The net expense ratio rose to 21.6 (9.5) %. As a result of the increase in the deductible with respect to obligatory reinsurance, reinsurers' share of commission expenses decreased in the financial year. The combined ratios reflected the developments described above and were recorded at 59.7 (66.8) % for the gross ratio and 83.8 (209.7) % for the net ratio.

In the all-risk insurance segment, the Company realised a net underwriting result in the amount of EUR 21 (-64) million.

Other insurance

Direct written insurance business

	2014	2014	2013	2013
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	138	92	127	74
Earned premiums	140	89	129	79
Claims expenses	95	69	148	99
Operating expenses	38	28	33	21
Net underwriting result for own account		-8		-38
In %				
Loss ratio	68.0	77.0	114.9	125.8
Expense ratio	27.2	31.4	25.3	26.5
Combined (loss/expense) ratio	95.2	108.4	140.2	152.3

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 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 grew year-on-year to EUR 138 (127) million. Premiums increased across all lines. Net premiums earned essentially tracked the development of gross premiums and amounted to EUR 89 (79) million.

Total gross expenses on insurance claims declined by EUR 53 million to EUR 95 (148) million. Claims expenses for the financial year decreased by EUR 30 million to EUR 126 (156) million. The main driver was a significant decrease of EUR 55 million in the area of extended coverage, because the previous year was mainly characterised by loss events due to natural catastrophes. In addition, the other classes reported an increase in run-off profit of EUR 31 (9) million. On balance, the gross loss ratio reflected a corresponding noticeable decrease by 46.9 percentage points to 68.0 (114.9) %.

Net expenses on insurance claims declined by EUR 30 million to EUR 69 (99) million. The net loss ratio declined by a total of 48.8 percentage points to 77.0 (125.8) %.

The gross expenses for insurance operations were equal to EUR 38 (33) million, thus rising only moderately. The gross expense ratio rose slightly to 27.2 (25.3) %. Net expenses for insurance operations followed the development on a gross basis, rising to EUR 28 (21) million. The net expense ratio rose to 31.4 (26.5) %. The combined ratios reflected the developments described above and were equal to 95.2 (140.2) % for the gross ratio and 108.4 (152.3) % for the net ratio.

After an appropriation to the equalisation reserve in the amount of EUR 1 million (withdrawal of EUR 3 million), an overall underwriting result of EUR -8 (-38) million was recorded in the other insurance classes.

Business accepted for reinsurance

	2014	2014	2013	2013
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	1,157	356	1,020	237
Earned premiums	1,151	357	958	240
Claims expenses	840	302	583	103
Operating expenses	213	89	186	47
Net underwriting result for own account		-6		93
In %				
Loss ratio	73.0	84.6	60.8	42.9
Expense ratio	18.5	24.9	19.4	19.4
Combined (loss/expense) ratio	91.5	109.5	80.2	62.3

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 as well as our subsidiary HDI-Gerling Welt Service AG.

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 1,157 (1,020) million. The major part of this total, or EUR 578 (531) million, was attributable to the all-risk insurance line (incl. business interruption), followed by liability at EUR 313 (270) million and engineering insurance line at EUR 110 (105) million. Premium growth in the all-risk insurance classes resulted mainly from the addition of the new foreign branch offices. 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 rose at a faster rate than gross premiums earned to EUR 357 (240) million. The reinsurance premiums earned in the all-risk insurance line did not increase in line with gross premiums earned, which can be mainly attributed to the increase in the deductible with respect to obligatory reinsurance.

Gross expenses for insurance claims increased significantly in the financial year by EUR 257 million to EUR 840 (583) million. Claims expenses for the financial year increased to EUR 893 (786) million. In the all-risk insurance line, this was mainly the result of claims expenses incurred by the new foreign branch offices. In addition, a considerably lower run-off result compared to the previous year in the total amount of EUR -74 (89) million was reported. The loss run-off of a major loss that had a negative impact on the run-off result was significant in the liability insurance line. In addition, the run-off result in the business accepted for reinsurance was negatively impacted by the clarification of account statements for an industrial customer for prior years. The gross loss ratio climbed by 12.2 percentage points to 73.0 (60.8) %.

Net expenses for insurance claims increased more sharply than gross expenses to EUR 302 (103) million. The reasons for this in the all-risk insurance line include on the one hand the increase in the deductible with respect to obligatory reinsurance, which resulted in a decrease in the share of reinsurance in claims expenses for the financial year. On the other hand, the run-off result of reinsurance was considerably lower than in the comparison period. In the previous year, the run-off was characterised by profits from major losses due to natural disasters as well as by gains from the result of renegotiation processes related to a reinsurance agreement that was entered into in a previous year and is updated on an ongoing basis in the liability insurance line, which contributed to a particularly high level of claim expenses ceded to reinsurers in the previous year. The net loss ratio reflected a corresponding noticeable increase to 84.6 (42.9) %.

Expenses for insurance operations rose by EUR 27 million to EUR 213 (186) million on a gross basis. Owing to the favourable trend in premiums, the gross expense ratio declined to 18.5 (19.4) %. Net expenses increased to EUR 89 (47) million. As a result of the aforementioned increase in the deductible, reinsurers' share of the commissions in the all-risk insurance line decreased. The net expense ratio increased accordingly by 5.5 percentage points to 24.9 (19.4) %.

In total, the business accepted for reinsurance showed a net underwriting profit of EUR -6 (loss of 93) million.

After withdrawing EUR 20 (allocating 5) million from (to) the equalisation reserve, the reinsurance shows a net underwriting result of EUR -6 (93) million.

Business accepted for reinsurance
All-risk insurance line

	2014	2014	2013	2013
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	578	207	531	116
Earned premiums	578	203	487	115
Claims expenses	443	177	393	122
Operating expenses	96	34	87	16
Net underwriting result for own account		-4		-20
In %				
Loss ratio	76.5	87.2	80.7	105.9
Expense ratio	16.7	16.6	17.9	13.7
Combined (loss/expense) ratio	93.2	103.8	98.6	119.6

Business accepted for reinsurance
Liability insurance line

	2014	2014	2013	2013
Figures in EUR million	**Gross**	**Net**	Gross	Net
Premiums	313	67	270	60
Earned premiums	310	75	256	59
Claims expenses	289	88	96	-24
Operating expenses	54	26	45	18
Net underwriting result for own account		-10		30
In %				
Loss ratio	93.1	117.0	37.6	-39.9
Expense ratio	17.5	34.8	17.4	30.3
Combined (loss/expense) ratio	110.6	151.8	55.0	-9.7

Non-insurance business

Investment result

Current-year investment income for the reporting period, which was mainly attributable to coupon payments on fixed interest securities was equal to EUR 254 (224) million. This compares to current-year expenses in the amount of EUR 25 (28) million. The current result amounted to EUR 229 (196) million. Despite the considerably lower interest rate level compared to the previous year, the result of operations in the area of fixed-interest securities was maintained at a steady level as a result of structured measures to increase yields. In addition, the asset class of real estate made a greater positive contribution to the current result. The result from other long-term equity investments remained relatively steady at EUR 36 million in the financial year.

The average rate of return was 3.6 (3.2) %.

Net realised gains on the disposal of investments for the year under review were equal to EUR 82 (25) million. In addition to gains from the disposal of fixed-interest securities in the amount of EUR 20 million and gains from stocks and/or stock funds in the amount of EUR 11 million, the main driver of this positive income situation was the result of the contribution of shares in HDI Versicherung AG, Vienna, to HDI-Gerling Welt Service AG by means of a contribution in kind (as part of a capital increase on the part of HDI-Gerling Welt Service AG) with a gain of EUR 56 million. The balance of write-downs and reversals thereof amounted to EUR -39 (-2) million, whereby a write-down of HDI-Gerling Verzekeringen N.V., Rotterdam, was recognised in the amount of EUR 39 million.

Overall, a miscellaneous result in the amount of EUR 43 (23) million had to be reported.

The investment result amounted to a total of EUR 272 (219) million and therefore exceeded the previous year's level as expected. The total net return for the reporting period reached 4.3 (3.5) %.

Other comprehensive income
The other comprehensive income in the financial year was EUR -46 (-54) million. In the previous year, income from the reversal of provisions was used for the restructuring of pensions for our London branch office in the amount of EUR 18.6 million as well as 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.

In the financial year, income from the adjustment of the calculated global valuation allowance for reinsurance claims in the amount of EUR 11 million as well as income from the reversal of an impairment allowance for another receivable in the amount of EUR 12 million was reported under other comprehensive income. The net balance of exchange rate gains and losses for the financial year was a net loss of EUR 6 (10) million.

Extraordinary result
The extraordinary result of EUR -17 (-11) million mainly includes the result from the merger of our foreign units in Belgium and Spain in the amount of EUR -9 million as well as the adjusting entries for pensions provisions in accordance with the German Accounting Law Modernisation Act (*Bilanzrechtsmodernisierungsgesetz*, BilMoG) in the amount of EUR -8 million.

Net profit/loss of HDI-Gerling Industrie Versicherung AG

	2014	2013
Figures in EUR million		
Underwriting result for own account	-101	-51
Total investment income (incl. underwriting interest)	272	219
Other result	-46	-54
Result from ordinary activities	**125**	**114**
Extraordinary result	-17	-11
Taxes	46	47
Net profit/loss transferred to Talanx AG	**62**	**56**

In the financial year, HDI-Gerling Industrie Versicherung AG was able to transfer a net profit in the amount of EUR 62 (56) million to the parent company of HDI-Gerling Industrie Versicherung, 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 315 million in 2014 to a total of EUR 6,494 (6,179) million by the end of the year.

Fixed-interest securities held in the direct portfolio represented 61.2 (59.6) % of total investments at the end of the reporting period; other important investment classes included bond funds with a 15.3 (15.2) % share and participations and investments in affiliates with a 13.1 (13.8) % share. Investments in fixed-income securities included in particular bearer bonds with good credit ratings. The quality of the fixed-interest securities remained unchanged from the previous year with an average rating of A (A).

Outside of fixed-income securities and the increase in existing bond funds, there was an increase in real estate holdings in the amount of EUR 31 million.

