HDI Global SE

2020 Annual Report

HDI Global SE at a glance

		2020	2019
Gross premium income	EUR million	4.524	4.449
Increase/decrease in gross premium income	%	1,7	-3,6
Income from premiums earned for own account	EUR million	2.088	2.110
Expenses on insurance claims for own account	EUR million	1.602	1.694
Loss ratio for own account[1)]	%	76,7	80,4
Expenses for insurance operations for own account	EUR million	429	518
Expense ratio for own account[2)]	%	20,6	24,5
Underwriting result before equalisation reserve for own account	EUR million	-11	-103
Combined ratio for own account[3)]	%	97,3	104,9
Investments	EUR million	7.911	7.653
Investment income	EUR million	259	263
Non-underwriting result [4)]	EUR million	87	146
Result from ordinary activities	EUR million	36	85
Tax expense	EUR million	31	34
Loss (–)/ profit transferred under a profit-and-loss transfer agreement	EUR million	4	51
Operating profit/loss (result from ordinary activities less changes in the equalisation reserve)	EUR million	76	43
Capital, reserves and underwriting provisions			
Equity	EUR million	409	407
Subordinated liabilities	EUR million	200	200
Equalisation reserve and similar provisions for own account	EUR million	717	677
Other underwriting provisions for own account[5)]	EUR million	6.519	6.203
Total	EUR million	7.845	7.487
Of earned premiums for own account	%	375,7	354,8
Ratio of underwriting provisions for own account[6)]	%	282,6	269,0
Insurance contracts	1,000	711	795
Reported claims	1,000	203	244
Average number of employees throughout the year	Number	2.835	2.866

1) Expenses on insurance claims for own account as a percentage of premiums earned for own account
2) Expenses on insurance operations for own account as a percentage of premiums earned for own account
3) Sum of expenses on insurance claims for own account and expenses on insurance operations for own account as a percentage of earned premiums for own account
4) Sum of net investment income and other comprehensive income
5) Excluding provision for premium refunds
6) Provision for outstanding claims for own account as a percentage of earned premiums for own account

For computational reasons, the tables may show rounding differences of +/- one unit count. Monetary amounts that are smaller than EUR 0.5 thousand are shown as ‚0‘. Figures that are not available for the Company are marked with an ‚n-dash‘.

Contents

Ladies and Gentlemen,

For us and our customers, financial year 2020 was entirely dominated by the coronavirus pandemic. After global economic growth had already weakened in 2019, the outbreak of the coronavirus pandemic as well as the associated intermittent cessation of public life provided for an unprecedented collapse of economic activity in the first half of 2020. Whether losses as a result of business interruptions, the cancellation of events or the interruption of supply chains, the effects of the coronavirus pandemic could be felt in nearly all sectors of the economy around the world.

Nevertheless, we increased our gross premium income in the year just ended by EUR 75 million to around EUR 4.5 billion (previous year: around EUR 4.4 billion). This very satisfying increase resulted primarily from portfolio growth in the third-party liability and all-risk insurance business. This is to be seen alongside targeted measures to boost the profitability of the portfolio, in particular in the other property lines – motor insurance and casualty – with shrinking portfolios. The restructuring measures initiated in the fire insurance business in 2018 continue to show clear successes.

Looking at the underwriting result, the effects of the coronavirus pandemic on our business become apparent. Above all to be noted here is that we stood by our customers even during this crisis, be it with risk management proposals or with payments for losses, for example due to consequences arising from the interruption of their business. At the same time, the high burden of claims due to the coronavirus crisis had a negative impact on our results. As a globally operating industrial insurer, we stand by our commitments and reimburse covered losses. The full extent of these expenses cannot be entirely foreseen at this time, but I can tell you that we are very well-prepared for expenses currently foreseeable as a result of the pandemic.

In addition to payments for losses, we have recognised provisions for premiums as a precaution for policies in which the amount of the insurance premium is tied to the volume of the policy holder’s revenue. Many of our customers were affected by business interruptions or the cancellation of events or had to accept losses in revenue.

The successes in boosting the profitability of our underwriting business become apparent when adjusted for losses and other effects of the coronavirus pandemic. We are making progress with the measures that have been initiated and remain on the right path. This can also be seen in the combined ratio – one of our most important management parameters. It improved from 104.9 percent to 97.3 percent. However, this does not reflect, for example, the provisions for premiums. Yet when we factor them into the calculation, the combined ratio increases to slightly over 100 percent.

What makes me optimistic is the market trend that we observed in the reporting period. We realised rate increases in nearly every line. With these increases we remain on a firm path to generating underwriting profits. Given the above, we will continue standing by our customers as a reliable partner. The terms and conditions must be risk-appropriate, fair and transparent for our customers as well as for us in order to ensure a long-term partnership on equal terms. This approach will continue to guide us in our operations in 2021.

But a lot changed for HDI Global as well in 2020. In July we kicked off our strategy programme HDI Global 4.0. With the Group strategy as a starting point, the programme represents the impetus for far-reaching changes at HDI Global. The objective is a revised culture, a sustainably successful business model and a leading role for our Company in the global market in the long term. Periodic surveys of our employees worldwide show us that the initiated changes are well-received and are already being put into action.

However, a guiding principal is even more important in times of change. Therefore, in the second half of 2020 we defined our vision of what motivates us in our daily work. This vision is:

“Pioneering value driven insurance solutions globally”

For HDI Global it is not merely a matter of selling insurance policies. Instead, we want to create value for our costumers and for society. A current example for HDI Global’s contribution to the general well-being is that we are actively supporting worldwide efforts to develop a coronavirus vaccine by providing suitable insurance solutions.

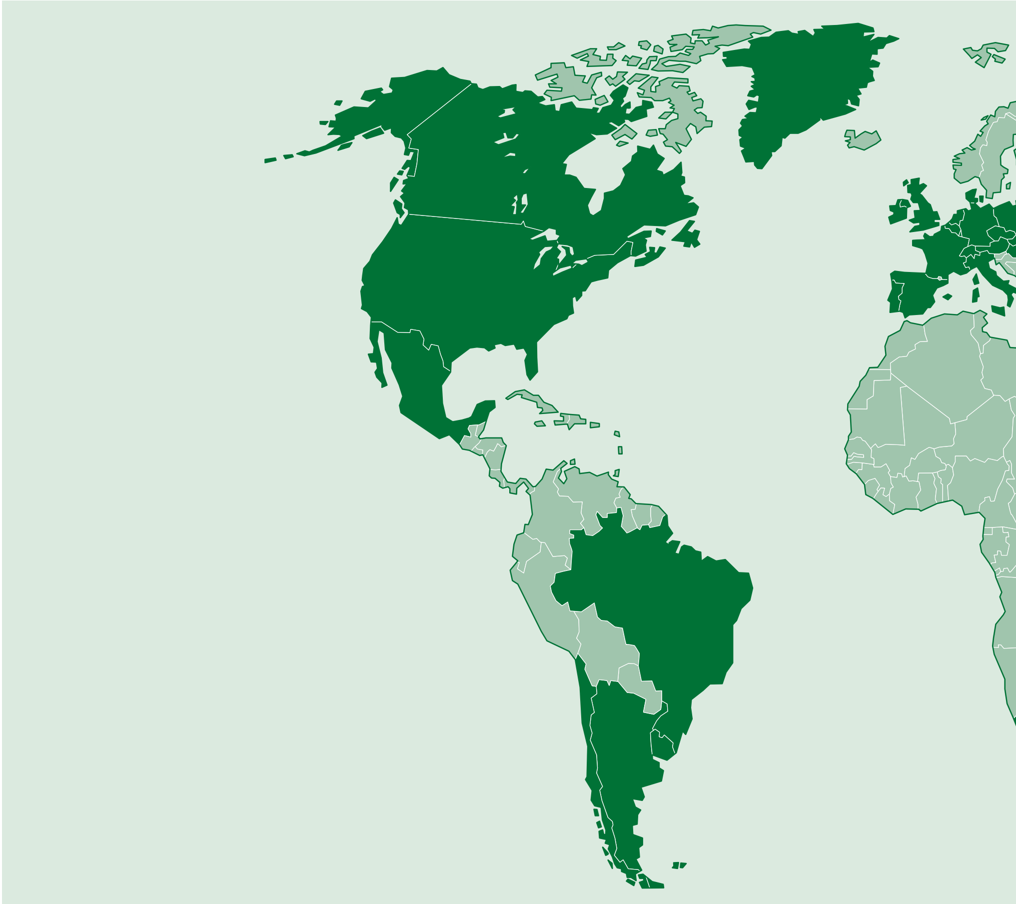
Despite the unprecedented challenges posed by the coronavirus pandemic in 2020, we pursued our path with resolve, accomplished a lot and have also broken new ground. My colleagues on the Board of Management and I would like to specifically thank our employees around the world, who had to work remotely from one day to the next and nevertheless continued to serve our customers at all times. Taking quick action, constantly adjusting to new situations, maintaining a spirit of cheerful cooperation among their fellow employees – our purpose “Together we take care of the unexpected and foster entrepreneurship” could be observed every single day despite the physical separation needed to maintain the requisite social distance as a result of the coronavirus.

We would of course also like to thank our customers and business partners for their trust in our performance. Providing high-quality insurance protection for our policy holders, innovative insurance solutions and risk consultation as equal partners – this is our highest priority, now and in the future.

Sincerely,

Dr Edgar Puls
Chairman of the Board of Management of HDI Global SE

HDI world-wide*



Argentina
HDI Seguros S.A.
Buenos Aires

Australia
HDI Global SE
Sydney/Brisbane/Melbourne/Perth

Austria
HDI Versicherung AG
Vienna

Belgium
HDI Global SE
Brussels/Antwerp

Brazil
HDI Global Seguros S.A.
São Paulo/Porto Alegre

Canada
HDI Global SE
Toronto

Chile
HDI Seguros S.A.
Santiago

China
HDI Global SE
Hong Kong

Czech Republic
HDI Versicherung AG
Prague

Denmark
HDI Global SE
Copenhagen

France
HDI Global SE
Paris/Lyon

Germany
HDI Global SE
Hannover

Greece
HDI Global SE
Athens

Hungary
HDI Versicherung AG
Budapest

India
Magma HDI General Insurance Company Limited
Mumbai
(minority interest)

Ireland
HDI Global SE
Dublin

Italy
HDI Global SE
Milan/Genova

Japan
HDI Global SE
Tokyo

Malaysia
HDI Global SE
Labuan

Mexico
HDI Global Seguros S.A.
Mexico City

The Netherlands
HDI Global SE
Rotterdam/Amsterdam

HDI-Gerling Verzekeringen N.V.
Rotterdam

Vietnam
PVI Insurance Corporation
Hanoi

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

Russia
HDI Global Insurance
Limited Liability Company
Moscow

Singapore
HDI Global SE
Singapore

Slovakia
HDI Versicherung AG
Bratislava

South Africa
HDI Global SA Limited
Johannesburg

Spain
HDI Global SE
Madrid/Barcelona

Switzerland
HDI Global SE
Zurich/Lausanne

Turkey
HDI Sigorta A.Ş.
Kadıköy/İstanbul

United Kingdom
HDI Global SE
London/Birmingham/Manchester/Glasgow

USA
HDI Global Insurance Company
Chicago/Kentucky/Los Angeles

*As at 22.02.2021

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

01 South German Iron and Steel Industry
Dr Benjamin 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
(until 15 December 2020)

Richard A. Hussmanns
Gummersbach
(until 15 December 2020)

Andrea Billig
Managing Director of HerkulesGroup
Services GmbH
Burbach
(since 1 June 2020)

03 North German Iron and Steel Industry
Dipl Jur Dirk M. Zschalich
Managing Director/Shareholder of
HEROSE GmbH,
Bad Oldesloe

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
Ernst-Michael Hasse
Chairman of the Advisory Board of Synflex
Group,
Synflex Elektro GmbH & Co. KG,
Lügde/Blomberg

Dr Jochen Kress
Managing Partner of
MAPAL Fabrik für Präzisionswerkzeuge
Dr. Kress KG,
Aalen

06 Companies in the South German Precious Metals and Non-precious Metals Industry
Mag Heimo Hübner
Managing Partner of
MS-Schramberg GmbH & Co. KG,
Magnet- und Systemlösungen,
Schramberg-Sulgen

10 Mining Companies
Dr Jürgen Rupp
Member of the Board of Management of
RAG-Foundation,
Essen

20 Chemicals Companies
Dr Christof Günther
Managing Director of
InfraLeuna GmbH,
Leuna

Dr Reinhard Uppenkamp
Chairman of the Board of Management of
Berlin-Chemie AG,
Berlin
(until 31 December 2020)

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

31 Breweries and Malthouses
Stephan Fahrig
Managing Director of
Bitburger Braugruppe GmbH,
Bitburg

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

40 Paper and Printing Companies
Dipl-Kfm Lambert Lensing-Wolff
Managing Partner of
Lensing Media GmbH & Co. KG,
Dortmund

55 Ceramics and Glass Companies
Dipl-Kfm Josef Kallmeier
Managing Director of Porzellanfabriken
Christian Seltmann GmbH,
Weiden

58 Medical and Welfare Services
Dr Andreas Tecklenburg
Hannover

60 Wood and Lumber Companies
Dr Peter M. Hamberger
Managing Director of
Hamberger Industriewerke GmbH,
Stephanskirchen

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

81 Building and Building Materials
Industry
Christian Schnieder
Rheda-Wiedenbrück

82 Banks, Insurance Companies,
Administration, Liberal Professions
Dipl-Kfm (FH) Jens Bruns
Managing Director/Shareholder of
Gehrke Econ Steuerberatungsgesellschaft
mbH,
Isernhagen
(since 1 June 2020)

Walter Eßer
Lawyer,
Aachen
(until 15 December 2020)

Christian Fahr
Owner Fahr Architekten BDA,
Hannover
(since 1 June 2020)

Dipl Ing Gerhard Heidbrink
Sehnde
(until 15 December 2020)

Dr med Danny König
Medical Director of DaVita
Südniedersachsen GmbH,
Dialysis Centres Bad Münder and
Stadthagen,
Bad Münder
(since 1 June 2020)

Dr med Hans-Ulrich Küver
Neurologist and Psychiatrist,
Hannover
(until 15 December 2020)

Peter Wölker
Lawyer,
Ostbevern
(until 15 December 2020)

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

84 Energy and Utility Companies
Dipl Volkswirt Markus Scheib
Managing Partner of
MiRO MineraloelraffinerieOberrhein GmbH
& Co. KG,
Karlsruhe
(until 15 December 2020)

Governing bodies of the Company

Supervisory Board

Torsten Leue
Chairman
Hannover
Chairman of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V. a. G. and of Talanx AG

Ulrich Weber
Deputy Chairman
Krefeld
Attorney-at-law

Dr Joachim Brenk
Lübeck
Chairman of the Board of Management of L. Possehl & Co. mbH

Dr Michael Ollmann
Hamburg
Management Consultant

Sebastian Gascard*
Isernhagen
In-house Company Lawyer (Liability Underwriter)
HDI Global SE

Jutta Mück*
Diemelstadt
Account Manager
Sales Industrial Lines
HDI Global SE

* Employee representative

Board of Management

Dr Edgar Puls
Chairman

Member of the Board of Management responsible for
- the Chairman duties as stipulated under the Rules of Procedure
- Compliance
- Internal Auditing
- Human Resources
- Corporate Development

as well as
Member of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G. and of Talanx AG

Yves Betz
Member of the Board of Management responsible for
- Region Europe
- Region Americas (North and South America)

Dr Mukadder Erdönmez
(since 01.09.2020)
Member of the Board of Management responsible for
- Liability insurance and legal protection insurance
- Cyber insurance

Frank Harting
(until 30.06.2020)

Dr Christian Hermelingmeier
(since 01.09.2020)
Member of the Board of Management responsible for
- Accounting
- Premium Collections
- Cash Management, ALM Capital Management
- Controlling, Investment Controlling
- Money Laundering Prevention
- Risk Management
- Actuarial Function
- Coordination of passive reinsurance

David Hullin
Member of the Board of Management responsible for
- Property insurance (fire insurance and engineering insurance)
- Marine insurance
- Motor insurance
- Risk Engineering

Clemens Jungsthöfel
(until 31.08.2020)

Dr Thomas Kuhnt
Member of the Board of Management responsible for
- Operations and IP administration
- IT demand and major projects
- Technical Pricing and Guidance
- Group accident insurance

Andreas Luberichs
(since 01.07.2020)
Member of the Board of Management responsible for
- Region Germany
- Advisory Council

Jens Wohlthat
Member of the Board of Management responsible for
- Region East: Africa, APAC, Russia
- HDI Global Network
- Specialty Business
- Aviation insurance
- Strategic investments

Report of the Supervisory Board

The Supervisory Board monitored the conduct of the business by the Board of Management in the past financial year 2020 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 held three ordinary meetings on 6 March 2020, 26 August 2020 and 5 November 2020 and two extraordinary meetings on 12 June 2020 and 6 August 2020.
During these meetings, the reports of the Board of Management on the current financial year and the economic and financial performance of the Company were discussed in detail. As part of the written and verbal reporting, the Supervisory Board was also informed about the Company's risk position as well as any changes that had occurred together with their causes.

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. During the 2020 financial year, there was no occasion for the Supervisory Board to undertake examinations within the meaning of section 111(2) of the German Stock Corporation Act (AktG).

The Supervisory Board's Personnel Committee convened for four meetings in the reporting period and made recommendations to the full Supervisory Board regarding resolutions, in particular with respect to the composition of the Board of Management as well as the remuneration of its members. With a view to section 87(1) AktG, horizontal and vertical remuneration aspects were applied in comparison and orientation.

Points of focus for the deliberations in plenary sessions

The consultation of the Supervisory Board focused, among other things, on the future strategic orientation of the Company, the course of restructuring activities, the handling of the coronavirus pandemic and the digital transformation. Furthermore, the operational planning of the Company for financial year 2021 was discussed in detail.
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 satisfied itself that the internal control and risk management systems were performing well and received ongoing reports on this from the Board of Management.

Audit of the annual financial statements
The annual financial statements as at 31 December 2020 as well as the management report presented by the Board of Management, including the accounting, were audited by PricewaterhouseCoopers GmbH, 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 PricewaterhouseCoopers GmbH audit reports were forwarded to all Supervisory Board members on a timely basis.

The independent auditor was present at the meeting that discussed the annual financial statements and the management report to report on the conduct of the audit, and was available to the Supervisory Board to provide further information. The Supervisory Board discussed the annual financial statements prepared by the Board of Management, 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 sections 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 section 289 HGB and conformed to the statements in the reports to the Supervisory Board pursuant to section 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 4 March 2021, which are thereby adopted. The management report, and in particular the statements made therein regarding the future development of the Company, were also approved.

Composition of the Supervisory Board and the Board of Management
The composition of the Supervisory Board did not change in the 2020 reporting period.

Mr Frank Harting and Mr Clemens Jungsthöfel stepped down from the Board of Management effective upon the expiry of 30 June 2020 and 31 August 2020, respectively. Andreas Luberichs was appointed as a new member of the Board of Management effective 1 July 2020 and Dr Mukadder Erdönmez and Dr Christian Hermelingmeier were appointed effective 1 September 2020.

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, 4 March 2021

On behalf of the Supervisory Board

Torsten Leue
(Chairman)

Management report

Basic principles of the Company

HDI Global SE is an entity of the Talanx Group and bundles the worldwide operations in the Industrial Lines Division. It is a wholly owned subsidiary of Talanx AG headquartered in Hannover, Germany.

For decades, HDI Global SE has been one of the leading insurance providers of corporate groups, industry and small and medium-sized enterprises in Europe. As a strong and expert partner, the Company comprehensively covers the need for tailor-made insurance solutions for industrial and commercial customers from the trade, production and service sectors. Beyond its prominent presence in the German market, the Company conducts significant activities in more than 140 countries through foreign branch offices, subsidiaries and fellow subsidiaries as well as a network of partners. One of HDI Global SE's strategic objectives is globalisation in order to serve globally active clients with local policies even better by providing the specified service and insurance protection worldwide for all risks included.

From third-party liability, motor insurance, accident as well as fire and property insurance to marine, financial lines and engineering insurance: HDI Global SE offers the complete range of products for the coverage of entrepreneurial risks. Global coverage in the form of international insurance programmes demonstrates in particular the operational capabilities of the Company.

Report on economic position

Macroeconomic and industry-specific environment

Macroeconomic development

After global economic growth had already weakened in 2019, the outbreak of the coronavirus pandemic and the associated intermittent cessation of public life provided for a sharp collapse of economic activity in the first half of 2020. Despite the subsequent recovery, global economic output decreased in 2020 compared with the previous year – for only the second time in the past 40 years after 2009.

In Germany, this development was reflected in a sharp decrease in exports. In addition, consumer spending collapsed during the government-mandated lockdown. Gross domestic product decreased by 4.9% in 2020 compared with the previous year. The eurozone economy contracted at an expected rate of 6.8% (previous year: + 1.3%), which was even worse than in Germany due to the more severe course of the pandemic in many countries. However, the ECB's once again more expansive monetary policy thanks to the launching of a new bond purchase programme as well as extensive political relief efforts, such as short-term working schemes and financial support payments to businesses and private households, temporarily prevented an even sharper decrease in economic output as well as a dramatic increase in unemployment in 2020.

In the USA, the Federal Reserve and the US Government also reacted to the pandemic with numerous measures. The fiscal stimulus alone amounted to around USD 3.8 trillion. This helped consumer spending – the US economy's main driver of growth – to a remarkable recovery, in particular thanks to stimulus checks and unemployment benefits. Nevertheless, the USA also recorded a decrease in economic output of 3.5% in 2020 compared with the previous year (+2.2%). Thus, an upswing of more than ten continuous, uninterrupted years came to an end.

The economic effects of political developments such as the US presidential election in November or the UK's exit from the EU at the end of the year were of lesser importance in this environment.

The coronavirus pandemic also left its mark on developing countries. Yet thanks to successful measures taken to safeguard the health of their citizens, many Asian countries can look back on comparatively modest development in particular with regard to the course of the pandemic and its economic consequences. This applies first and foremost to China, whose economy was negatively impacted by the pandemic about one quarter earlier than the rest of the world and which saw signs of recovery already in the spring. Thus, the People's Republic of China was one of the few G-20 nations whose economic output increased in 2020 compared with the previous year. But at 2.3%, the rate of growth was lower than it has been since the 1970s.

The slump in demand due to the coronavirus provided for clearly declining price momentum around the world in 2020. The price of oil also collapsed. In light of an excess of supply, the price for WTI crude oil even slid into negative territory temporarily, despite OPEC's countermeasures. The annual average rate of inflation fell from 1.2% to 0.3% in the eurozone and from 1.8% to 1.2% in the USA.

All major central banks took action to stem the consequences of the pandemic by easening their monetary policies. The US Federal Reserve lowered its key interest rate to 0.00–0.25% and launched various bond purchasing and liquidity programmes. The ECB beefed up its funding operations for banks at improved terms and conditions and expanded its bond purchases as part of new and existing programmes.