At EUR 849 (852) million, the carrying amounts of investments in affiliates and other long-term equity investments remained constant on the whole, whereby offsetting effects were recorded in the reporting period. The carrying amounts of the investees HG-I Alternative Investment Beteiligungs-GmbH & Co. KG and HG-I AI USD Beteiligungs-GmbH increased as a result of successive capitalisation by the total amount of EUR 87 million to EUR 263 million. The other long-term equity and near-equity investments are managed principally over these companies, as have been infrastructure investments since the reporting period. The entities HDI-Gerling Assurances S.A. and HDI Hannover International (España) Seguros y Reaseguros S.A., Madrid previously recognised as subsidiaries by HDI-Gerling Industrie Versicherung AG were merged with HDI-Gerling Industrie Versicherung AG in the financial year. This restructuring reduces the line item of investments in affiliates and other long-term equity investments by EUR 92 million. This is offset by the transfer of 89.74% of the interest in HDI Versicherung AG, Vienna (carrying amount EUR 36 million), which was contributed to HDI-Gerling Welt Service AG at its fair value of around EUR 92 million; consequently, the carrying amount of HDI-Gerling Welt Service AG's investment in HDI-Gerling Industrie Versicherung AG increased by this amount. In contrast, the carrying amount of HDI-Gerling Verzekeringen N. V. fell by a total of around EUR 56 million, around EUR 17 million of which was recognised as a retroactive reduction in cost and around EUR 39 million of which was recognised as a write-down. The remaining carrying amount of EUR 157 million represents the anticipated contribution on the part of the company to HDI-Gerling Industrie Versicherung AG that is planned as part of the reorientation of the international business segment.

The portfolio of stocks(/investment funds) was increased slightly by EUR 31 million over the course of the year.

Correspondingly, fixed-term deposits were considerably reduced.

The effect of exchange rates from the translation of foreign currency investments reported in the financial year was EUR 133 million. This was offset by the translation of technical provisions denominated in foreign currency.

The market value of the investments as at the balance sheet date was equal to EUR 7,061 (6,572) million. The increase is mainly the result of the decline in interest rates in 2014 over all maturity bands.

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

In the financial year, the existing subordinated loan in the amount of EUR 142 million was repaid by HDI-Gerling Industrie Versicherung AG at the earliest possible repayment date on 12 August 2014. Two new subordinated loans totalling EUR 200 million were raised in its place. The lenders are HDI Versicherung AG, Hannover, with a loan amount of EUR 20 million and HDI Lebensversicherung AG, Cologne, with a loan amount of EUR 180 million. Both loans provide for a fixed-interest period ending 12 August 2021 with a coupon of 4.25% followed by a period of variable interest charged based on the 3-month Euribor plus a margin of 7.17%. The subordinated loans cannot be terminated early by the borrower until 12 August 2021 at the earliest.

Underwriting provisions

Underwriting provisions rose by EUR 336 million to EUR 5,601 (5,265) million. This line item primarily includes provisions for unsettled insurance claims in the amount of EUR 4,603 (4,319) 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 an increase of EUR 229 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 overriding objective of HDI-Gerling Industrie Versicherung AG's personnel management is to ensure the long-term success of the Company in the present as well as in the future. The commitment of our employees is an elementary component of this success. In order to provide optimal support for the corporate objectives, all personnel policy actions are based on the strategic objectives of HDI-Gerling Industrie Versicherung AG and the Talanx Group.

In addition to losses due to natural disasters, there was an increasing emphasis on cyber risks once again in 2014. This issue has increased in importance around the world as a result of the Company's increasing digitalisation and networking and not least due to the NSA crisis. This also relates to HDI-Gerling Industrie Versicherung AG and its customers. Thus, new insurance products were developed in order to react to the increased threat level. As a result, we need more and more personnel with special knowledge to manage the increased requirements in risk management, etc. Therefore, we continue to focus keenly on graduates of MINT (Mathematics, Informatics, Natural sciences and Technology) degree programmes as part of personnel marketing and personnel recruitment in order to attract them to work in the insurance industry and at HDI-Gerling Industrie Versicherung AG.

Among other things, the need for young professionals is addressed at an early stage by way of our activities at job fairs and other events in the university environment. Furthermore, one of the events in connection with the Talanx Talent Network and the promotion of scholarship recipients is dedicated to the topic: "How do I actually insure an industrial enterprise", in order to direct the interest of potential applicants toward this area. Classic professional training, various trainee programmes and dual study programmes are also instruments used to secure qualified young talent for the future.

A Group-wide discussion of values initiated back in financial year 2013 was carried on throughout 2014. The goal is to enter into the discussion with all employees in order to make the values palpable for everyone, to integrate them in the daily work routine and to breathe life into them in all units. The Group has committed itself to the following basic values: "Entrepreneurial mindset and action within the Group context", "Mutual trust and open communication", "Results and Performance orientiation" and "Comprehensive customer orientation".

As part of the advancing internationalisation, intercultural training seminars for employees were expanded. Furthermore, the practice of inviting employees from foreign branch offices to sit in on classes and the posting of foreign employees at our headquarters and vice-versa was intensified. In this context, the topic of diversity management is also relevant for HDI-Gerling Industrie Versicherung AG, since the Company relies on the diversity of its employees in particular with respect to the existing strategy of internationalisation. As an enterprise, HDI-Gerling Industrie Versicherung AG attempts to cope with societal developments such as individualisation, the pluralisation of values and the greater demands placed on the compatibility of family and career by creating on the one hand an open-minded work environment in which equal opportunity is ensured and on the other by fostering the individual talents of employees in order to achieve optimal work results.

HDI-Gerling Industrie Versicherung AG pledges to support equal opportunity for men and women and would like to further increase the number of women in managerial positions. A mentoring programme for women was implemented as one of the measures of diversity management in order to support female employees with the potential to rise up to senior management positions and to increase the equality of opportunity between men and women at all professional levels. In addition, the Frauen@Talanx network, which is intended to promote an informal exchange for female professionals at all hierarchical levels, has been in place since March 2014.

The compatibility of family and career should be facilitated by means of working time solutions adapted to their current stage in life in the form of individual flexible working time models. HDI-Gerling Industrie Versicherung AG supports its employees in their search for day care for their children. In addition, since the beginning of 2014, the Company has provided its employees returning from parental leave with a tax-exempt child care allowance intended to make it easier for them to return to work.

Furthermore, a new variable remuneration system for executives at the second level of management was rolled out in 2014 in the course of introducing a Group-wide competitive remuneration system for specialists and managerial staff. The established potential and training programmes, including the Management Development Programme for managers from the national and international units, were continued in 2014.

In the reporting year, the annual headcount for HDI-Gerling Industrie Versicherung AG was 2,395 (2,045) employees. The average age of the employees was 44.4 (44.6) years. The part-time employment ratio was 12.9 (13.1) %. The average length of service at the Company was 15.9 (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

More and more companies are stepping up their European and international business operations, whereby they are relying on HDI-Gerling Industrie Versicherung AG's ability to operate internationally. Meanwhile, the globally active industrial insurance expert services around 3,000 international insurance programmes, mainly in the property, marine, engineering insurance, liability and directors & officers (D&O) lines.

HDI-Gerling Industrie Versicherung AG also steadily expanded its global network in the past financial year. International insurance programmes are currently available in 40 countries over foreign branch offices, subsidiaries and affiliated companies as well as joint ventures. HDI-Gerling Industrie Versicherungs AG is present in more than 100 other countries in collaboration with long-term network partners who have proven themselves in practice.

At the same time, our Company has reorganised its international operations and runs its global and European businesses in separate segments, for which different Management Board members are responsible. This took place also in light of increasing country-specific compliance requirements on the part of policy holders. HDI-Gerling specialists across all lines keep themselves informed of current developments in the target countries and adapt the insurance coverage as needed. This is the only way of ensuring that the global insurance solutions permanently comply with insurance regulations and tax laws in the respective countries.

Our customers can also turn to their designated contact persons at HDI-Gerling Industrie Versicherung AG for help with these compliance issues as well as for all aspects of insurance coverage. In the event of a loss they benefit from professional claims management and can rely on comprehensive security support – as in their home market.

When it comes to loss prevention, the specialists at HDI-Gerling Sicherheitstechnik GmbH offer businesses significant added value: Together with engineers and scientists from various disciplines, this subsidiary focuses on the development of specific risk assessment tools and risk mitigation strategies.

A current example is the avoidance of disturbances along the supply chain. The outsourcing and global networking of assembly processes represent substantial cost and efficiency advantages for internationally operating manufacturers and suppliers. However, at the same time, this increases the risk of disturbances in the supply chain that can lead to delivery delays as well as non-delivery and thereby bring the entire production process to a halt. In light of these increasing business interruption risks (BI), HDI-Gerling Industrie Versicherungs AG has developed a three-step consultation service. The flexibly selectable service modules range from the analysis of the main location to the inclusion of suppliers and customers to BI analysis across business units, including the implementation of alternative suppliers and emergency strategies.

Just as processes can be optimised and risks reduced by increasing transparency, the new development "KControl" is also a revelation. At the press of a button, fleet managers can obtain a complete overview of all relevant loss factors in the fleet with the help of the web-based application – from insurance and loss data to the subsequent in-house costs.

The product innovation "Travel Insurance for Business", or TriB for short, focuses instead on healthcare insurance for employees who are working abroad for a limited period of time. Thus, HDI-Gerling business travel accident insurance ensures that individuals in need receive the best possible care locally.

Contrary to the industry trend, HDI-Gerling Industrie Versicherung AG relies as much as ever on a regional presence with customers. Another guarantor of success for optimum customer service is the consistent 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 increase expertise in the area of technical security, we are continuing to press ahead with the training course "Technical Underwriter", supported by practical semesters in the USA, United Kingdom, Spain and soon also India in accordance with our international orientation.

HDI-Gerling Industrie Versicherung AG has an excellent reputation as an industrial insurer in Germany and in the international markets. HDI-Gerling Industrie Versicherung AG is perceived to be a financially sound brand of the Talanx Group and stands for a high degree of continuity and reliability in the industrial business.

Overall assessment of the 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: Due to the significant strain of major losses, the underwriting result fell short of expectations, but nevertheless benefited from the satisfactory increase in premiums realised in particular in the international business. In addition, the subsidiaries in Belgium and Spain were successfully transformed into branch offices of HDI-Gerling Industrie Versicherung AG. The investment result developed positively despite the worsening low interest rate level. HDI-Gerling Industrie Versicherung AG's economic position remains consistently positive at the time the management report was prepared.