Capital markets

The trend in 2020 on the international financial markets was also dominated by the coronavirus pandemic. Following the spread of the virus around the world, stock markets plummeted by around 30% in February/March, the price of oil collapsed and risk premiums for corporate bonds rose significantly. By contrast, government bonds – regarded as safe – were sought out, for example German government bonds or US Treasuries, whose yields had fallen to new historic lows. A countertrend was subsequently observed already by the end of March that was supported over the remaining course of the year, among other things, by the comprehensive monetary and fiscal reaction to the crisis as well as by advances in the development of vaccines beginning in autumn.

Against this background, the annual performance of the most important US indices shifted into positive territory for the year as a whole; for example, the S&P 500 increased by 16.3%. The DAX also recorded a net increase (+3.6%), whereas the EURO STOXX (–1.6%) just missed breaking even. However, these developments, which were impressive in light of the crisis, pale when compared with China (+27.0%) and Asian emerging markets as a whole (+ 26.0%). The yields of 10-year German government bonds rose from their all-time low of –0.86% to –0.57%, while yields on US Treasuries of the same maturity increased more clearly from 0.51% to 0.91%. Nonetheless, bond purchases by central banks prevented sharper yield increases and also provided for striking declines in risk premiums not only on corporate bonds but also on Southern European government bonds, whose yields had reached new all-time lows. On the other hand, gold was sought after as a "safe-haven" currency. The price of gold in summer climbed above the level of USD 2,000 per ounce for the first time, supported by a weaker US dollar (the USD/EUR exchange rate increased by slightly less than 10% over the course of the year to 1.23). The net increase year-on-year was around 25%.

International insurance markets

In light of the coronavirus crisis, the international property/casualty insurance business proved to be robust. In 2020, slight premium growth overall was recorded that was higher in emerging markets than in developed insurance markets.

Losses caused by natural disasters in the reporting period clearly exceeded those of the previous year – both total losses as well as insured losses. The largest loss was caused by a severe flood in China lasting from May until July, followed by Cyclone "Amphan" in the Bay of Bengal. With respect to insured losses, the most severely affected region was North America, where there was a record number of hurricanes in 2020, with Hurricane "Laura" in August as the most costly. In addition, the year brought considerably higher severe storm damage in the USA than in the previous year and the largest forest fires ever to take place in California and Colorado. In Europe, the overall impact of natural disasters was comparatively mild.

Among developed insurance markets, North America – at a low level – exhibited the strongest growth, whereas a slight decrease in premiums was recorded in Europe. The positive trend in emerging markets can be attributed to significant growth in China, while dwindling premium income was recorded for all other emerging markets. In Latin America, this can be attributed, among other things, to motor insurance, which suffered from fewer sales of new vehicles as a result of economic developments as well as due to Covid-19. Rising premiums in commercial property insurance provided added stimulus in all regions.

The trend in international Property/Casualty reinsurance was significantly influenced by the effects of the coronavirus pandemic, which sent expenses from major losses skyrocketing, in particular in lines such as business interruption insurance, event cancellation and trade credit insurance and led to retroactive appropriations for reserves. In light of the increased uncertainty, the trend of price increases, which was already observed at the beginning of 2020, continued in the wake of contract renewals during the course of the year.

German insurance industry
In property/casualty insurance, the German insurance industry recorded weaker premium growth in 2020 than in the previous year. As a result of the pandemic, lower premium income in the motor insurance line stood in contrast to overall stable development in property insurance.

Total claims payments were below the previous year's level. The coronavirus lockdowns may have led to higher payments in individual lines; for example, for plant closings or cancelled events. But other lines recorded lower expenses because, among other things, there were fewer traffic and leisure accidents, fewer burglaries and also fewer insolvencies thanks to the suspended obligation to file for insolvency. The natural hazards balance of German property insurers was considerably lower in 2020 than the long-term average. There were no serious natural disasters.

Legal and regulatory environment

Insurance companies (primary insurers and reinsurance companies), banks and asset management companies are subject to comprehensive legal and financial supervision by supervisory authorities around the world. In the Federal Republic of Germany, this is the responsibility of the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht; BaFin). In addition, there are extensive legal requirements for business activities. In recent years, the regulatory framework has become more stringent, which has led to increasing complexity. This trend continued in 2020.

Extensive statutory requirements under the Insurance Distribution Directive (IDD) that were transposed into national law in Germany on 23 February 2018 were implemented across HDI Global SE. The IDD aims to protect consumer interests with respect to product development and the distribution of insurance products and formulates guidelines for product monitoring and the governance of insurance products. These topics are subject to monitoring in the Company and are adapted, as necessary, to revised requirements.

On 25 January 2017, the BaFin published Circular 2/2017 (VA) regarding the Minimum Requirements under Supervisory Law on the System of Governance of Insurance Undertakings (Mindestanforderungen an die Geschäftsorganisation von Versicherungsunternehmen; MaGo). From the perspective of the supervisory authority, it explains overarching aspects of business organisation ("system of governance") as well as central terms such as "proportionality", "management boards" and "supervisory boards". Regardless of the lack of direct legally binding obligation of this Circular, the MaGo will also be taken into consideration in the structure of the Group's organisation, in particular in the areas of general governance, key functions, the risk management system, requirements on own funds, the internal control system, outsourcing and business continuity management.

With the entry into force of the amended Money Laundering Act in Germany on 10 January 2020, financial companies that hold interests in the financial institution or insurance sector are now "obliged entities" as defined under the Money Laundering Act. In addition, as the parent company, HDI V.a.G. must fulfil group-wide duties for the obliged entities under the Money Laundering Act. For the implementation of the requirements, an office was set up in the Compliance area with group-wide responsibility to ensure by means of uniform preventative measures and rules that the obligated Group entities in Germany, the European Union and non-EU countries are not abused for money laundering or the financing of terrorism. For this purpose, among other things, a Group Anti-Money Laundering (AML) Officer was appointed for HDI V.a.G. with two deputies, and a new Group Money Laundering Guideline was adopted. The implementation of the corresponding requirements was for the first time a subject of the audit of the annual financial statements as of 31 December 2020.

Digitalisation has increased in significance in recent years. This is accompanied by a transition to digital, data-based business models; the resulting legal issues and challenges with a focus on IT security are also playing an increasingly important role for HDI Global SE.

With Circular 10/ 2018 regarding Supervisory Requirements for IT in Insurance Undertakings (Versicherungsaufsichtsrechtliche Anforderungen an die IT; VAIT), the BaFin provided instructions for interpreting the provisions governing business organisation in the Insurance Supervision Act (Versicherungsaufsichtsgesetz; VAG) insofar as they relate to the companies' technical/organisational provisioning. The same applies with respect to Circular 11/2019 regarding Supervisory Requirements for IT in German Asset Managers (Kapitalverwaltungsaufsichtlichen Anforderungen an die IT; KAIT). These Circulars are updated and expanded on an ongoing basis. Furthermore, the agency published guidance for outsourcing to cloud providers. In addition, there were regulatory initiatives this year at the level of the EU and in Germany for the development, implementation and use of artificial intelligence that also affect the insurance industry and whose development and concrete effect on the Talanx Group is being observed.

In HDI Global SE we handle extensive personal data, among other things, for the processing of applications and payments as well as the execution of contracts. In order to ensure compliance with data protection requirements, such as the EU General Data Protection Regulation (GDPR) and the German Federal Data Protection Act (Bundesdatenschutzgesetz – BDSG), the data protection management system is designed to advise and monitor the requirements. Employees are sensitised to the careful handling of data (training) and are committed in writing to compliance with data protection requirements. For process-independent data protection requirements, such as the commissioning of service providers, central procedures must be observed. The same applies to the data protection rights of customers, shareholders and employees.

Compliance with applicable laws is a requirement for the permanently successful operations of HDI Global SE. The Company pays close attention to adapting its business and products to the legal, regulatory and tax environment. The mechanisms installed for this purpose ensure that future legal developments and their effects on our business activities are identified and evaluated at an early stage so that we can make the necessary adjustments in good time.

Business performance

Insurance business as a whole

	2020	2020	2019	2019
EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	4,524	2,133	4,449	2,069
Premiums earned	4,406	2,088	4,522	2,11
Expenses for insurance claims	2,69	1,602	3,101	1,694
Expenses for insurance operations	818	429	898	518
Underwriting result for own account		-51		-61
In %				
Loss ratio*	61.1	76.7	68.6	80.3
Expense ratio**	18.6	20.6	19.9	24.6
Combined ratio***	79.6	97.3	88.4	104.9

** Expenses on insurance claims as a percentage of premiums earned.*

*** Expenses on insurance operations as a percentage of premiums earned.*

**** Sum of expenses on insurance claims and expenses on insurance operations as a percentage of premiums earned.*

HDI Global SE's gross written premiums increased more than expected in the reporting period by EUR 75 million to EUR 4,524 (4,449) million. This is in particular due to portfolio growth in the third-party liability and all-risk insurance lines, which is to be seen alongside targeted measures to boost the profitability of the portfolio, in particular in the other property lines – motor insurance and casualty – with shrinking portfolios.

Gross premiums for the financial year

EUR million, %		
Liability insurance	1,380	30.5
All-risk insurance	1,380	30.5
Engineering Insurance	443	9.8
Motor insurance	412	9.1
Marine and aviation insurance	429	9.5
Fire insurance	185	4.1
Other Insurance	197	4.4
Casualty insurance	99	2.2
Total	**4,524**	**100.0**

Net premiums earned declined compared with gross premiums earned with a decrease of EUR 22 million to EUR 2,088 (2,110) million, which can be attributed primarily to the cession of the specialty business to HDI Global Specialty.

Despite the significant expenses as a consequence of the coronavirus pandemic, gross claims expenses fell in the reporting period by EUR 410 million to EUR 2,691 (3,101) million. Claims expenses for the financial year decreased by EUR 244 million, which resulted in particular from the restructuring of the fire and motor insurance lines. The run-off profit increased by EUR 166 million year-on-year to EUR 528 (362) million. As expected, the gross loss ratio decreased significantly by 7.5 percentage points to 61.1% (68.6%).

Due to lower reinsurance relief, the aforementioned effects were less evident in the net expenses for claims, which declined by EUR 92 million to EUR 1,602 (1,694) million. Overall, the net loss ratio improved by 3.6 percentage points to 76.7% (80.3%).

Gross commission expenses fell noticeably by EUR 40 million to EUR 476 (516) million, which can be attributed primarily to the transfer of business earning high commissions to HDI Global Specialty SE. There was a disproportionately large decrease in gross administrative expenses of EUR 40 million to EUR 342 (382) million when compared with premiums earned, which led to a considerable overall decrease in the expense ratio on a gross basis beyond what was expected by 1.3 percentage points to 18.6% (19.9%). This trend continued on a net basis, as the decrease in net expenses for insurance operations of EUR 89 million to EUR 429 (518) million results in a significantly lower net expense ratio of 20.6% (24.6%).

The combined ratio reflected the aforementioned effects and decreased as expected on a gross basis to 79.6% (88.5%) and on a net basis to 97.3% (104.9%).

Overall, a slightly improved underwriting result of EUR -51 (-61) million was achieved. In addition to the aforementioned effects, the result includes an expense from the increase in other net underwriting provisions in the amount of EUR 62 (4) million. It also includes an allocation to the equalisation reserve in the amount of EUR 40 million after a withdrawal of EUR 41 million

Direct written insurance business

Liability Insurance

	2020	2020	2019	2019
EUR million	**Gross**	**Net**	Gross	Net
Premiums	1,089	598	1,016	489
Premiums earned	1,059	582	1,016	490
Expenses for insurance claims	773	490	785	468
Expenses for insurance operations	171	86	187	102
Underwriting result for own account		-20		-20
In %				
Loss ratio	73.0	84.2	77.3	95.6
Expense ratio	16.2	14.8	18.4	20.8
Combined ratio	89.2	99.0	95.7	116.4

Liability insurance mainly covers commercial general liability (CGL). In addition, the special lines, personal, pharmaceutical, planning, medical malpractice and nuclear facility liability insurance lines and pecuniary loss liability insurance for governing bodies as well as the US casualty business currently being liquidated are presented under this item.

Gross written premiums were successfully increased in the financial year by a total of EUR 73 million to EUR 1,089 (1,016) million. The reason for the increase is growth in foreign markets. Net premiums earned increased year-on-year by EUR 92 million to EUR 582 (490) million due to higher gross premiums and lower restoration fees including lower reinstatement premiums, among other things.

Gross expenses on insurance claims declined by EUR 12 million to EUR 773 (785) million. The run-off result showed a profit of EUR 49 million (given a loss of EUR 66 million in the previous year). Claims expenses for the financial year increased by EUR 103 million to EUR 822 (719) million, whereby an allocation to the reserve was recognised. The loss ratio for the financial year increased year-on-year to 77.6% (70.8%) and the loss ratio for the prior financial year fell to -4.6% (6.5%).

Net expenses for insurance claims rose by EUR 22 million to EUR 490 (468) million. Analogous to the development of gross expenses, this was due to the increase in claims expenses for the financial year. The net loss ratio decreased considerably in the financial year by 11.4 percentage points to 84.2% (95.6%).

Expenses for insurance operations amounted to EUR 171 (187) million on a gross basis and EUR 86 (102) million on a net basis. At 16.2% (18.4%), the gross expense ratio remained clearly below the previous year’s level, while the net expense ratio fell analogous to the gross ratio to 14.8% (20.8%).

The combined ratio reflected the developments described above and was equal to 89.2% (95.7%) for the gross ratio and 99.0% (116.4%) for the net ratio.

The liability insurance business showed an underwriting result of EUR -20 (-20) million after an allocation to the equalisation reserve in the amount of EUR 6 million (given a reversal in the previous year of EUR 60 million) as well as an expense from the increase in other net underwriting provisions in the amount of EUR 20 million (with a gain of EUR 1 million in the previous year

Fire insurance

	2020	2020	2019	2019
EUR million	**Gross**	**Net**	Gross	Net
Premiums	174	70	196	75
Premiums earned	178	73	201	80
Expenses for insurance claims	87	43	184	49
Expenses for insurance operations	31	17	37	19
Underwriting result for own account		-24		-28
In %				
Loss ratio	48.6	58.9	91.9	61.5
Expense ratio	17.4	23.0	18.4	23.7
Combined ratio	66.0	82.0	110.3	85.2

Gross premium income from industrial fire and fire business interruption insurance decreased in the financial year to EUR 174 (196) million. The decrease in premiums could be largely attributed to restructuring activities during the financial year. Net premiums earned declined by EUR 7 million and were equal to EUR 73 (80) million.

Gross expenses for claims incurred declined by EUR 97 million to EUR 87 (184) million. Claims expenses for the financial year were reduced in both the frequent loss area as well as the major loss area and decreased overall by EUR 47 million to EUR 88 million. The run-off result showed a slight profit of EUR 1 million (given a run-off loss of EUR 50 million in the previous year). The large run-off loss in the previous year can be attributed to an allocation to the reserve for a major loss.

The gross loss ratio fell by 43.3 percentage points to 48.6% (91.9%) due to declining gross expenses for insurance claims.

Net expenses for insurance claims decreased analogous to insurance claims on a gross basis, falling by EUR 6 million to EUR 43 (49) million. The net loss ratio fell accordingly by 2.6 percentage points to 58.9% (61.5%).

Gross expenses for insurance operations fell by EUR 6 million to EUR 31 (37) million. The gross expense ratio reflected a decrease to 17.4% (18.4%). The net expense ratio also declined by 0.7 percentage points to 23.0% (23.7%). The combined ratio reflected the development described above and decreased to 66.0% (110.3%) on a gross and to 82.0% (85.2%) on a net basis.

After additions to the equalisation reserve in the amount of EUR 33 (32) million, the net underwriting result for the financial year was EUR -24 (-28) million.

Motor insurance

	2020	2020	2019	2019
EUR million	**Gross**	**Net**	Gross	Net
Premiums	386	360	424	394
Premiums earned	383	357	428	398
Expenses for insurance claims	277	254	357	339
Expenses for insurance operations	66	60	74	68
Underwriting result for own account		56		-22
In %				
Loss ratio	72.3	71.2	83.3	85.2
Expense ratio	17.2	16.9	17.3	17.1
Combined ratio	89.5	88.1	100.6	102.3

The decrease in premiums from the previous year also continued in 2020. Gross written premiums in the motor insurance line decreased in the financial year by EUR 38 million to EUR 386 (424) million. While gross written premiums at the foreign branches continued to increase slightly to EUR 123 (121) million, gross written premiums in Germany decreased considerably by EUR 39 million to EUR 264 (303) million. This decrease is due to contract terminations that could not be compensated by new business and the agreement of additional premiums. The reduction in gross premiums earned turned out larger due to different policy renewal dates with respect to additions and disposals: It fell by EUR 45 million to EUR 383 (428) million.

Net premiums earned decreased analogous to premiums earned on a gross basis by EUR 41 million to EUR 357 (398) million.

Gross expenses on insurance claims declined significantly by EUR 80 million and were equal to EUR 277 (357) million. In addition to the smaller portfolio in the financial year and a successful underwriting policy, in particular the easing of claims activity as a consequence of the Covid-19 pandemic with its lockdowns was crucial for this trend. There was a disproportionately large decrease in the number of claims as a result, which was also reflected in a considerable decrease of EUR 80 million to EUR 304 (384) million in claims expenses for the financial year. In contrast, run-off profit fell year-on-year by EUR 2 million to EUR 26 (28) million. The gross loss ratio of 72.3% (83.3%) was considerably lower than in the previous year.

Parallel to the development on a gross basis, net expenses for insurance claims dropped to EUR 254 (339) million. The net loss ratio fell to 71.2% (85.2%).

Gross expenses for insurance operations decreased and were equal to EUR 66 (74) million, whereby administrative expenses on a gross basis fell to EUR 38 (44) million and commission expenses fell to EUR 27 (30) million. This reflects in particular the decreasing size of the portfolio and the gross expense ratio thus remained nearly constant at 17.2% (17.3%). At 16.9% (17.1%), the net expense ratio was likewise slightly lower than in the previous year.

The combined ratio reflected the aforementioned developments, falling to 89.5% (100.6%) on a gross basis and to 88.1% (102.3%) on a net basis.

An underwriting result of EUR 56 (-22) million remained for the financial year after a withdrawal from the equalisation reserve in the amount of EUR 22 million (with an addition of EUR 12 million in the previous year).

Marine and aviation insurance

	2020	2020	2019	2019
EUR million	**Gross**	**Net**	Gross	Net
Premiums	328	224	342	248
Premiums earned	325	223	348	250
Expenses for insurance claims	203	160	254	203
Expenses for insurance operations	71	58	85	74
Underwriting result for own account		-19		-21
In %				
Loss ratio	62.3	72.0	73.1	81.0
Expense ratio	21.8	26.1	24.5	29.7
Combined ratio	84.1	98.0	97.6	110.6

Gross written premiums for the marine and aviation insurance business decreased in the financial year by EUR 14 million to EUR 328 (342) million, whereby the marine line recorded a decrease of EUR 16 million that can be attributed in particular to other European countries. In contrast, the aviation line recorded a slight increase in premiums of EUR 1 million to EUR 18 (17) million, in particular in the general aviation business.

Gross expenses for claims incurred fell overall by EUR 51 million to EUR 203 (254) million.

Gross expenses for the financial year in the marine insurance line fell considerably by EUR 88 million to EUR 229 (317) million, despite the expenses resulting from the coronavirus pandemic. The increase in the run-off result of EUR -30 (-64) million may have been positive, but was nevertheless smaller.

Gross expenses in the aviation insurance line fell for the financial year by EUR 2 million to EUR 8 (10) million. The run-off result decreased to a profit of EUR 4 (9) million.

The gross loss ratio fell in total by 10.8 percentage points to 62.3% (73.1%).

Net expenses on insurance claims declined by EUR 43 million to EUR 160 (203) million.

In the marine insurance line, the decrease in claims expenses for the financial year and the decrease in the run-off result followed the gross trend.

In the aviation insurance line, there is a quota share cession of 100% for the financial year. Net expenses for insurance claims in the aviation insurance line increased due to a run-off profit that decreased by EUR 4 million to EUR 2 (6) million.

The net loss ratio fell overall to 72.0% (81.0%) due to the positive loss trend.

Gross expenses for insurance operations decreased to EUR 71 (85) million in the financial year just ended. The expense ratios fell on a gross basis to 21.8% (24.5%) and on a net basis to 26.1% (29.7%). The combined ratio reflected the developments described above and fell to 84.1% (97.6%) on a gross basis and to 98.0% (110.6%) on a net basis.

After an allocation to the equalisation reserve in the amount of EUR 19 million (given a withdrawal of EUR 9 million in the previous year) as well as an expense from the increase in other net underwriting provisions in the amount of EUR 3 (1) million, the underwriting result for the financial year was EUR -19 (-21) million.

Engineering insurance

	2020	2020	2019	2019
EUR million	**Gross**	**Net**	Gross	Net
Premiums	331	160	321	173
Premiums earned	315	154	313	168
Expenses for insurance claims	185	97	276	127
Expenses for insurance operations	69	29	76	43
Underwriting result for own account		17		-2
In %				
Loss ratio	58.6	62.6	88.1	75.6
Expense ratio	22.0	19.0	24.4	25.6
Combined ratio	80.6	81.5	112.5	101.2

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

Gross written premiums in the engineering insurance line rose year-on-year to EUR 331 (321) million, which can be attributed primarily to premium growth in Germany. Net premiums earned amounted to EUR 154 (168) million due to the revised reinsurance structure.

Gross expenses on insurance claims for the financial year declined significantly by EUR 91 million to EUR 185 (276) million. Gross claims expenses for the financial year decreased by EUR 35 million to EUR 226 (261) million. Claims expenses were reduced in the area of high-frequency losses as well as large losses. In addition, there was a gross run-off profit of EUR 41 million (given a run-off loss of EUR 15 million in the previous year). As a result of these developments the gross loss ratio decreased by 29.5 percentage points to 58.6% (88.1%).

Net expenses for insurance claims fell by EUR 30 million to EUR 97 (127) million and were driven to a run-off profit of EUR 18 million (given a run-off loss of EUR 3 million in the previous year) as a result of both the decrease in net claims expenses of EUR 9 million for the financial year as well as through the increase of EUR 21 million in the run-off result. The net loss ratio decreased accordingly by 13.0 percentage points to 62.6% (75.6%).

Expenses for insurance operations fell to EUR 69 (76) million on a gross basis and to EUR 29 (43) million on a net basis. The expense ratio fell on a gross basis to 22.0% (24.4%) and on a net basis to 19.0% (25.6%).

The combined ratio reflected the developments described above and was equal to 80.6% (112.5%) for the gross ratio and 81.5% (101.2%) for the net ratio.

In addition to the aforementioned effects, there was also an expense from the increase in other net underwriting provisions in the amount of EUR 7 (1) million, so that an underwriting result of EUR 17 (-2) million remained overall for the financial year for the engineering insurance line.