Report on post-balance sheet date events

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 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 organisation 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 observations are put into operation in connection with a consistent limit and threshold value system at the enterprise level. The utilisation of limits is regularly monitored. Concentration risk is accommodated, among other things, by means of appropriate limits and threshold values.

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 risks

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 provisions 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	
2014	83.3
2013	85.7
2012	79.3

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 %	
2014	11.4
2013	10.7
2012	7.9

Risks of default on insurance business receivables

HDI-Gerling Industrie Versicherung AG reduces the risk of default on receivables from reinsurers by means of instructions and guidelines that apply to the entire segment. The reinsurance partners are carefully selected by expert committees and their creditworthiness is reviewed on an ongoing basis. The consistent and uniform utilisation of rating information applicable at the respective cut-off date is ensured by means of a rating information system accessible Group-wide. In order to avoid and/or limit default risks from the reinsurance business, appropriate measures are taken to collateralise receivables and/or other contractual obligations on the part of these reinsurance partners. Amounts contractually ceded to reinsurers are managed in particular by the Group's own reinsurance broker by way of operational hedging and placement guidelines.

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. In particular a strict reminder and dunning process is carried out to counter potential delays or defaults on premium payments in collections directly from policyholders or from intermediaries and the development of outstanding receivables with respect to amount and age is closely followed.

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 148.4 -million. This represents 26.9% of gross receivables. Over the past three years, HDI-Gerling Industrie Versicherung AG was required to write off an average of 3.0 (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 incorpoated 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.

Fair value development scenarios for securities

Portfolio changes based on market value in EUR million	
Portfolio	
Equities and other non-fixed interest securities	
Share prices - 20%	-33,1
Fixed-interest securities and other loans	
Rise in yield + 100 basis points	-225,2
Decline in yield - 100 basis points	230,3

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 risks are 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	847	34.8
Rating AA	466	19.2
Rating A	736	30.2
Rating BBB	297	12.2
Rating < BBB	86	3.5
n.r.	1	0.1
Total	2,432	100.0
Registered bonds/ Promissory note loans:		
Rating AAA	568	37.4
Rating AA	395	26.0
Rating A	452	29.7
Rating BBB	38	2.5
Rating < BBB	39	2.5
n.r.	28	1.9
Total	1,519	100.0
Fixed income funds:		
Rating AAA	202	22.1
Rating AA	71	7.8
Rating A	304	33.3
Rating BBB	308	33.8
Rating < BBB	27	3.0
Total	912	100.0
Loans:		
Rating A	62	22.2
Rating BBB	160	57.5
Rating < BBB	57	20.3
Total	278	100.0
Total:		
Rating AAA	1,616	31.4
Rating AA	932	18.1
Rating A	1,553	30.2
Rating BBB	803	15.6
Rating < BBB	208	4.0
n.r.	29	.7
Total	5,141	100.0

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

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 risk
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 risks
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.

Overall summary 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 heterogeneous development of the global economy should continue in the coming quarters: Global growth should accelerate; developed countries – above all the USA and UK – are expected to further close the growth gap with the emerging markets. The USA is on a stable growth trajectory: Solid economic development can be seen in particular in the real estate market and increasingly in the labour market. Accompanied by the rising value of assets, the disposable income of US households has clearly increased and debt service payments have noticeably decreased.

The economic recovery in the eurozone should continue at a moderate pace in the coming quarters. Sharply decreasing energy and commodity prices represent an additional growth impulse for the eurozone in the current year. However, growth may continue slowing down in France and Italy, whereas we expect a spring recovery in Germany. We expect modest growth in the eurozone, however, the recovery will continue to lack vitality.

The momentum of the upturn in emerging markets slowed recently; we consider these markets to be faced with structural and cyclical challenges. Growth rates should also be highly heterogeneous in the future. The occasionally large currency reserves and overall low level of debt are positive. Furthermore, stronger demand in the US is more important for most countries than the decreasing liquidity of the Federal Reserve Bank. Here, we expect growth to weaken; nevertheless, the central bank's ability to react should remain intact. The persistent crisis in Russia – the decline in the price of oil and the sanctions – presents a risk factor that can lead to distortions in emerging markets in the short term.

The heterogeneity within the developed world and the emerging markets is leading increasingly to an asynchronous economic cycle along with the associated inflation and interest rate cycles. This creates a divergence in monetary policy between the ECB, the Fed and the Bank of England. In the USA, the rate of inflation should increase over the wage and price spiral, requiring a "normalisation" of monetary policy. The ECB's monetary course should remain expansive due to low rates of inflation, high unemployment and heterogeneous, moderate rates of growth. The deflationary development in the eurozone should persist as a necessary process of adjustment. The decline in the price of oil, which also has a moderating impact on the price trend, is expected to cause negative rates of inflation throughout most of 2015.

Capital markets

The interest rate environment is expected to remain low in the medium term based on the general environment, geopolitical risks and the ECB's expansive monetary policy. Nearly all yield curves in the EU showed new historical lows at the end of the year, even German government bonds followed this development. Interest rates are expected to turnaround in the USA in the first half of 2015. Due to legal and political pressure on the rating agencies, there is an expectation of very cautious rating actions in the future with lower ratings more likely than not if there is any uncertainty.

European and US stocks are already highly valued, limiting the potential for further price increases. Nevertheless, central bank policy coupled with investor expectations will be the driving force for stock markets. Profit margins and returns on equity are low in Europe; therefore, we expect a backlog of demand within the context of stabilising the European economy. In addition, we see a tailwind for the economy due to the devaluation of the euro against the US dollar and as a result of lower commodity prices. Nonetheless, the relatively more attractive assessment of stocks compared to bonds will further speed up the rotation from bonds to stocks. Anticyclical trading strategies make sense in this phase of the stock market cycle. The turn away from the zero interest policy in the USA also speaks for increasing volatility with respect to risky assets in the current year.

International insurance markets

In international property and casualty insurance, we expect real premium income growth to be insignificant for 2015. Whereas developed markets are only expected to grow slightly, we expect a clear increase for emerging markets. The current phase of a slight market hardening reflected in moderately rising premiums is losing steam in light of the marginal improvement in economic development; consequently, we assume that profitability will continue to stagnate at a low level in 2015.

German insurance industry

For 2015, we expect premium income to rise in the German property and casualty insurance lines. However, premium growth should weaken somewhat compared to the prior year's level. This assessment reflects the expected development in motor vehicle insurance as the primary driver for positive premium development in recent years.

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 40 countries through primary insurance providers in the Talanx Group and through network partners in more than 100 countries.

In the 2015 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.

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 fierce competition in the industrial insurance market, we assume that the unchanged and in part aggressive competition with respect to prices as well as terms and conditions will continue and as a result premium adjustments may only be possible to a limited extent.

The capacity for innovation and a focus on service is becoming increasingly important in the insurance industry. 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 related slight increase in expenses is anticipated to be compensated by the expected increase in premiums; consequently, we expect the expense ratio to be around the previous year's level.

After claims expenses that were characterised by major losses due to numerous fires in 2014, we expect the loss situation to improve significantly for the coming year.

We are assuming that the tensions in the capital markets will continue in 2015, 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. We therefore expect the investment result to fall short of the result achieved in 2014, despite an increased investment portfolio as a result of the past transformation of our subsidiaries in Belgium and Spain into branch offices. The persistent low interest rate environment also forces us to further improve underwriting.

In summary, we expect a clear increase in net income in 2015 based on improved underwriting, despite a decreasing investment result.

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 engineering 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 - marine, goods-in-transport insurance,
valuables insurance,
comprehensive insurance,
other marine insurance,
other aviation and spaceflight insurance

Credit and collateral insurance
Surety insurance,
export credit insurance

Other insurance
Machinery warranty insurance,
other property damage insurance
(warranty insurance for motor vehicles),
other property damage insurance (aviation),
other property damage insurance (marine),
other property damage insurance (ransom payments),
other property loss insurance
(remediation consultation insurance),
other business interruption insurance,
other miscellaneous insurance,
other property loss 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,
umbrella 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 at 31 December 2014

Assets			**31/12/2014**	**01/01/2014***	**31/12/2013**
Figures in EUR thousand					
A. Intangible fixed assets					
I. Purchased concessions, industrial and similar rights and assets, and licences					
in such rights and assets			16,769	7,724	4,076
B. Investments					
I. Land, land rights and buildings, including buildings on third-party land		88,202		68,909	57,286
II. Investments in affiliated companies and other equity investments		1,005,959		960,942	1,046,966
III. Other investments		5,400,004		5,232,883	5,074,868
IV. Deposits retained on business accepted for reinsurance		67,444		62,792	66,424
			6,561,609	**6,325,526**	**6,245,544**
C. Receivables					
I. Receivables arising from direct written insurance business, due from:					
1. Policy holders	282,097			313,802	268,671
2. Intermediaries	265,205			177,920	161,009
		547,302		**491,722**	**429,680**
II. Receivables on reinsurance business thereof due to affiliated companies: EUR128,154 (91,305) thousand		422,111		494,501	442,021
III. Other receivables thereof due to affiliated companies: EUR 48,371 (10,205) thousand		244,190		212,855	211,062
			1,213,603	**1,199,078**	**1,082,763**
D. Other assets					
I. Tangible fixed assets and inventories		8,697		7,902	7,231
II. Cash (current account balances with financial institutions, cheques and cash)		210,622		191,122	156,169
III. Other assets		102		102	102
			219,421	**199,126**	**163,502**
E. Prepaid expenses					
I. Deferred rent and interest income		73,519		72,317	70,536
II. Other prepaid expenses		8,947		12,693	1,360
			82,466	**85,010**	**71,896**
F. Excess of plan assets over post-employment benefit liability			114	5,928	5,928
Total assets			**8,093,982**	**7,822,392**	**7,573,709**