Casualty insurance

	2020	2020	2019	2019
EUR million	**Gross**	**Net**	Gross	Net
Premiums	91	79	110	97
Premiums earned	91	79	111	97
Expenses for insurance claims	64	62	89	86
Expenses for insurance operations	23	21	26	24
Underwriting result for own account		-5		-3
In %				
Loss ratio	69.7	78.4	80.3	88.0
Expense ratio	25.0	26.6	23.0	24.1
Combined ratio	94.7	105.1	103.3	112.1

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

In the financial year, the casualty insurance line recorded a decrease in gross written premiums by EUR 19 million to EUR 91 (110) million. This development can be attributed primarily to a restructuring of the portfolio in a foreign branch. Similarly, the decrease in net premiums earned fell to EUR 79 (97) million.

Gross expenses for insurance cases decreased year-on-year by EUR 25 million to EUR 64 (89) million, which can likewise be attributed primarily to the restructuring of the portfolio. An increase in the run-off result was also recorded in the international business. The gross loss ratio fell accordingly by 10.6 percentage points to 69.7% (80.3%).

Net expenses on insurance claims declined by EUR 24 million to EUR 62 (86) million. The net claims trend followed the gross trend. The net loss ratio declined by 9.6 percentage points to 78.4% (88.0%).

Expenses for insurance operations decreased to EUR 23 (26) million on a gross basis and to EUR 21 (24) million on a net basis. This is mainly due to the trend in premiums. Both the gross expense ratio of 25.0% (23.0%) as well as the net expense ratio of 26.6% (24.1%) exceeded the previous year's level. The combined ratio reflected the developments described above, declining to 94.7% (103.3%) on a gross basis and to 105.1% (112.1%) on a net basis.

The financial year exhibited an underwriting result of EUR -5 (-3) overall. The underwriting result from the previous year includes a withdrawal from the equalisation reserve of EUR 10 million, whereas there was neither a withdrawal nor an allocation in the financial year.

All-risk insurance

	2020	2020	2019	2019
EUR million	**Gross**	**Net**	Gross	Net
Premiums	653	146	617	137
Premiums earned	628	135	617	138
Expenses for insurance claims	189	55	491	145
Expenses for insurance operations	107	20	109	37
Underwriting result for own account		28		-46
In %				
Loss ratio	30.1	40.5	79.6	104.9
Expense ratio	17.1	14.8	17.7	26.6
Combined ratio	47.2	55.3	97.3	131.5

The all-risk business includes the insurance classes all-risk property insurance and all-risk business interruption insurance.

In the financial year, the all-risk insurance line achieved an increase in gross written premiums by EUR 36 million to EUR 653 (617) million. This development can be attributed substantially to the foreign branches. Net premiums earned dropped to EUR 135 (138) million.

Gross expenses on insurance claims for the financial year declined by EUR 302 million to EUR 189 (491) million. Claims expenses for the financial year decreased by EUR 140 million to EUR 379 (519) million, despite the claims expense of EUR 35 million as a consequence of the coronavirus pandemic. Claims expenses were reduced in the area of frequency losses as well as large losses. There was a run-off profit of EUR 191 (29) million. As a result of these developments the gross loss ratio decreased by 49.5 percentage points to 30.1% (79.6%).

Net expenses for insurance claims fell by EUR 90 million to EUR 55 (145) million due to lower expenses for large losses and were driven both by the decrease in claims expenses for the financial year of EUR 48 million to EUR 115 (163) million as well as by the increase in run-off profit of EUR 42 million to EUR 60 (18) million. The net loss ratio decreased accordingly by 64.4 percentage points to 40.5% (104.9%).

Gross expenses for insurance operations for the financial year decreased to EUR 107 (109) million. At EUR 20 million, net expenses for insurance operations were EUR 17 million below the previous year's level. The expense ratios fell on a gross basis to 17.1% (17.7%) and on a net basis to 14.8% (26.6%). The combined ratios reflected the developments described above and were recorded at 47.2% (97.3%) for the gross ratio and 55.3% (131.5%) for the net ratio.

In addition to the aforementioned effects, there was also an expense from the increase in other net underwriting provisions in the amount of EUR 29 (1) million, so that an underwriting result of EUR 28 (-46) million is shown overall for the all-risk insurance.

Other insurance

	2020	2020	2019	2019
EUR million	**Gross**	**Net**	Gross	Net
Premiums	185	70	192	85
Premiums earned	183	70	193	85
Expenses for insurance claims	68	26	109	43
Expenses for insurance operations	41	18	47	23
Underwriting result for own account		25		19
In %				
Loss ratio	37.5	36.5	56.6	50.5
Expense ratio	22.3	25.7	24.4	26.4
Combined ratio	59.8	62.2	81.0	77.0

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. Furthermore, the multi-line and multi-risk products as well as the legal protection, crisis management and cyber classes that are available across all insurance lines, are included in the other insurance line.

On balance, gross written premiums in the other insurance line fell year-on-year to EUR 185 (192) million. A positive premium trend was only observed in the areas of cyber and legal protection, whereas there were premium losses in the other insurance classes either as a result of the Covid-19 pandemic or portfolio transfers to HDI Global Specialty SE. Net premiums earned decreased to EUR 70 (85) million analogous to the gross premium trend. Premiums and expenses for the financial year were ceded in full to HDI Global Specialty SE both for the legal protection as well as the crisis management business for financial year 2020.

Gross expenses for insurance claims incurred decreased by a total of EUR 41 million to EUR 68 (109) million. This was attributable to the run-off profit, which rose by around 38.9% to EUR 41 (29) million and was realised primarily in the extended coverage (EC) and multi-risk insurance classes. The gross loss ratio fell by a total of 19.1 percentage points and was at 37.5% (56.6%).

Net expenses for claims incurred declined by EUR 17 million to a total of EUR 26 (43) million. As a result, the net loss ratio fell considerably by 14.0 percentage points to a total of 36.5% (50.5%).

Gross expenses for insurance operations fell year-on-year by EUR 6 million to EUR 41 (47) million. Therefore, the gross expense ratio decreased to 22.3% (24.4%). Net expenses for insurance operations fell year-on-year by EUR 5 million to EUR 18 (23) million. As a result, the net expense ratio fell to 25.7% (26.4%). The combined ratios reflected the developments described above and were equal to 59.8% (81.0%) for the gross ratio and 62.2% (77.0%) for the net ratio.

There was an underwriting result of just under EUR 25 (19) million overall in the reporting period in the other insurance classes.

Business accepted for reinsurance

Total

EUR million	2020 Gross	2020 Net	2019 Gross	2019 Net
Premiums	1,287	427	1,232	371
Premiums earned	1,244	415	1,296	402
Expenses for insurance claims	845	415	556	234
Expenses for insurance operations	239	120	257	129
Underwriting result for own account		-109		61
In %				
Loss ratio	68.0	100.1	42.9	58.1
Expense ratio	19.2	28.9	19.8	32.1
Combined ratio	87.2	129.0	62.7	90.2

The business accepted for reinsurance predominantly represents the share of foreign premiums from international insurance programmes for which HDI Global SE 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 Global SE and subsidiaries of the Talanx Group, that have written policies in the respective countries in accordance with the specifications of HDI Global SE as well as the direct subsidiary HDI Global Network AG.

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

Gross premium income from business accepted for reinsurance amounted to EUR 1,287 (1,232) million in the financial year and therefore slightly exceeded the previous year's amount. The major part of this total, or EUR 727 (644) million, was attributable to the all-risk insurance line (including business interruption), followed by liability at EUR 291 (302) million and engineering insurance lines at EUR 111 (118) million.

Net premiums earned reflect the gross trend and at EUR 415 (402) million likewise slightly exceeded the previous year's amount.

Gross expenses for insurance claims increased considerably by EUR 289 million to EUR 845 (556) million in the financial year and were characterised in particular by losses from hurricanes in the US as well as pandemic-related losses. As a consequence of the loss impact, the gross loss ratio increased significantly by 25.1 percentage points to 68.0% (42.9%).

Net expenses for insurance claims rose by EUR 181 million and amounted to EUR 415 (234) million as a result of the higher loss expense on a gross basis. The net loss ratio was 100.1% (58.1%).

Expenses for insurance operations decreased by EUR 18 million to EUR 239 (257) million on a gross basis. This decrease is reflected in both commission expenses with a EUR 10 million decline to EUR 165 (175) million as well as in administrative expenses with a EUR 8 million decline to EUR 74 (82) million. However, at 19.2% (19.8%), the gross expense ratio was only 0.6 percentage points lower than in the previous year due to a decline in gross premiums earned. Net expenses decreased to EUR 120 (129) million. Given a simultaneous increase in net premiums earned, the result is a considerable decrease in the net expense ratio of 3.2 percentage points to 28.9% (32.1%). The combined ratios reflected the development described above, increasing to 87.2% (62.7%) on a gross basis and to 129.0% (90.2%) on a net basis.

Overall, a clearly lower underwriting result of EUR -109 (61) million was reported in the business accepted for reinsurance. This includes an allocation to the equalisation reserve in the amount of EUR 4 million (with a withdrawal of EUR 6 million in the previous year).

All-risk insurance

	2020	2020	2019	2019
EUR million	**Gross**	**Net**	Gross	Net
Premiums	727	206	644	148
Premiums earned	693	199	697	170
Expenses for insurance claims	499	270	203	134
Expenses for insurance operations	117	51	118	46
Underwriting result for own account		-115		-6
In %				
Loss ratio	72.1	135.8	29.1	79.1
Expense ratio	16.9	25.8	16.9	27.1
Combined ratio	89.0	161.5	46.0	106.2

Liability insurance

	2020	2020	2019	2019
EUR million	**Gross**	**Net**	Gross	Net
Premiums	291	134	302	127
Premiums earned	288	130	302	130
Expenses for insurance claims	146	70	78	36
Expenses for insurance operations	55	34	62	38
Underwriting result for own account		3		1
In %				
Loss ratio	50.8	53.7	26.0	27.4
Expense ratio	19.2	26.3	20.5	29.5
Combined ratio	70.0	79.9	46.5	56.9

Engineering insurance

	2020	2020	2019	2019
EUR million	**Gross**	**Net**	Gross	Net
Premiums	111	34	118	38
Premiums earned	107	35	123	40
Expenses for insurance claims	94	43	136	22
Expenses for insurance operations	30	12	37	21
Underwriting result for own account		-16		6
In %				
Loss ratio	87.7	123.5	110.1	56.1
Expense ratio	27.7	34.9	30.3	51.4
Combined ratio	115.4	158.4	140.4	107.5

Branch office report

Branches as representative offices of HDI Global SE in foreign markets

HDI Global SE maintains branches in foreign target markets in order to offer international customers a direct presence. HDI Global SE thereby develops additional growth opportunities outside of the domestic German market both in new markets as well as in new customer segments. The foreign branches represent a central component of HDI Global SE's strategy in foreign markets.

Branches of HDI Global SE

	2020	2020	2019	2019
EUR million, number	**Gross prem.**	**Employees***	Gross prem.	Employees*
Germany, Hannover	2,266	1,826	2,289	1,811
France, Paris	448	134	412	134
United Kingdom, London	363	105	319	104
The Netherlands, Rotterdam	301	217	299	293
Belgium, Brussels	207	79	228	91
Switzerland, Zurich	145	83	169	88
Spain, Madrid	133	78	133	85
Australia, Sydney	137	64	124	58
Italy, Milan	115	73	119	80
Japan, Tokyo	82	30	75	24
Canada, Toronto	81	25	67	22
Irland, Dublin	69	6	64	6
Greece, Athens	57	24	52	23
Singapore	49	25	45	21
China, Hong Kong	41	29	31	29
Denmark, Copenhagen	29	18	22	32
Malaysia, Labuan	2	1	2	0
Norway, Oslo	0	2	0	2
Bahrain, Manama	0	0	-1	0
Total	**4,524**	**2,819**	4,449	2,903

**Active core employees as at the reporting date.*

Key processes in individual branches

In August of the financial year, the Dutch subsidiary HDI Gerling Verzekeringen N.V., which had only been operated to process old claims, was merged with the Dutch branch of HDI Global SE retrospectively as of 1 January 2020. Furthermore, both the branches in France and Denmark as well as in Germany are affected by the merger with respect to the integration of the portfolio of old claims.