** The amounts stated as at 1 January 2014 are carrying amounts reported in the merger balance sheet*

Equity and liabilities			**31/12/2014**	**01/01/2014***	**31/12/2013**
Figures in EUR thousand					
Equity					
I. Subscribed capital		125,000		125,000	125,000
II. Capital reserves		281,536		281,572	281,536
III. Net provit/loss for the year**			—	-4,178	—
			406,536	**402,394**	**406,536**
B. Subordinated liabilities			200,000	142,108	142,108
C. Underwriting provisions					
I. Unearned premium reserve					
1. Gross amount	808,429			747,206	660,287
2. less: share for business ceded for reinsurance	409,548			383,427	321,752
		398,881		**363,779**	**338,535**
II. Provision for outstanding claims					
1. Gross amount	9,588,470			9,015,937	8,363,284
2. less: share for business ceded for reinsurance	4,985,515			4,590,351	4,044,564
		4,602,955		**4,425,586**	**4,318,720**
III. Provision for profit-related and non-profit related premium refunds					
1. Gross amount	6,609			7,573	6,238
2. less: share for business ceded for reinsurance	1,226			1,428	**770**
		5,383		**6,145**	**5,468**
IV. Equalization reserve and similar provisions		559,578		582,239	570,150
V. Other underwriting provisions					
1. Gross amount	35,975			35,323	33,561
2. less: share for business ceded for reinsurance	1,624			1,794	1,794
		34,351		**33,529**	**31,767**
			5,601,148	**5,411,278**	**5,264,640**
D. Other provisions					
I. Provisions for pensions and similar obligations		339,842		312,538	312,538
II. Provisions for taxes		54,842		62,898	62,858
III. Other provisions		69,538		74,392	74,315
			464,222	**449,828**	**449,711**
E. Deposits retained on insurance ceded			101,800	77,385	76,186
F. Other liabilities					
I. Liabilities from direct written insurance business due to:					
1. Policy holders	66,831			94,885	58,635
2. Intermediaries	165,198			142,891	137,906
		232,029		**237,776**	**196,541**
II. Payables on reinsurance business thereof due to affiliated companies: EUR 157,170 (141,884) thousand		609,493		598,233	559,541
III. Other liabilities: thereof taxes: EUR 39,673 (33,512) thousand thereof social security: EUR 2,046 (1,472) thousand thereof due to affiliated companies: EUR 234,808 (240,893) thousand		478,243		493,771	477,887
			1,319,765	**1,329,780**	**1,233,969**
G. Deferred and accrued items			511	9,619	559
Total equity and liabilities			**8,093,982**	**7,822,392**	**7,573,709**

** The amounts stated as at 1 January2014 are carrying amounts reported in the merger balance sheet*

*** Merger result as at 1 January 2014*

The annuity provision recognised on the balance sheet as at the close of the 2014 financial year under Equity and liabilities C.II. is equal to EUR 24,600,359. It is confirmed that the annuity provision shown on the balance sheet under line C.II. has been calculated under consideration of § 341 f and § 341 g HGB as well as the regulations issued based on § 65(1) VAG.

Hannover, 4. March 2015 The Responsible Actuary Schmidt

Income statement for the period from 1 January to 31 December 2014

I. Underwriting account			**2014**	**2013**
Figures in EUR thousand				
1. Premiums earned for own account				
a) Gross premiums written	3,787,021			3,270,098
b) Premiums ceded to reinsurance	2,163,842			1,982,103
		1,623,179		1,287,995
c) Change to the gross premium reserve unearned	-31,410			-69,841
d) Adjustment of reinsurers' share in gross premiums unearned	-10,500			-110,486
		-20,910		**40,645**
			1,602,269	**1,328,640**
2. Interest income on premium funds and provisions for own account			384	384
3. Other underwriting income for own account			5,983	14,088
4. Expenditures on insurance claims incurred for own account				
a) Claims payments				
aa) Gross amount	2,563,082			2,143,215
bb) Reinsurer's share	1,304,425			1,441,963
		1,258,657		**701,252**
b) Changes to the provisions for outstanding claims				
aa) Gross amount	322,206			334,613
bb) Reinsurer's share	245,606			-102,798
		76,600		**437,411**
			1,335,257	**1,138,663**
5. Change to other net underwriting provisions			645	567
6. Expenses for profit-related and non-profit related premium refunds for own account			970	5,569
7. Expenses for insurance operations for own account				
a) Gross expenses for insurance operations		701,435		600,078
b) less: commissions and profit commissions received for business ceded to reinsurance		306,013		313,535
			395,422	**286,543**
8. Other underwriting expenses for own account			170	-447
9. Subtotal			**-123,828**	**-87,783**
10. Changes to equalization reserve and similar provisions			22,661	36,416
11. Underwriting result for own account			**-101,167**	**-51,367**

II. Non-underwriting account			**2014**	**2013**
Figures n EUR thousand				
1. Investment income				
a) Income from long-term equity investments - thereof from affiliated companies: EUR 33,324 (32,604) thousand	36,186			34,879
b) Income from other investments - thereof from affiliated companies: EUR 13,955 (16,488) thousand				
ba) Income from land, land rights and buildings, including buildings on third-party land	15,431			8,675
bb) Income from other investments	193,897			179,598
c) Income from reversal of write-downs	7,044			1,767
d) Gains on disposal of investments	88,523			29,696
e) Income from profits received under profit pooling, profit or loss transfer, or partial profit transfer agreements	8,907			1,000
		349,988		**255,615**
2. Investment-related expenses				
a) Investment management expenses, interest expenses and other expenses related to capital investments	12,550			20,626
b) Write-downs of investments	58,037			9,924
c) Losses on disposal of investments	6,455			4,893
d) Cost of loss absorption	102			904
		77,144		**36,347**
		272,844		**219,268**
3. Underwriting interest income		384		384
			272,460	**218,884**
4. Other income		80,130		72,155
5. Other expenses		126,236		126,206
			-46,106	**-54,051**
6. Net income/loss from ordinary activities			**125,187**	**113,466**
7. Extraordinary income		7,662		13
8. Extraordinary expenses		24,767		10,493
9. Extraordinary result			**-17,105**	**-10,480**
10. Taxes on income		37,494		32,796
11. Other taxes		8,103		14,258
			45,597	**47,054**
12. Profit transferred on the basis of profit pooling, profit and loss transfer, or partial profit transfer agreements		62,485		55,932
13. Net profit/loss for the year			**0**	**0**

Notes to the financial statements

General information

The annual financial statements for the 2014 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 the Accounting of Insurance Undertakings (*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.

The gross rental value method 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 are applied to determine the fair value of our real properties. 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 RechVersV. In accordance with § 55 Paragraph 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 Ordinance on the Valuation of Property/Real estate.

Investments in affiliated companies and other equity investments
Shares in affiliated companies and equity investments are recognised at cost in accordance with § 255 Paragraph 1 of the German Commercial Code less write-downs (if any) to their fair value in accordance with § 341b Paragraph 1 sentence 2 HGB in conjunction with § 253 Paragraph 3 sentence 4 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. If the continuation of operations as a legally independent unit could no longer be assumed in the short to medium term, a net asset value that adequately accounts for the company's future development prospects would be applied. 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 recognises 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 Paragraph 1 sentence 1 of the German Commercial Code or as investments in affiliates as defined under § 271 Paragraph 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
Stocks, shares, or investment fund units and other non-fixed-interest securities were measured at cost or the lower market value. Securities designated for use in continuing operations were recognised pursuant to § 341b Paragraph 2 HGB in conjunction with § 253 Paragraph 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 of the German Regulation on the Accounting of Insurance Undertakings (*Verordnung über die Rechnungslegung von Versicherungsunternehmen*; 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, that are accounted for as fixed assets, 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 Paragraph 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.

The fair values of loans to affiliated companies, of registered bonds, of notes receivable and loans as well as other miscellaneous loans are determined with the help of product and rating-specific yield curves. Special structures such as deposit protection, guaranty obligations, or subordination are taken into account with respect to the spread premiums applied. The fair value of zero coupon registered bonds and zero coupon notes receivable is determined based on the Company's own calculations derived using actuarial methods.

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. The global valuation allowance for receivables from policy holders and brokers was recognised for the reporting period based on the age structure of the receivables. The general default risk was accounted for by recognising an appropriate allowance for impairment losses.

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 Begleitmaß nahmen zur Einführung der Europäischen Gesellschaft und zur Änderung weiterer steuerlicher Vorschriften*; SEStRG). Since the reference yields were negative in this year, an actuarial interest rate of 0.0% was assumed for the purpose of calculating the corporate income tax credit.

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 Paragraph 5 of the German Commercial Code, 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 were recognised in profit or loss.

Equity and liabilities

Subordinated liabilities
The subordinated liabilities were recognised at their nominal amount.

Approximation and simplification methods
In the calculation of gross underwriting figures, the gross data were recognised completely on an accrual basis. This also applies for all subsequent years. 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.

Corresponding late loss provisions were recognised for insurance claims of which we were not yet aware at the reporting date. These provisions for claims incurred but not yet reported were calculated based on the origin of the insurance business as well as the distinctive characteristics of the respective lines using various methods. In the motor vehicle liability class, the provisions were calculated based on the chain ladder method. In the other classes, the provisions were calculated on the basis of claim expenses expected based on a three to five year average and taking distinctive characteristics into account.

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 was 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 were then applied to the current residual provisions for indemnification.

The (gross) annuity provision included in the provision for outstanding claims was calculated based on actuarial principles. The calculation was made based on the DAV 2006 HUR mortality tables for women and men. The actuarial interest rate was reduced from 1.75% to 1.25% in the reporting period, which led to an increase in the annuity provision in the amount of EUR 2.4 million.

Receivables from recoveries, salvages and loss sharing agreements for settled claims have been taken into account as deductions to the loss provision ("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 Paragraph 2 and Paragraph 2a RechVersV. The provision for major risks relating to pharmaceutical risk was determined in accordance with § 30 Paragraph 1 RechVersV.

The other underwriting provisions were determined as follows:
The provision for premium lapse risks 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.

The provisions for expected losses from directly written insurance business or insurance business assumed under a reinsurance contract reported under other underwriting provisions in accordance with section 31(1) no. 2 RechVersV) are recognised as the negative delta between the income expected for the contracts for which there is a legal obligation at the reporting date and the expected expenses. The income includes the expected premium as well as the effects of interest. The expenses include claim expenses and administrative expenses. The expense items are derived based on past experience and adjusted as needed if the forecast of future performance was distorted by effects in previous loss years.

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 provision for losses ("loss reserve") was estimated using the amounts ceded last year.

Other provisions
Pursuant to § 253 Paragraphs 1 and 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* - Rück-AbzinsVO).