In addition, a decision was taken to discontinue the products tailored for the Swiss market in the areas of casualty insurance as governed under the Swiss Accident Insurance Act (Swiss UVG) and casualty insurance as governed under the Swiss Insurance Contract Act (Swiss VVG) and as a general rule to no longer add any new insurance contracts to these portfolios or extend existing contracts.

Significant changes in the gross premiums of individual branches

Gross premiums in the UK branch increased by EUR 44 million to EUR 363 (319) million, which can be attributed primarily to an increase in the volume of premiums from collaborations in the agency business, surplus premiums in the key customer segment and the expansion of the local liability insurance business.

In the Belgian branch, gross premiums declined substantially by EUR 22 million to EUR 207 (228) million due to restructuring activities with respect to a key customer relationship in property insurance and an additional intra-group transfer of business to HDI Global Specialty SE.

The performance of the Swiss branch was influenced in particular by the discontinuation of the casualty insurance business. As a general rule, no new insurance contracts are entered into and existing contracts are no longer extended in this line. Premiums at the branch decreased overall to EUR 145 (169) million.

In the French branch, in particular surplus premiums in the key customer segment led to an increase in gross premiums of EUR 36 million to EUR 448 (412) million.

In line with the general business strategy, additional branches were able to expand their portfolio by means of new acquisitions or through premium adjustments in the respective market. This applies in particular to the Australian and Canadian branches, which increased their premium volume to EUR 137 (124) million and EUR 81 (67) million respectively.

Non-insurance business

Investment result

Current-year investment income for the reporting period, which was mainly attributable to coupon payments on fixed-interest investments was equal to EUR 223 (248) million. This compares to current-year expenses in the amount of EUR 18 (17) million. The current result amounted to EUR 205 (231) million. The persistent historically low level of interest rates in the eurozone led to further declines in income from fixed-income securities. These declines in earnings cannot be fully compensated even through renewed portfolio optimisations that take appropriate risk into account. Income from net real estate and investment income in the 2020 financial year were lower than in the previous year. Ordinary investment income from the financial year just ended was distributed from the special bond fund EURO-RENT 3 Master – HDI Global SE's largest special fund – and reinvested. The influence of the coronavirus pandemic on the ordinary result for the full year is not noteworthy.

The average rate of return* was 2.6% (3.1%).

Net realised gains on the disposal of investments for the year under review were equal to EUR 10 (13) million. These gains in the amount of EUR 36 (14) million, which resulted from the sale of bearer bonds (EUR 22 million), investments in unit trusts (EUR 1 million) and shares and other non-fixed interest securities (EUR 8 million), were offset by losses in the amount of EUR 26 (1) million, in particular from the disposal of equity unit trusts and other funds. These investments were sold in the first quarter due to the heightened market volatility and uncertainty in the course of the coronavirus pandemic.

The cumulative balance of write-downs and reversals thereof amounts to EUR -4 (-20) million.

Overall, an extraordinary investment result in the amount of EUR 7 (-6) million contributed to the increase in net income.

Net investment income amounted to a total of EUR 211 (224) million; consequently, it was 5% below the previous year's level despite the effects of the coronavirus pandemic, yet exceeded the expectations. As expected, the total net return** for the reporting period reached 2.8% (3.0%).

** Ongoing gross income less expenses for the management of investments less amortisation in relation to the average portfolio of investments as at 1 January and 31 December of the respective financial year.*
*** All income less all expenses for investments in relation to the average portfolio of investments as at 1 January and 31 December of the respective financial year.*

Other income/other expenses

The other comprehensive income in the financial year was EUR -124 (-78) million. Under other expenses, other expenses for the Company as a whole increased by EUR 19 million to EUR 67 (48) million. In addition, there were increased write-downs of receivables in the amount of EUR 29 (8) million. On the other hand, income from services increased by EUR 8 million to EUR 44 (35) million. The net balance of exchange rate gains and losses for the financial year was a net gain of EUR 2 (1) million.

Comprehensive income of HDI Global SE

	2020	2019
EUR million		
Underwriting result for own account	-51	-61
Total investment income (incl. underwriting interest income)	211	224
Result from other income/other expenses	-124	-78
Result from ordinary activities	**36**	**85**
Taxes	32	34
Profit/loss (-) transferred to Talanx AG	**4**	**51**

Contrary to our expectations, comprehensive income decreased sharply. Nevertheless, a profit of EUR 4 (51) million was transferred to Talanx AG, the parent company of HDI Global SE, based on the current profit and loss transfer agreement, despite the difficult general economic situation owing to the coronavirus pandemic.

Net assets and financial position

Investments

The volume of investments (excluding funds withheld) of HDI Global SE at the end of the year amounted to EUR 7,894 (7,635) million and therefore exceeded the previous year's level.

Fixed-interest investments (loans to affiliated companies, loans to other long-term investees and investors, bearer bonds and other fixed-interest securities, loans guaranteed by mortgages, land charges and annuity land charges, registered bonds and notes receivable and loans) that are held directly in a portfolio had a total volume of EUR 4,574 (4,135) million at the end of the year. This corresponded to a share of 57.8% (54.0%) of the total investments. Additional significant investment categories included bond funds at 17.2% (16.9%) as well as long-term equity investments and investments in affiliated companies at 20.5% (21.5%). Investments in fixed-interest securities included in particular bearer bonds with good credit ratings. The quality of the fixed-interest securities remained at the solid level strived for with an average rating of A compared with the prior year. The portfolio of bond funds was increased to EUR 1,363 (1,289) million, primarily through the reinvestment of a distribution from the special bond fund EURO-RENT 3 Master.

The share portfolio was almost completely reduced in order to decrease risk exposure as a result of the strained market situation in the first wave of the coronavirus pandemic. The portfolio of equity unit trusts amounted to EUR 2 (158) million at the end of the year.

The real estate portfolio remained virtually unchanged from the previous year at EUR 170 (174) million.

The carrying amounts of investments in affiliated companies and long-term equity investments decreased insignificantly in the reporting period to EUR 1,622 (1,639) million. The carrying amounts of the investees HDI AI EUR Beteiligungs-GmbH & Co. KG, Cologne, and HDI AI USD Beteiligungs-GmbH & Co. KG, Cologne, increased by a total of EUR 19 million to EUR 689 (670) million as a result of the successive capitalisation on the part of HDI Global SE. The investments in private equity, infrastructure and indirect properties, which also represent a focus of the investments, are managed in particular over these companies.

Term deposits amounted to EUR 65 (43) million at the end of the year.

The market value of the investments as at the balance sheet date was equal to EUR 8,899 (8,293) million. The increase resulted from the portfolio and market trend.

Equity (fully paid in)
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
The subordinated liabilities relate solely to subordinated loans that specify a fixed-interest period lasting until 12 August 2021 with a coupon of 4.25%. After this date, the variable interest rate will be calculated based on the three-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 362 million to EUR 7,254 (6,892) million. This line item primarily includes provisions for unsettled insurance claims in the amount of EUR 5,900 (5,675) million.

HDI Global SE operates on an international scale and therefore recognises underwriting liabilities in foreign currencies. 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 ongoing 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 annual financial statements.

Overall assessment of the economic position

The year under review was characterised primarily by the effects of the coronavirus pandemic. Adjusted for the resulting effects, we consider the course of business to be satisfactory under the given market conditions. In particular the measures to boost the profitability of the fire and property insurance business show a positive effect on the line's combined ratio. The expense ratio was clearly below the level of the previous year. We therefore expect to remain one of the cost leaders in the industrial insurance market. Nevertheless, the underwriting result on a net basis is not yet in line with our goals; therefore, we continue to strive to increase our profitability. Net investment income made a positive contribution to the result for the year despite distortions on the capital markets. HDI Global SE's year-end economic position remained unchanged at the time in which the management report was prepared.

Personnel and social report

Overview

The goal of personnel management at HDI Global SE is to ensure sustainable, profitable growth for the Company. This is achieved with the right employees at the right location carrying out the right tasks with the proper support. The HR activities are centred on the principles of value-based management and a culture of cohesion. Effective and efficient personnel processes and services are needed in the competition for the most-talented employees of the future and the challenges of demographic change. Human resources, personnel marketing, initial vocational training and personnel development are key elements of the group-wide personnel management. The employees of HDI Global SE are distinguished by a high level of professionalism, above-average commitment, creativity, flexibility and values, but also increasingly by a high degree of agility, in particular with respect to the topic of digitalisation.

Company employee training

HDI Global SE has conducted trainee programmes for the past several years through which the participants receive a basic qualification as the underwriter of an insurance line, i.e. third-party liability, motor, marine, engineering insurance or property insurance. The trainees that go through this one-year training are deployed as needed to branches all over Germany. The trainee programme is sub-divided into various portions that focus on training in special areas and methods and are each completed with a period of practical training.

In order to locate and identify talented individuals and ensure their loyalty and commitment to the Company, HDI Global SE continues to focus on the development of its own young professionals by means of classic initial vocational training as insurance and finance specialists (Kaufleute für Versicherungen und Finanzen) (back office) or as part of a Dual Studies programme for Insurance/Management/Actuarial Studies (B.A. Versicherungswirtschaft) or a Bachelor of Science with a specialisation in Business Information Systems (B.Sc. Wirtschaftsinformatik).

Personnel marketing

The core tasks of personnel marketing are to increase HDI Global SE's attractiveness as an employer and its level of recognition as well as to provide support in the recruiting of well-suited, high-quality candidates of the defined target groups.

In addition to legal scholars and economists, this also includes people with knowledge in MINT fields, i.e. mathematics, informatics, natural sciences, or technology. The departments can come into contact with potential candidates, among other things, at events, job fairs or through collaborations with selected universities. In addition, the collaboration with Leibniz University Hannover was deepened as part of the cooperation with the House of Insurance.

Personnel development

Employees of HDI Global SE and of the entire Talanx Group can expand or augment their expertise in potential, area and management development programmes in order to prepare themselves to take on functions with more responsibility. In orientation programmes, they subsequently receive support to establish themselves in the newly assumed responsibilities. The programmes continue to be very important for the development and loyalty of talented individuals.

The agile digital transformation has substantial effects on our learning needs and opportunities as well as our personal learning behaviour. For example, the availability of digital learning content was expanded.

Employees active in sales fulfil their legal obligation for further training in particular by participating in technical seminars geared towards specific lines of business as well as sales training courses.

Personnel deployment

The mobility of the employees remained very important also in 2020. During long-term deployments, the Company's specialists and managers make an important contribution to expanding global business by undertaking key tasks in foreign markets. The planned multi-month hospitalisations of employees in a foreign branch for the purpose of promoting international collaboration was largely scheduled for the first quarters of 2021 due to the coronavirus pandemic.

International projects for the strategic further development of HDI Global SE enable employees at foreign branches to work at headquarters in Hannover for a period of time and to gather international experience. The deployment guidelines adopted by the Company's Board of Management ensure both an optimal structure for foreign deployments as well as the consideration of the individual needs of the employee.

Remuneration

HDI Global SE offers its employees attractive remuneration models. Remuneration for senior executives currently comprises a fixed and variable, performance-based component. The weighting between these components is derived based on the level of responsibility and function associated with the respective position, which is determined based on a standard job evaluation system throughout the Company.

The amount of variable remuneration is determined by the achievement of personal goals as well as goals set by the Talanx Group and the division. Bonuses are awarded and paid out quarterly to non-executive employees in the form of Spot on Awards as an incentive for special achievements.