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 2.95% was applied assuming an average remaining term of three years. In accordance with § 246 Paragraph 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 2014 financial year

Assets in EUR thousands		Balance sheet amount previous year	Balance sheet amount 01/01/2014*	Additions
A.	A. Intangible fixed assets			
	1. Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	4,076	7,724	14,198
B. I.	Land, land rights and buildings, including buildings on third-party land	57,286	68,909	23,647
B. II.	Investments in affiliated companies and other equity investments			
	1. Shares in affiliated companies	724,876	638,832	175,135
	2. Loans to affiliated companies	194,633	194,633	102,183
	3. Other long-term equity investments	127,457	127,477	–
	4. Total B.II.	**1,046,966**	**960,942**	**277,318**
B. III.	Other investments***			
	1. Shares, investment shares and other non-fixed interest securities	1,168,944	1,168,944	184,482
	2. Bearer bonds and other fixed-interest securities	1,744,777	1,876,246	800,908
	3. Mortgages, land charges and annuity land charges	2,052	2,052	–
	4. Other loans			
	a) Registered bonds	1,015,185	1,015,185	60,267
	b) Promissory notes and loans	900,960	900,960	58,499
	c) Other loans	21,000	21,000	–
	5. Deposits with financial institutions	221,950	243,615	25,190,643
	6 Other investments	–	4,882	–
	7. Total B.III.	**5,074,868**	**5,232,884**	**26,294,799**
Total		**6,183,196**	**6,270,459**	**26,609,962**

**The amounts stated as at 1 January 2014 are carrying amounts reported in the merger balance sheet.*

***The carrying amount of owned properties used in connection with Company operations was equal to EUR 44,706 (43,008) thousand.*

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

In the financial year, write-downs in the amount of € 43 thousand were applied to assets recognised as fixed assets .

The Company has exercised the option pursuant to Section 341b (2) HGB to classify investments with a carrying amount of EUR 3,080,928 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
Stocks, shares, or investment funds units and other non-fixed-interest securities	96,707	88,912
Bearer bonds and other fixed-interest securities	133,402	132,001
Total	**230,109**	**220,913**

A write-down in the amount of EUR 9.2 (14.6) million was avoided by means of dedication as fixed assets in accordance with § 341b(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
–	–	11	5,164	**16,769**	**–**
17	444	–	4,781	**88,202****	**131,576**
58,392	–	4,576	38,887	**721,264**	**830,117**
141,764	–	2,330	159	**157,223**	**157,894**
–	–	–	5	**127,472**	**138,741**
200,156	**–**	**6,906**	**39,051**	**1,005,959**	**1,126,752**
129,885	233	10,980	3,880	**1,230,874**	**1,340,615**
321,523	9	85,657	10,325	**2,430,972**	**2,623,777**
555	–	–	–	**1,497**	**1,653**
213,222	–	5,769	–	**867,999**	**942,873**
328,269	6,358	13,810	–	**651,358**	**675,850**
–	–	–	–	**21,000**	**21,288**
25,248,350	–	10,397	–	**196,305**	**196,305**
4,882	–	–	–	–	–
26,246,686	**6,600**	**126,613**	**14,205**	**5,400,005**	**5,802,361**
26,446,859	**7,044**	**133,530**	**63,201**	**6,510,935**	**7,060,689**

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 31/12/2014	Market value 31/12/2014	Distribution 2014
Fixed income funds			
Gerling Euro-Rent 3	894,829	994,416	28,000
Pictet – Emerging Local Currency Debt-HIDY€ *	34,648	28,714	1,276
Ampega CrossoverPlus Rentenfonds I (a)	3,500	3,759	59
Subtotal Fixed income funds	**932,977**	**1,026,889**	**29,335**
Mixed funds			
HG-I Aktien VC-Strategie	41,426	43,434	5,900
HG-I Aktien VC Dynamic	39,891	39,891	4,000
Ampega Portfolio Multi ETF Strategie P (a)	1,384	1,898	5
Subtotal Mixed funds	**82,701**	**85,223**	**9,905**
Equity funds			
Robeo US Conservative Eyuities-G	13,575	14,561	–
Subtotal Equity funds	**13,575**	**14,561**	–
Total	**1,029,253**	**1,126,673**	**39,240**

**Write-downs pursuant to § 253(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 a credit event or if the market value is 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 thousand
Gerling Norge A/S, Oslo*	100.00	NOK	268	10
HDI Gerling Assurance S.A. Luxembourg, Luxembourg*	100.00	EUR	6,871	157
HDI-Gerling Services N.V., Brussels*	100.00	EUR	222	19
HDI-Gerling AI USD Beteiligungs-GmbH & Co. KG, Cologne	100.00	EUR	45,192	660
HDI-Gerling Alternative Investments Beteiligungs GmbH & Co. KG, Cologne	100.00	EUR	216,978	5,972
HDI-Gerling Schadenregulierung GmbH, Hannover [2]	100.00	EUR	25	0
HDI-Gerling Sicherheitstechnik GmbH, Hannover [2]	100.00	EUR	2,093	366
HDI-Gerling Verzekeringen N. V., Rotterdam*	100.00	EUR	154,671	10,989
HDI-Gerling Welt Service AG, Hannover [2]	100.00	EUR	184,287	8,895
Institutional Venture and Equity Capital AG, Cologne	23.80	EUR	116,759	13,453
Magma HDI General Insurance Ltd., Kolkata**	25.50	INR	1,753,092	-233,009
Nassau Assekuranzkontor GmbH, Cologne [2]	100.00	EUR	25	11
Petro Vietnam Insurance Holdings, Hanoi*	31.82	VND	6,043,935,021	280,617,600
Riethorst Grundstücksgesellschaft AG & Co. KG, Hannover	50.00	EUR	159,325	5,241

**Carrying amounts as at 31 December 2013*

***Carrying amounts as at 31 March 2014*

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

2) A profit-and-loss transfer agreement is in effect.

C. III. Other receivables

Figures in EUR thousand	31/12/2014	31/12/2013
Claims payments/Co-insurance/Share of losses attributable to other companies	70,810	78,135
Receivables not yet attributed	47,109	59,803
Receivables due to timing differences in accounting entries	29,230	25,033
Receivables from tax authorities	30,355	21,250
Receivables from affiliated companies*	48,371	10,205
Receivables from security deposits and sureties	2,780	1,230
Receivables from employees	1,358	1,701
Costs posted after the cost accounts are closed**	2,588	1,634
Miscellaneous	11,589	12,071
Total	**244,190**	**211,062**

**These include other receivables from investment income in the amount of EUR 8.1 million. In addition, these also include receivables from HDI-Gerling Welt Service AG in the amount of EUR 8,895 thousand and from Nassau Assekuranzkontor GmbH in the amount of EUR 11 thousand from the transfer of profits.*
*** Costs posted after the closing of the cost accounts (11 December 2014) were recognised as other receivables. In the following period, the accruals were reversed through profit and loss.*

D. Other assets

I. Tangible fixed assets and inventories

Figures in EUR thousand	31/12/2014	31/12/2013
Balance as at 31.12.2013	7,231	6,030
Balance as at 01.01.2014	7,901	6,030
Additions	2,756	2,897
Disposals	162	257
Amortisation, depreciation and write-downs	1,923	1,317
Exchange rate fluctuations	124	-122
Balance as at the end of the financial year	**8,696**	**7,231**

E. Accrued or deferred items

I. Deferred rent and interest income

Figures in EUR thousand	31/12/2014	31/12/2013
Interest	73,498	70,515
Rental income	21	21
Total	**73,519**	**70,536**

II. Other prepaid expenses

Figures in EUR thousand	31/12/2014	31/12/2013
Administrative expenses	8,947	1,309
Discount on subordinated loans	—	51
Total	**8,947**	**1,360**
Accrued or deferred items - total	**82,466**	**71,896**

Equity and liabilities

A. Equity

Figures in EUR thousand	31/12/2014	31/12/2013
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 (2) AktG ("statutory reserve fund") has already been satisfied by the creation of a capital reserve in accordance with § 272(2) no. 1 HGB.

B. Subordinated liabilities

The EUR 200,000 in subordinated liabilities relate to two new subordinated loans. The lenders are HDI Versicherung AG with a loan amount of EUR 20,000 thousand and HDI Lebensversicherung AG with a loan amount of EUR 180,000 thousand. Both loans provide for a fixed-interest period ending 12 August 2021 with a coupon of 4.25% followed by a period of variable interest charged based on the 3-month Euribor plus a margin of 7.17%. The subordinated loans cannot be terminated early by the borrower until 12 August 2021 at the earliest.

C. Total gross underwriting provisions

	31/12/2014	31/12/2013
Figures in EUR thousand		
Direct written insurance business		
Casualty insurance	179,171	170,911
Liability insurance	4,793,744	4,211,709
Motor liability insurance	642,960	627,899
Other motor vehicle insurance	77,045	86,706
Fire and property insurance	1,100,084	889,651
thereof:		
a) Fire insurance	521,865	330,511
b) Engineering insurance	498,945	454,981
c) Other property insurance	79,274	104,159
Marine and aviation insurance	540,254	481,395
All-Risk-insurance	503,917	454,081
Legal protection insurance	78,118	79,547
Other insurance	138,328	114,316
Total	**8,053,621**	**7,116,215**
Reinsurance business accepted	2,945,440	2,517,303
Total insurance business	**10,999,061**	**9,633,518**

Thereof:

a) Gross provision for outstanding claims: EUR 9,588,470 (8,363,284) thousand

b) Equalisation reserve and similar provisions: EUR 559,578 (570,150) thousand.

C. II. 1. Gross provision for outstanding claims

	31/12/2014	31/12/2013
Figures in EUR thousand		
Direct written insurance business		
Casualty insurance	124,852	127,139
Liability insurance	4,534,055	4,025,780
Motor liability insurance	528,933	501,129
Other motor vehicle insurance	68,318	79,468
Fire and property insurance	913,268	691,270
thereof:		
a) Fire insurance	469,676	252,927
b) Engineering insurance	372,316	345,274
c) Other property insurance	71,276	93,069
Transport and aviation insurance	448,938	404,482
All-Risk-insurance	405,438	376,343
Legal protection insurance	74,224	77,120
Other insurance	129,592	109,256
Total	**7,227,618**	**6,391,987**
Reinsurance business accepted	2,360,852	1,971,297
Total insurance business	**9,588,470**	**8,363,284**

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

	Balance as at 31/12/2013	Balance as at 01/01/2014	Distribution	Addition	Changes in exchange rates	Balance as at 31/12/2014
in EUR thousand						
Profit-related premium refunds						
Casualty insurance	2,228	2,228	1,052	1,613	29	2,818
Liability insurance	1,747	2,389	187	460	–	2,662
Fire and property insurance	1,893	1,896	72	-981	24	867
thereof:						
a) Fire insurance	–	–	–	–	–	0
b) Engineering insurance	1,893	1,896	72	-981	24	867
Marine and aviation insurance	369	1,060	339	-462	3	262
All-risk insurance	–	–	26	26	–	0
Total provision (gross)	6,237	7,573	**1,676**	**656**	**56**	**6,609**

C. IV. Equalization reserve and similar provisions

	31/12/2014	31/12/2013
Figures in EUR thousand		
Direct written insurance business		
Casualty insurance	25,881	19,503
Liability insurance	68,351	40,849
Motor vehicle liability insurance	100,754	113,945
Fire and property insurance	28,641	48,954
thereof:		
a) Fire insurance	28,641	48,954
Marine and aviation insurance	53,991	46,408
Legal protection insurance	1,101	–
Other insurance	150	–
Total	**278,869**	**269,659**
Reinsurance business accepted	280,709	300,491
Total insurance business	**559,578**	**570,150**

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 4.55% and assuming a remaining term of 15 years. In the 2010 balance sheet year, the option in Article 67 Paragraph 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 as at 31 December 2013	**312,538**
Use	5,136
Transfers	–70
Addition	18,182
Accrued interest/interest rate change	19,744
Offset (carried forward)	-5,416
Provision for pensions recognised as at 31 December 2014	**339,842**

The settlement amount for the employer-funded provision for pensions as at 31 December 2014 was EUR 378,748 thousand. The fair value of the funds held as cover for this amount as at 31 December 2014 was EUR 39,525 thousand. The amortised cost was equal to EUR 24,493 thousand. The settlement amount for the employee-funded provision for pensions was EUR 9,926 thousand. Nettable plan assets totalling EUR 9,455 thousand represent pension liability insurance claims offset in the amount of EUR 9,281 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 Paragraph 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 291 thousand was netted with expenses from the unwinding of the discount on provisions for pension obligations in the amount of EUR 348 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 Paragraph 1 sentence 1 EGHGB are equal to EUR 65,360 thousand.

D. III. Other provisions

	Balance as at 31/12/2013	Balance as at 01/01/2014	Use	Reversal
Figures in EUR thousand				
Remuneration payable	17,249	17,249	14,246	122
Interest on additional taxes resulting from the tax audit	7,720	7,720	1,700	600
Partial retirement*	6,698	6,698	1,349	–
Foreign exchange risk	–	–	–	–
Vacation claims and credit balances in flextime accounts	3,364	3,364	3,364	–
Foreign branches	1,775	1,852	640	375
Anniversary bonuses	3,752	3,752	445	–
Consulting costs	3,119	3,119	2,156	835
Costs for the preparation of the annual financial statements	1,865	1,865	1,828	76
Provisions for costs	1,530	1,530	1,244	194
Outstanding invoices for building-related expenses	9,443	9,443	2,909	4,900
Contributions pension fund	855	855	797	58
Other provisions for investment losses	4,057	4,057	3,913	144
Provisions for obligations assumed**	6,270	6,270	6,042	478
Miscellaneous	6,618	6,618	2,415	3,726
Total	**74,315**	**74,392**	**43,048**	**11,508**

** The settlement amount of the provision of partial retirement was equal to EUR 13,192 thousand. The fair value of the funds held as cover for this amount as at 31 December 2014 was EUR4,802 thousand.*
The amortised cost was equal to EUR 4,731 thousand. Income from plan assets for provisions for partial retirement in the amount of EUR 367 thousand were netted with expenses from the unwinding of the discount on provisions for partial retirement in the amount of EUR 378 thousand in the income statement.

*** HDI-Gerling Industrie Versicherung AG assumed sole liability for the pension obligations of HDI-Gerling Sicherheitstechnik GmbH by way of a collateral promise. HDI-Gerling Industrie Versicherung AG is required to recognise a provision for the obligations under this contractual undertaking.*

F. III. Other liabilities

	31.12.2014	31.12.2013
Figures in EUR thousand		
Liabilities to affiliated companies*	231,524	240,893
Liabilities not yet attributed	116,421	135,061
Liabilities from non-group lead business	59,657	50,246
Liabilities due to tax authorities	39,673	33,512
Liabilities from un-cashed cheques	4,854	5,007
Liabilities from interest on hybrid capital**	3,284	3,871
Liabilities to social security institutions	2,046	1,472
Trade payables	1,726	630
Miscellaneous	19,058	7,195
Total	**478,243**	477,887

**This includes liabilities from profit transfers in the amount of EUR 62,485 thousand due to Talanx AG.*

***EUR 328 thousand thereof can be attributed to HDI Versicherung AG and EUR 2,955 thousand to HDI Lebensversicherung AG.*

There are no other liabilities with a remaining term of more than five years.

Addition	Discounting	Accrued interest/interest rate change	Offset (carried forward)	Carrying amount 31/12/2014
16,923	–	39	–	**19,843**
3,540	300	–	–	**8,660**
1,258	–	378	1,405	**8,390**
5,000	–	–	–	**5,000**
4,543	–	–	–	**4,543**
3,538	–	–	–	**4,375**
604	–	178	–	**4,089**
2,534		–	–	**2,662**
2,418	–	–	–	**2,379**
2,274	–	–	–	**2,366**
66	–	–	–	**1,700**
961	–	–	–	**961**
761	–	–	–	**761**
–	–	250	–	**–**
3,333	–	–	–	**3,810**
47,753	300	845	1,405	**69,539**

G. Deferred and accrued items

	31/12/2014	31/12/2013
Figures in EUR thousand		
Rents and ancillary expenses	39	39
Other	472	520
Total	**511**	559

Income statement

I. 1.a) Gross premiums written

Direct written insurance business

	2014	2013
Figures in EUR thousand		
Casualty insurance	107,565	103,972
Liability insurance	822,073	690,219
Motor liability insurance	248,972	237,456
Other motor vehicle insurance	142,259	133,532
Fire and property insurance	495,293	432,920
thereof:		
a) Fire insurance	186,662	165,976
b) Engineering insurances	253,461	213,637
c) Other property insurance	55,170	53,307
Marine and aviation insurance	290,845	222,910
All-risk insurance	440,327	356,031
Legal protection insurance	19,119	17,847
Other insurance	64,059	55,701
Total	**2,630,512**	**2,250,588**
Reinsurance business accepted	1,156,508	1,019,510
Total insurance business	**3,787,020**	**3,270,098**

Origin of gross written premiums for the direct written insurance business

	2014	2013
Figures in EUR thousand		
a) In Germany	1,570,997	1,560,328
b) Other member states of the European Community as well as other treaty states of the Agreement Creating the European Economic Area	775,009	441,029
c) Third countries	284,506	249,231
Total	**2,630,512**	**2,250,588**

I. 1. Gross premiums earned

Direct written insurance business

	2014	2013
Figures in EUR thousand		
Casualty insurance	106,414	103,899
Liability insurance	804,723	690,420
Motor liability insurance	248,903	235,270
Other motor vehicle insurance	140,991	132,433
Fire and property insurance	499,019	433,480
thereof:		
a) Fire insurance	192,750	164,041
b) Engineering insurances	247,958	214,036
c) Other property insurance	58,311	55,403
Marine and aviation insurance	289,737	225,431
All-risk insurance	433,180	347,675
Legal protection insurance	18,775	17,585
Other insurance	63,015	55,646
Total	**2,604,757**	**2,241,839**
Reinsurance business accepted	1,150,854	958,418
Total insurance business	**3,755,611**	**3,200,257**

I. 1. Net premiums earned

Direct written insurance business

	2014	2013
Figures in EUR thousand		
Casualty insurance	76,638	70,248
Liability insurance	212,323	248,278
Motor liability insurance	223,202	212,070
Other motor vehicle insurance	125,789	117,449
Fire and property insurance	219,407	153,900
thereof:		
a) Fire insurance	68,555	43,282
b) Engineering insurances	125,068	91,799
c) Other property insurance	25,784	18,819
Marine and aviation insurance	206,037	167,860
All-risk insurance	117,721	59,254
Legal protection insurance	16,554	15,637
Other insurance	47,112	44,328
Total	**1,244,783**	**1,089,024**
Reinsurance business accepted	357,485	239,616
Total insurance business	**1,602,268**	**1,328,640**

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

	2014	2013
Figures in EUR thousand		
Casualty insurance	58,371	72,477
Liability insurance	662,475	712,478
Motor liability insurance	212,241	187,594
Other motor vehicle insurance	130,160	160,898
Fire and property insurance	521,886	332,848
thereof:		
a) Fire insurance	371,737	116,959
b) Engineering insurances	135,408	131,919
c) Other property insurance	14,741	83,970
Marine and aviation insurance	183,099	182,458
All-risk insurance	196,225	182,102
Legal protection insurance	14,331	29,420
Other insurance	66,137	34,429
Total	**2,044,925**	**1,894,704**
Reinsurance business accepted	840,363	583,125
Total insurance business	**2,885,288**	**2,477,829**

I. 7.a) Gross expenses for insurance operations

Direct written insurance business

	2014	2013
Figures in EUR thousand		
Casualty insurance	23,346	22,337
Liability insurance	138,741	114,316
Motor liability insurance	39,404	39,992
Other motor vehicle insurance	24,663	24,782
Fire and property insurance	112,368	90,093
thereof:		
a) Fire insurance	41,572	33,849
b) Engineering insurances	57,019	43,633
c) Other property insurance	13,777	12,611
Marine and aviation insurance	63,223	52,570
All-risk insurance	62,476	50,157
Legal protection insurance	5,080	4,859
Other insurance	19,272	15,030
Total	**488,573**	**414,136**
Reinsurance business accepted	212,862	185,942
Total insurance business	**701,435**	**600,078**

Of the gross expenses for insurance operations for the financial year, EUR 104,203 (84,949) thousand are attributable to acquisition expenses and EUR 597,232 (515,128) thousand are attributable to general and administrative expenses.