Key employee indicators
In the reporting year, the annual headcount for HDI Global SE was 2,835 (2,866) employees. As in the previous year, the average age of employees was 44.9 years and their length of service was 15.9 (16.2) years. The part-time employment ratio was 15.5% (15.6%). The Board of Management of HDI Global SE would like to express its thanks to all of the employees for their personal commitment and contribution to the success of the Company. The Board would also like to thank all social partners for their constructive collaboration.

Non-financial statement

HDI Global SE is exempted under section 289b(2) of the German Commercial Code (Handelsgesetzbuch; HGB) from the obligation to include a non-financial statement in the management report, because it is included in the non-financial group statement of the parent company Talanx AG. The non-financial group statement for the Talanx Group is prepared based on section 315b(1) HGB in compliance with Directive 2013/34/EU und is published as a part of the group management report in the annual report on the parent company's website https://www.talanx.com/investor-relations/finanzberichte/talanx-group.aspx?sc_lang=EN.

Corporate governance declaration pursuant to section 289f (4) sentence 1 in conjunction with paragraph (2) no. 4 of the German Commercial Code (HGB)

In accordance with section 111(5) of the German Stock Corporation Act (Aktiengesetz; AktG), the Supervisory Board of HDI Global SE in March 2017 specified an unchanged target of 16.7% for the proportion of women on the Company's Supervisory Board and a new target of 14.3% for the Board of Management. June 2022 was stipulated as the deadline for reaching these targets.

Furthermore, in accordance with section 76(4) AktG, the Board of Management in April 2017 resolved a target of 15.0% for both the first and second management levels for the same period.

The paragraphs entitled "Personnel and Social Report", "Non-financial statement" and "Corporate governance declaration pursuant to section 289f (4) sentence 1 in conjunction with paragraph (2) no. 4 of the German Commercial Code (HGB)" are expressly exempted under section 317(2) sentence 6 and/or sentence 4 HGB from being examined in connection with the audit of the annual financial statements and/or of the management report.

Risk report

Risk controlling in a time of change

HDI Global SE offers their 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, that are risks.

HDI Global SE uses a full internal model to calculate risk capital for regulatory purposes. The time horizon considered in the internal model is one calendar year.

The monitoring systems and decision-making processes of HDI Global SE 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 tasks, 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 system 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 control process, HDI Global SE 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 Global SE. This ensures that an overview of the Company's risk situation can be provided at all times. The risk categories required under Solvency II are fully covered by HDI Global SE. This enables them to be mapped to the risk categories in the German Accounting Standard GAS 20, which are discussed in the following.

Underwriting risks

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

In the property/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 Global SE uses actuarial models, in particular for the setting of rates, monitors the claims experience on a regular basis and obtains reinsurance coverage.

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

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	
2020	76,7
2019	80.3
2018	89.9
2017	88.2
2016	77.9
2015	79.1
2014	83.3
2013	85.7
2012	79.3
2011	97.2

HDI Global SE seeks, in particular, to mitigate the potential effect of a simultaneous occurrence of natural disasters and accumulation losses arising from 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 result of the initial loss provision in %	
2020	4,6
2019	4.1
2018	5.0
2017	6.3
2016	5.6
2015	9.0
2014	11.4
2013	10.7
2012	7.9
2011	7.7

Risks of default on insurance business receivables
HDI Global SE 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 the Group Reinsurance Comittee, among others, 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 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 214.6 million. This represents 31.4% of gross receivables. Over the past three years, HDI Global SE was required to write-off an average of 0.9% (0.8%) of receivables on reinsurance business as at the balance sheet date.

The receivables from reinsurers based on rating classes are presented ented as follows as at the reporting date:

Receivables from reinsurers based on rating classes

EUR million, %		
≥ AA	177.0	32.0
A	173.2	31.3
BBB	1.9	0.3
NON	201.9	36.4
of which captives	*24.6*	
Total	**554.0**	**100.0**

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, in particular those under insurance agreements.

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 ongoing 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 estate is limited under the special investment guidelines. With respect to the management of liquidity and concentration risk, the focus is on the fungibility and diversification of the investments.

If derivative transactions are effected for the purpose of increasing income, to prepare acquisitions and hedge portfolios as well as transactions with structured products, they are entered into in accordance with the Company's internal guidelines.

Derivatives positions and transactions are shown in detail in the reporting. On the one hand, derivatives are efficient and flexible instruments of portfolio management. On the other hand, the use of derivatives is associated with additional risks such as basis risk, curve risk and spread risk, which are monitored in detail and systematically managed. Currently, derivatives are employed in the vast majority of cases for hedging purposes. The risk associated with the employed derivatives is adequately taken into account in the risk controlling.

Risk management objectives
The aim of risk management is to ensure that the investment targets give appropriate consideration to safety, profitability and liquidity while maintaining an appropriate asset allocation and diversification. The intent is to consider the overall-risk situation of the Company. This is characterised, in particular, by the underwriting obligations assumed, the existing structure of investments, own funds and other financial reserves of the Company.

The results of liquidity planning and controlling performed throughout the year are incorporated into the risk management and are taken into account in terms of the time horizon.

Management of the investment portfolio
Investments are subject to detailed guidelines and adherence is continuously monitored, as is compliance with the supervisory provisions. 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 (BaFin, independent auditors, etc.). The monitoring of the ratios and limits specified in these guidelines is incumbent on the asset manager's 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 specified limit in terms of bond portfolio's duration 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 (EUR million)	
Portfolio	
Equities and other non-fixed interest securities	
Share prices -20%	-3.2
Fixed-interest securities and other loans	
Rise in yield +100 basis points	-297.9
Decline in yield -100 basis points	+328.7

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

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

EUR million, %		
Bearer bonds	3,305	55.9
Registered bonds/ Promissory note loans	949	16.0
Fixed income funds	1,338	22.6
Loans	325	5.5
Total	**5,917**	**100.0**
Rating AAA	1,448	24.5
Rating AA	1,048	17.7
Rating A	1,461	24.7
Rating BBB	1,749	29.6
Rating < BBB	23	0.4
n. r.	188	3.2
Total	**5,917**	**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.

The liquidity risk is taken into account through adequate fungibility and diversification of investments. The Company ensures sufficient liquidity at all times through the coordination between the investment portfolio and insurance obligations as well as the planning of its cash flows.

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

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

Operational risks

Operational risk includes operating and legal risks. According to the internal risk categories these are as follows: compliance, legal and tax risks, risks arising from processes, security risks associated with information and computer technology, risks associated with business continuity and IT service continuity, personnel risks and the risks of fraud and/or outsourcing risks.

Failure of IT systems is seen as a typical risk scenario in the category of risk associated with business continuity and IT service continuity. This risk is limited, among other things, by means of a back-up computer centre made available by HDI Systeme AG under a service level agreement as well as by contingency plans.

Risks from the category of process risks are 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.

In the compliance, legal and tax risk category, contractual arrangements or regulatory frameworks can lead to risk. 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 Global SE 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, HDI Global SE 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 counter other operational risk, for example in the risk category of personnel risk with the potentially limited availability of personnel.

The United Kingdom of Great Britain and Northern Ireland (UK) exited the EU on 31 January 2020. The Withdrawal Agreement concluded between the EU and the UK ended on 31 December 2020. The EU and the UK concluded a Trade and Cooperation Agreement on 24 December 2020 that went into effect on 1 January 2021. The treaty may also include financial services, but it grants reciprocal rights only in the same way as in the EU's other free trade agreements with non-EU countries. For example, the treaty obligates both parties to keep their markets open for services provided through branches. The parties will also agree by March 2021 on a Memorandum of Understanding establishing a framework for regulatory cooperation on financial services.

In the UK, the branch offices of EU insurance providers must submit an application for authorisation. In accordance with the Temporary Permissions Regime (TPR), each branch can also continue to conduct business after the aforementioned transition period until a final decision is made on its application for authorisation in the UK. Likewise, such branches must also submit an application to the German Federal Financial Supervisory Authority (BaFin) regarding an extention of their business. HDI Global SE is observing the current situation very closely and considers itself to be well-prepared for future developments.

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. Risk management also deals specifically with sustainability risk and in particular addresses the question of how it effects the Company ("outside-in"). This risk entails events or conditions from the areas of environment, social and governance (ESG) that can have an actual or potentially significant negative impact on the Company's net assets, financial position or results of operations as well as on its reputation should they occur. In principle, sustainability risk effects all of the risk categories that we have analysed. It can affect all areas of our business activities in the form of physical risk as well as transition risk in connection with transition processes.

Overall summary of the risk position

HDI Global SE counters potential risks from the Covid-19 crisis with numerous risk mitigation measures. These include, among other things, investing conservatively, strict asset-liability management, closely monitoring liquidity, a customer-oriented approach and digital transformation processes. In addition, corresponding business continuity measures (BCM) were implemented that enable us to maintain business operations in Germany and abroad even in the current situation.

Capital market trends throughout the year during the course of the Covid-19 crisis led on the one hand to a slight decrease in own funds while on the other to a slight increase in solvency capital requirements. Both developments were induced in particular by the observable spread trend in 2020.

On balance, there are presently no known risks that could jeopardise the continued existence of HDI Global SE as a going concern. The Company fulfils the solvency requirements. The Company will publish the specific ratios in April 2021 in the Solvency and Financial Condition Report (SFCR) for the year ended 31 December 2020.

The audit does not cover the determination of the solvency capital requirement (SCR) or the determination of regulatory capital, the entire Solvency and Financial Condition Report (SFCR) in accordance with section 40 of the Insurance Supervision Act (Versicherungsaufsichtsgesetz; VAG) or other reports to the supervisory authorities and the internal models.

Report on expected developments and on opportunities

Our comments below are based on sound expert third-party opinions as well as on plans and forecasts deemed cogent by us; nevertheless, they represent our subjective opinion. Therefore, it cannot be ruled out that actual developments may differ from the expected development presented here.

Economic climate
The renewed lockdown measures around the turn of the year yet again thwarted the recovery of the global economy in the winter months that had begun in the third quarter of 2020. Nevertheless, we are basing our planning on the assumption that the upswing will begin again in the course of the year with increasing vaccinations when various monetary and fiscal support measures of the past year take full effect. In light of the low starting point for economic output following the crisis year 2020, the strongest global economic growth since the financial crisis appears quite realistic for 2021. Most economies around the world are likely to reach their pre-crisis levels of economic output again already this year, but no later than the coming year. We see the greatest risk in prolonged measures to contain the pandemic that postpone a significant economic recovery until the second half of the year.

In the eurozone, the funds from the Next Generation EU Programme will only be available over the course of the year. The effects of the ECB's surge of liquidity will likely become apparent with the usual delay. Spending delayed during lockdowns could result in an additional growth impulse (e.g. travel, dining in restaurants) as long as no higher unemployment figures provide for a return to panic saving. Against this background, much speaks for record growth in 2021 since the currency union was established in 1999. We see key risks in the aftereffects of Brexit and sharply rising insolvencies as well as in a significant delay with respect to the vaccination of large parts of the population.

The picture for the USA is also comparable. What is more, there is the fact that the Democratic Party of the new US President Biden won the majority in both chambers of the Congress at the beginning of his term in office, whereby the path for further support measures for businesses, private households and local governments should be cleared. In addition, we consider it to be likely that the US administration will not turn its attention again to topics that are potentially harmful to growth – such as unresolved international trade conflicts, in particular with China, or tax increases – until the crisis is overcome.

The recovery narrative also applies as a general rule with a view to emerging economies. However, whereas many of Asia's economies have already nearly shifted back to their pre-coronavirus growth paths thanks to a successful effort to combat the pandemic, there remains an even clearer potential to make up lost ground in particular in Latin America, but also in Central and Eastern Europe.