Reinsurance balance

Direct written insurance business

	2014	2013
Figures in EUR thousand		
Casualty insurance	-13,085	-7,748
Liability insurance	-19,348	79,483
Motor liability insurance	-8,019	-11,323
Other motor vehicle insurance	-5,327	29,738
Fire and property insurance	70,655	-7,695
thereof:		
a) Fire insurance	122,784	-7,126
b) Engineering insurances	-28,602	-7,269
c) Other property insurance	-23,527	6,700
Marine and aviation insurance	-44,406	-25,631
All-risk insurance	-155,468	-180,399
Legal protection insurance	-248	4,318
Other insurance	9,470	-545
Total	**-165,776**	**-119,802**
Reinsurance business accepted	-131,523	-99,115
Total insurance business*	**-297,299**	**-218,917**

- = 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 342 (207) million for non-cash reinstatement premiums. This breaks down into EUR 327 (197) million for the direct written insurance business and EUR 15 (10) million for the business accepted for reinsurance.*

I. 11. Underwriting result for own account

Direct written insurance business

	2014	2013
Figures in EUR thousand		
Casualty insurance	4,369	7,421
Liability insurance	-32,854	-35,650
Motor liability insurance	2,291	-10,073
Other motor vehicle insurance	-19,140	-23,480
Fire and property insurance	-48,450	-7,579
thereof:		
a) Fire insurance	-81,739	-3,679
b) Engineering insurances	26,951	30,606
c) Other property insurance	6,338	-34,506
Marine and aviation insurance	-8,785	-7,503
All-risk insurance	21,289	-64,249
Legal protection insurance	-1,995	-8,884
Other insurance	-11,944	5,637
Total	**-95,219**	**-144,360**
Reinsurance business accepted	-5,948	92,993
Total insurance business	**-101,167**	**-51,367**

Run-off result

In the financial year, HDI-Gerling Industrie Versicherung AG realised a run-off profit in the amount of EUR 512,500 (414,630) 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

	2014	2013
Figures in EUR thousand		
1. Commissions of any kind for insurance agents within the meaning of § 92 HGB for direct written insurance business	221,257	181,985
2. Wages and salaries	178,870	151,605
3. Social insurance contributions and expenditures for benefits	29,721	25,551
4. Expenditures for retirement benefits	17,557	7,116
5. Total expenditures	**447,405**	**366,257**

Number of insurance contracts with a minimum term of one year

Direct written insurance business

	2014	2013
Number		
Casualty insurance*	48,924	45,559
Liability insurance	29,047	22,910
Motor liability insurance*	647,065	659,125
Other motor vehicle insurance*	400,389	421,795
Fire and property insurance	40,824	37,563
thereof:		
a) Fire insurance	10,409	9,514
b) Engineering insurance	21,966	20,034
c) Other property insurance	8,449	8,015
Marine and aviation insurance	18,334	15,313
All-risk insurance	10,482	7,773
Legal protection insurance	6,616	6,089
Other insurance	16,825	2,599
Total	**1,218,506**	**1,218,726**
Total of all contracts	789,176	768,137
Change due to inclusion of risks under motor vehicle insurance	429,330	450,589
Total insurance business	**1,218,506**	**1,218,726**

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

II. 4. Other income

Figures in EUR thousand	2014	2013
Income from services rendered	19,127	18,569
Currency exchange gains	17,356	21,200
Income from reversal of specific and global valuation allowances	12,153	940
Income from the reversal of write-downs on other receivables	11,877	0
Income plan asset pensions	5,575	2,022
Income from the reversal of other provisions	4,210	0
Income from agency and portfolio management services	2,218	2,128
Interest and similar income	1,494	507
Income from the reversal of other provisions for the restructuring of pensions for our London branch office	—	18,578
Miscellaneous	6,120	8,211
Total	**80,130**	**72,155**

II. 5. Other expenses

Figures in EUR thousand	2014	2013
Interest expense*	23,698	20,745
Additions to the interest portion of the provision for pensions	19,645	20,059
Expenses for services	18,738	17,867
Expenses for the Company as a whole	16,950	15,957
Currency exchange losses	11,839	11,621
Write-downs of receivables	9,005	20,522
Expenses from provisions for exchange rate risks	5,000	—
Project cost for the migration of the foreign branch offices	3,118	638
Amortisation and write-downs of intangible fixed assets	2,752	—
Local general administrative expenses foreign branch offices	1,148	851
Losses from the repurchase of the subordinated loan	—	5,659
Expenses from the addition to other provisions for process costs	—	3,500
Miscellaneous	14,343	8,787
Total	**126,236**	**126,206**

** This also includes expenses of EUR 478 thousand from the application of the discount.*

II. 9. Extraordinary result

The extraordinary result of EUR -17,105 thousand mainly includes a loss from the merger of foreign branch offices in the amount of EUR 8,532 thousand as well as the adjusting entries for pension provisions in accordance with the German Accounting Law Modernization Act (*Bilanzrechtsmodernisierungsgesetz*, BilMoG) in the amount of EUR 8,268 thousand.

II. 10. Taxes on income

In the financial year, taxes on income in the amount of EUR 37,494 thousand only affect the result from ordinary business activities. 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 at the level of the Company only differences between the financial and local tax carrying amounts of the foreign branch office are to be taken into account.

The anticipated future tax expenses and refunds were netted when determining accrued tax amounts. For this purpose, deferred tax liabilities (in particular from other assets, accounts receivable from the reinsurance business and provisions for unsettled insurance claims) were netted with the deferred tax assets of all foreign branch offices (in particular with respect to the financial and tax carrying amounts of the receivables from direct written insurance business, the equalisation reserve and other liabilities). Deferred taxes were measured based on the local tax rate.

The deferred tax assets in excess of net deferred taxes were not recognised in accordance with § 274 Paragraph 1 sentence 2 HGB.

Other disclosures

Employees

	2014	2013
Number		
Full-time employees	2,093	1,835
Part-time employees	302	210
Total	**2,395**	**2,045**

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 8 and 9 of this report.

Remuneration for the members of governing bodies and advisory boards

Remuneration for the members of the Board of Management totalled EUR 4,284 thousand. Total remuneration for the Supervisory Board was equal to EUR 76 thousand and remuneration for the Advisory Board totalled EUR 798 thousand. The remuneration of former Board of Management members and their survivors totalled EUR 4,729 thousand. A total of EUR 57,012 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 2014, the portfolio included two forward exchange deals to hedge currency fluctuations in US dollar and Canadian dollar 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
Forward exchange exposure AUD	EUR	17,000	–	*1)2)*	-178
Forward exchange exposure CAD	EUR	50,000	–	*1)2)*	-522
Stock options	EUR	-130	-20	*3)*	-3
Stock options	EUR	-35	-11	*3)*	-1
Stock options	EUR	-23	-15	*3)*	-9
Stock options*	GBP	-260	-8	*1)3)*	-9
Stock options	EUR	-35	-13	*3)*	-13
Stock options	GBP	-40	-15	*3)*	-13
Stock options	EUR	-89	-15	*3)*	-15
Stock options	EUR	-31	-15	*3)*	-8
Options on stock indices	EUR	1	242	*3)*	308
Options on stock indices	EUR	1	104	*3)*	167
OTC options	EUR	-9,180	0	*3)*	0

1) A provision for impending losses from pending transactions was recognised in the amount equal to the market value of EUR 0.7 million.

2) Nominal corresponds to the euro amount traded for future delivery.

3) Nominal corresponds to the number multiplied by the value of a contract.

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, HDI-Gerling Sicherheitstechnik GmbH and HDI-Gerling Welt Service AG as the controlled companies.

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 Paragraph 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 Paragraph 1 and Paragraph 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 53,972 (22,864) thousand.

Talanx AG, Hannover, assumed the fulfilment of the Company's obligations for old age pensions from former employees for internal and external arrangements. Under this pension commitment, the Company has a joint liability in an amount totalling EUR 52,826 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 55,091 thousand.

The Company opts to take advantage of the option afforded under Article 28 Paragraph 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 6,891 thousand. As the pension fund's sponsoring entity, the Company is proportionately liable for any shortages. The current level of underfunding is EUR 633 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 519,137 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 251,397 thousand, vis-à -vis Equity Partners III GmbH & Co. KG in the amount of EUR 1,575 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 114,870 thousand. Furthermore there are contribution commitments to Erste Europe-Allee GmbH & Co. KG in the amount of EUR 4,000 thousand, to NM 74 GmbH & Co. KG in the amount of EUR 1,000 thousand and NM 80 GmbH & Co. KG in the amount of EUR 2,500 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 Haftpflichtverband 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 Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit (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 Paragraph 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, 4 March 2015

The Board of Management

Dr. Hinsch

Dr. ten Eicken Harting

Dr. Puls 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 2014. 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 ordnungsmäß iger 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 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Husch	Jungsthöfel
Wirtschaftsprüfer	Wirtschaftsprüfer
[German public auditor]	[German public auditor]

Addresses

HDI-Gerling Industrie Versicherung AG
HDI-Platz 1
30659 Hannover
Telephone: +49 511 645-0
Fax: +49 511 645-4545

Locations in Germany

HDI-Gerling Industrie Versicherung AG
Berlin Branch
Pommernallee 1/Theodor-Heuss-Platz
14052 Berlin
Telephone: +49 30 3204-0
Telefax: +49 30 3204-258

HDI-Gerling Industrie Versicherung AG
Dortmund Branch
Märkische Straße 23–33
44141 Dortmund
Telephone: +49 231 5481-0
Telefax: +49 231 5481-302

HDI-Gerling Industrie Versicherung AG
Düsseldorf Branch
Am Schönenkamp 45
40599 Düsseldorf
Telephone: +49 211 7482-0
Telefax: +49 211 7482-460

HDI-Gerling Industrie Versicherung AG
Essen Branch
Huyssenallee 100
45128 Essen
Telephone: +49 201 823-0
Telefax: +49 201 823-2900

HDI-Gerling Industrie Versicherung AG
Hamburg Branch
Überseering 10a
22297 Hamburg
Telephone: +49 40 36150-0
Telefax: +49 40 36150-295

HDI-Gerling Industrie Versicherung AG
Hannover Branch
Riethorst 4
30659 Hannover
Telephone: +49 511 6263-0
Telefax: +49 511 6263-430

HDI-Gerling Industrie Versicherung AG
Leipzig Branch
Eisenbahnstraße 1–3
04315 Leipzig
Telephone: +49 341 6972-0
Telefax: +49 341 6972-100

HDI-Gerling Industrie Versicherung AG
Mainz Branch
Hegelstraße 61
55122 Mainz
Telephone: +49 6131 388-0
Telefax: +49 6131 388-114

HDI-Gerling Industrie Versicherung AG
Munich Branch
Ganghoferstraße 37–39
80339 Munich
Telephone: +49 89 9243-0
Telefax: +49 89 9243-319

HDI-Gerling Industrie Versicherung AG
Nuremberg Branch
Dürrenhofstraße 6
90402 Nürnberg
Telephone: +49 911 2012-0
Telefax: +49 911 2012-266

HDI-Gerling Industrie Versicherung AG
Stuttgart Branch
Heilbronner Straße 158
70191 Stuttgart
Telephone: +49 711 9550-0
Telefax: +49 711 9550-300

International locations

Argentina
HDI Seguros S.A.
Tte. Gral. D. Perlin 650, 5° Piso (1038)
Buenos Aires
Telephone: +54 11 5300 3300
Telefax: +54 11 5811 0677

Australia
HDI-Gerling Industrie Versicherung AG
Australia Branch
Exchange House
Level 12, 10 Bridge Street
Sydney NSW 2000
Telephone: +61 2 8274-4200
Telefax: +61 2 8274-4299

Melbourne office
Level 2, The Lantern
707 Collins Street
Docklands VIC 3008
Telephone: +61 3 8391-3306

Austria
HDI Versicherung AG
Edelsinnstraße 7–11 1120 Vienna
Telephone: +43 50 905-0
Telefax: +43 50 902-602

Bahrain
HDI-Gerling Industrie Versicherung AG
Bahrain Branch
Building 31, 161, Al Zamil Tower
Government Avenue, PO Box No. 65331 65331
Manama
Telephone: +973 1720 2900
Telefax: +973 1720 2929

Belgium
HDI-Gerling Industrie Versicherung AG
Succursale pour la Belgique
Bijkantoor voor België
Avenue de Tervuren 273 B1
1150 Brussels
Telephone: +32 2 7730-811
Telefax: +32 2 7730-950

Antwerp Office
Britselei 15 / 4
2000 Antwerpen
Telefon: +32 3 260 64 20
Telefax: +32 3 260 64 69

Brasil
HDI-Gerling Seguros Industriais S.A.
Avenida Eng. Luís Carlos Berrini,
901-3° andar
Brooklin Novo
04781-000 Sao Paulo-SP
Telephone: +55 11 5508-1300

Canada
HDI-Gerling Industrie Versicherung AG
Canada Branch
181 University Avenue, Suite 1900
Toronto
Ontario M5H 3M7
Telephone: +1 416 368-5833
Telefax: +1 416 368-7836

Chile
HDI Seguros S.A.
Encomenderos 113
Piso 10 – Las Condes/Santiago
Telephone: +56 22 422 9100
Telefax: +56 22 232 8209

China
HDI-Gerling Industrie Versicherung AG
Hong Kong Branch
Room 5202, Central Plaza
18, Harbour Road, Wanchai
Hong Kong
Telephone: +852 2598-8338
Telefax: +852 2598-8838

Czech Republic
HDI Versicherung AG
Czech Republic Branch
Jugoslávská 29
120 00 Prague 2
Telephone: +420 2 2019-0210
Telefax: +420 2 2019-0299

Denmark
HDI-Gerling Verzekeringen N.V.
Denmark Branch
Indiakaj 6, 1. Sal
2100 Copenhagen
Telephone: +45 3336-9595
Telefax: +45 3336-9596

France
HDI-Gerling Industrie Versicherung AG
Direction pour la France
Tour Opus 12 – La Dé fense 9
77, Esplanade du Général de Gaulle 92914
Paris La Dé fense Cedex
Telephone: +33 1 44 0556-00
Telefax: +33 1 44 0556-66

Greece
HDI-Gerling Industrie Versicherung AG
Hellas Branch
11 Omirou & 1 Vissarionos Street
10672 Athens
Telephone: +30 210 7259-181
Telefax: +30 210 7259-177

Hungary
HDI Versicherung AG
Hungary Branch
Dohäny u. 12–14
1074 Budapest
Telephone: +36 1 2482-820
Telefax: +36 1 2482-829

India
Magma HDI General Insurance Company
Limited
24, Park Street
Park Centre Building, 4th Floor
Kolkata – 700 016
Telephone: +91 33 4401 7409
Telefax: +91 33 4401 7471 (Joint venture)

Ireland
HDI-Gerling Industrie Versicherung AG
Ireland Branch
Merrion Hall
Strand Road
Sandymount
Dublin 4
Telephone: +353 1 299-4622

Italy
HDI-Gerling Industrie Versicherung AG
Rappresentanza Generale per l'Italia
Via Franco Russoli, 5
20143 Milan
Telephone: +39 02 83113-400
Telefax: +39 02 83113-202

Japan
HDI-Gerling Industrie Versicherung AG
Japan Branch
Sanbancho KS Building 7F
2 Banchi, Sanbancho
Chiyoda-ku
Tokyo 102-0075
Telephone: +81 3 5214-1361
Telefax: +81 3 5214-1365

Luxembourg
HDI-Gerling
Assurances S.A. Luxembourg
Rue du Château d'Eau, 2–4
3364 Leudelange
Telephone: +352 463640
Telefax: +352 463644

Mexico
HDI-Gerling de Mé xico Seguros S.A.
Av. Paseo de las Palmas
N. 239-104
Col. Lomas de Chapultepec
11000 Mexico, D.F.
Telephone: +52 55 5202-7534
Telefax: +52 55 5202-9679

Netherlands
HDI-Gerling Industrie Versicherung AG
Directie voor Nederland
Westblaak 14
3012 KL Rotterdam
Telephone: +31 10 4036-100
Telefax: +31 10 4036-275

HDI-Gerling Verzekeringen N. V.
Westblaak 14
3012 KL Rotterdam
Telephone: +31 10 4036-100
Telefax: +31 10 4036-275

Amsterdam Office
Haaksbergweg 63
1101 BR Amsterdam Zuidoost
Telefon: +31 20 5650 655

Norway
HDI-Gerling Industrie Versicherung AG
Filial Norge
C. J. Hambros plass 2 D
0164 Oslo
Telephone: +47 232 136-50
Telefax: +47 232 136-51

Poland
Towarzystwo Ubezpieczeń i Reasekuracji
„ WARTA" S. A.
ul. Chmielna 85/87
00-805 Warsaw
Telephone: +48 22 534 1100
Telefax: +48 22 534 1300

Russia
OOO Strakhovaya Kompaniya
„HDI Strakhovanie"
Obrucheva street 30/1, bld. 2
Moscow, 117485
Telephone: +7 495 967 9 257
Telefax: +7 495 967 9 260

Singapore
HDI-Gerling Industrie Versicherung AG
Singapore Branch
23 Church Street
#13-05 to 06 Capital Square
Singapore 049481
Telephone: +65 6922 9522
Telefax: +65 6536 8085

Slovak Republic
HDI Versicherung AG
Slovakia Branch
Obchodná 2
811 06 Bratislava
Telephone: +421 2 5710-8611
Telefax: +421 2 5710-8618

South Africa
HDI-Gerling Insurance of South Africa
Limited
P.O. Box 66
Saxonwold
2132 Johannesburg
Telephone: +27 11 340-0100
Telefax: +27 11 447-4981

Spain
HDI-Gerling Industrie Versicherung AG
Sucursal en España c/Luchana, 23-5°
28010 Madrid
Telephone: +34 91 444-2000
Telefax: +34 91 444-2019

HDI-Gerling Industrie Versicherung AG
Delegación en Barcelona
Avda. Diagonal n° 640 2a
08017 Barcelona
Telephone: +34 93 27 210-00

Switzerland
HDI-Gerling Industrie Versicherung AG
Switzerland Branch
Dufourstrasse 46
8008 Zurich
Telephone: +41 44 265-4747
Telefax: +41 44 265-4748

Lausanne Office
Av. d'Ouchy 14
1006 Lausanne
Telefon +41 21 614 34 10
Telefax +41 21 617 34 47

Turkey
HDI Sigorta A.S.
Binası No: 6
34774 Umraniye/Istanbul
Telephone: +90 212 368-6000
Telefax: +90 212 368-6010

United Kingdom
HDI-Gerling Industrie Versicherung AG
UK Branch
10 Fenchurch Street
London EC3M 3BE
Telephone: +44 20 7696-8099
Telefax: +44 20 7696-8444

Uruguay
HDI Seguros S.A.
Misiones 1549 CP
11000 Montevideo
Telephone: +598 2916-0850
Telefax: +598 2916-0847

USA
HDI-Gerling
America Insurance Company
161 North Clark Street
48th Floor
Chicago, IL 60601
Telephone: +1 312 580-1900
Telefax: +1 312 580-0700

Vietnam
PVI Insurance Corporation
Lot VP2, Yen Hoa
Cau Giay District
Hanoi
Telephone: +84 4 3733-5588
Telefax: +84 4 3733-6284
(minority interest)

Contacts

HDI-Gerling Industrie Versicherung AG
HDI-Platz 1
30659 Hannover
Telephone: +49 511 645-0
Fax: +49 511 645-4545
www.hdi-gerling.de
www.talanx.com

Group Communications
Telephone: +49 511 3747-2022
Fax: +49 511 3747-2025
E-mail gc@talanx.com

Konzernstruktur
Group structure

talanx.

Talanx AG

Geschäftsbereich Industrieversicherung *Industrial Lines Division*

- HDI-Gerling Industrie Versicherung AG
- HDI Versicherung AG (Austria)
- HDI-Gerling Seguros Industriais S.A. (Brazil)
- 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-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 Plc (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: 31.12.2014

400-GB119

HDI-Gerling Industrie Versicherung AG
HDI-Platz 1
30659 Hannover
Germany
Telephone: +49 511 645-0
Fax: +49 511 645-4545
www.hdi-gerling.de
www.talanx.com