Capital markets
Against this background, central banks around the world will not likely be willing to risk harming the economic recovery by reversing their expansive monetary policies too early or too aggressively. We expect key interest rates in the eurozone and the USA to still be at their current level at the end of the year

Thus, an increase in yields on German government bonds or US Treasuries based on the economic recovery should also be limited, while the risk premium trend for government and corporate bonds with lower credit quality will likely remain largely stable. However, short-term widening of spreads in the case of faltering progress with respect to sluggish vaccination roll-outs or economic setbacks are hardly out of the question.

Due to rising corporate profits in the course of the economic upswing, we see further – albeit limited – potential for recovery for the full year on the stock markets, despite the impressive recovery since the past spring. Temporary setbacks are very likely, considering the fragile environment.

International insurance markets
In the international property/casualty insurance business, we expect premium income growth to rise again for 2021, whereby we assume that the momentum of growth will be stronger both in developed insurance markets as well as in emerging markets. The momentum will likely turn out to be considerably stronger in the latter. Profitability is expected to remain stable in 2021, which will require a high degree of underwriting discipline as interest rates remain low.

For developed European insurance markets, we expect increasing premium income for 2021 compared with the reporting period, while growth in North America is expected at a similar level. We see a further hardening market with respect to commercial and industrial insurance lines as a driver of this development, in particular in the industrial property and liability insurance business. For Central and Eastern Europe and for Latin America, we expect a slightly positive trend. The strongest growth momentum will likely come from Asia in the coming year, in particular from China.

German insurance industry

The macroeconomic environment continues to be characterised by risk factors and forecasts therefore generally carry a caveat. In particular the uncertainty over the further course of the coronavirus pandemic will influence the industry in 2021. Assuming that the lockdown restrictions are gradually loosened beginning in the spring and vaccinations can be successfully expanded, the insurance industry will likely again achieve slightly rising growth in premiums in 2021 compared with the reporting period according to an assessment by the German Insurance Association (GDV).

In the property/casualty insurance business, we expect somewhat weaker growth in premium income for 2021 in Germany compared with the reporting period. We expect restrained premium momentum in the motor insurance business as well as in the commercial property/casualty business. There will likely be premium increases in the residential property insurance business in light of the sustained construction economy.

HDI Global SE

Financial year 2020 was characterised primarily by the Covid-19 pandemic. Despite the expected consequences, we expect considerable improvement in the underwriting result for 2021 due to the steady profitability of certain lines as well as a sustained normalisation of the major loss situation.

The "HDI Global 4.0" programme was continued in the year under review with a focused two-stage approach consisting of a Perform phase and a Transform phase. As a part of the Perform phase, the "20/20/20" restructuring initiative was successfully concluded in the year under review. The "20/20/20" programme aims to realise a risk-free additional premium of at least 20 percent for fire risks that constitute roughly 20% of our net portfolio in the Industrial Lines. The programme's goal was substantially exceeded with the realisation of a risk-free additional premium of 35%. The Transform phase aims to establish the Company as an underwriting champion in the challenging industrial insurance market. The current situation of hardening markets supports us in this endeavour. We will utilise this market phase specifically to expand our portfolio, to increase profitability and to reduce the volatility of the results. In financial year 2021 we expect slight worldwide growth overall in gross premiums written, in particular in the key client segment.

We assume that claims expenses will normalise despite the continuing effects of the coronavirus. Owing to growth in premiums, we are basing our planning on the assumption of a considerable increase in the net loss ratio. The sustained profitability of the portfolio can be attributed to clear improvement in the frequent loss ratio.

The capacity for innovation and a focus on service is becoming increasingly important in the insurance industry. We are pressing ahead with numerous projects in order to shape the digital transformation as well as to harmonise and optimise the process and IT landscape worldwide. Despite the correspondingly necessary investments, we expect the gross expense ratio to remain constant.

As a consequence of the assumptions made, we expect a significant increase in the combined ratio on a net basis before allocations to the equalisation reserve.

The global Covid-19 pandemic led to a high degree of uncertainty on the capital markets in 2020, negative economic growth and a further deepening of the low interest rate level. In our view, the year 2021 will likewise be characterised by a high degree of uncertainty and the low interest rate level will remain unchanged, whereby the current returns on new investments will continue to be negatively impacted. In order to partially compensate this decrease in returns, we continue to put money into promising alternative investments – primarily investments in real estate, private equity and infrastructure. We are basing our planning for 2021 on an assumption that net investment income overall will be slightly below the level of 2020.

Based on the aforementioned developments, we expect comprehensive income to be significantly better in 2021, which can be attributed in particular to the normalised loss experience.

Opportunities arising from changes in the framework conditions

Coronavirus pandemic

In addition to the human tragedy, the current pandemic, which was triggered by the SARS-CoV-2 virus, developed into a global economic crisis. Nevertheless, we see opportunities for HDI Global SE for positive business performance. Thanks to the increased use of digital services during the coronavirus crisis, we have the opportunity to advance digital projects quicker than in the past. Owing to the digital transformation surge in our Group, we also see opportunities to promote products through online distribution channels. Last but not least, the transformation of our corporate culture has accelerated as a result of the coronavirus crisis. During the crisis, we have shown that we can adapt quickly to changing circumstances. We managed the sudden switch of a majority of our employees from office work to working from home in a very short time with almost no problems.

This is an important milestone with respect to our transformation into an agile organisation.

If we should cope with the coronavirus crisis better than expected, premium growth and net profits could be positively impacted, as a result of which our forecasts could be exceeded.

Climate change
The average temperature on earth is rising with the increasing emission of greenhouse gases. As a result, extreme weather events are becoming more frequent, which significantly increases the volume of losses from natural disasters and leads us as an insurer to expect increasing demand for insurance solutions to cover risks from natural disasters. This applies both to the primary insurance sector and to reinsurance. We have both highly developed risk models for estimating risks from natural disasters and extensive expertise in risk management. This puts us in a position to offer our customers tailor-made insurance solutions to cover existential risks. Furthermore, there is an increased need as a result of climate change to cover rising energy needs from renewable sources of energy. As an institutional investor, this enables us to put much more money into alternative investments such as wind farms.

If demand for insurance in this regard rises faster than expected, premium growth and net profits could be positively impacted, as a result of which our forecasts could be exceeded.

Energy transition
Germany made the fundamental decision for its society to meet its energy requirements in the future primarily from renewable sources. At the federal level, the energy transition and climate protection are of great importance. The reorganisation of the energy system in favour of a regenerative provision of energy is to be further continued, whereby the focus will be simultaneously placed on halting the cost increase for the consumers. In addition to a further expansion of renewable sources of energy in a stable regulatory environment, energy efficiency is becoming increasingly important. We see an opportunity to make Germany an even better place to do business by reorganising the energy system, which can become an important provider of stimulus for innovation and technological progress. As insurance group, we are actively supporting this transformation. Industrial insurance customers are offered tailored solutions for the development, sales and implementation of new energy technologies. In addition to renewable sources of energy, storage technologies, the expansion of the grid and the intelligent management of individual components (smart grid) will contribute to the success of the energy transition. The energy transition is being supported with these investment activities in the energy sector. Building on existing investments in energy networks and wind farms, in the future we want to further expand our investments in the energy distribution and renewable energy segments.

If we should benefit more than currently expected from sales opportunities due to the energy transition, premium growth and net profits could be positively impacted, as a result of which our forecasts could be exceeded.

Opportunities created by the Company

Digitalisation
Hardly any other development is changing the insurance industry as permanently as digitalisation. As a result of digitalisation, business processes and models are being fundamentally redesigned through the use of IT systems. This development is crucial in particular for the competitiveness of insurance companies. This creates new opportunities in the communication with customers, the processing of insurance claims, the evaluation of data and the development of new business fields. We are conducting numerous projects in order to shape the digital transformation. For example, in the Industrial Lines segment, the process and IT landscape should be harmonised on a cross-border basis. In this way, we intend to become a global leading provider of industrial insurance policies.

Thanks to the digital transformation, it is possible to process insurance claims considerably quicker, more simply and more cost-effectively. Already today we use IT systems to precisely tailor offers to customers and determine premiums automatically and in real time. Above all things, however, digitalisation affords the opportunity to benefit from operations of scale as a large internationally operating insurance undertaking. As part of the digital transformation, customers' behaviour and expectations have changed with respect to claims adjustment. This relates in particular to the young generation of customers that expects quick and easy solutions. In order to respond to new customer needs, we developed a claims service app. It enables the customer to transmit a claim notification with important information regarding the claim within a few minutes. In order to quickly help customers also following exceptional loss events – such as torrential rain, storms or severe hail showers – we developed a virtual call centre assistant. This chat bot asks for the customer's basic data using artificial intelligence. This way, our employees gain time that they can use to assist affected customers on a case-by-case basis developing measures that are precisely tailored to their needs.

If the digitalisation projects should be implemented and adopted more quickly by the customers than currently expected, premium growth and net profits could be positively impacted, as a result of which our forecasts could be exceeded.

Agility

Changes in the globalised world in the information era are taking place at an increasingly fast pace. The world is characterised by volatility, uncertainty, complexity and ambiguity (VUCA). As an insurance company, in order to keep up with the speed of these changes, it is necessary for the Company to transform itself into an agile organisation. Being an agile organisation means for us being a learning organisation that focuses on the customers' utility in order to increase the Company's profits. For this reason, we are counting on interdisciplinary and creative teams, open and direct communication and flat hierarchies as well as practising the art of dealing with errors. By numerous initiatives, we are supporting the transformation of our company into an agile organisation. We design our workplaces in a way to shorten paths of communication and promote interdepartmental exchange.

With the help of our Agility Campus our employees become familiar with agile methods and are given the ability to develop new solutions independently. Daily stand-up meetings are conducted in our teams in order to improve the teams' self-management. We also conduct, for example, hackathons in order to collect new ideas that we further develop in our digital lab. Agility offers opportunities for customers, employees and investors.

Customers can benefit from new insurance solutions that are tailored precisely to their needs. Employees have greater flexibility and scope for new ideas when they work agilely and can grow with new challenges. Finally, investors benefit from increasing corporate profits, when the customers are satisfied and the employees can take full advantage of their potential.

If the transformation into an agile organisation should be implemented more quickly than expected, premium growth and net profits could be positively impacted, as a result of which our forecasts could be exceeded.

Focusing on the core HDI brand

As a subsidiary of the Talanx Group, we can look back on a tradition of over one hundred years. By focusing on the core HDI brand within the Talanx Group, we see opportunities both to develop a stronger common identity internally as well as to increase visibility vis-à-vis our customers and speak with one voice.

If the focus on the core HDI brand as part of the brand strategy of the Talanx Group should make a greater contribution than expected towards strengthening the HDI brand, premium growth and net profits could be positively impacted, as a result of which our forecasts could be exceeded.

Sales opportunities

Internet

As a result of the increasing digitalisation, cyber-attacks over the Internet are leading more and more to massive losses at companies. In particular, hacker attacks that have become known in the recent past show that manufacturing industrial enterprises in particular are not protected from the risks of cybercrime despite the best defence mechanisms. The focus is also being shifted increasingly to the responsibility of the top management. For this reason, HDI Global SE developed the product Cyber+ with which the various risks can be covered comprehensively in one insurance solution. The holistic and integrated insurance protection covers on the one hand direct claims as a result of cybercrime while on the other hand securing third-party claims for which companies are liable to customers, service providers or other third parties. The responsibilities of the managing directors under civil and criminal laws can also be accommodated.

If we can utilise the sales opportunities arising from the additional need to provide security from internet risks better than currently expected, premium growth and net profits could be positively impacted, as a result of which our forecasts could be exceeded.

New markets and the bundling of business

Owing to the Group's decentral structure, individual entrepreneurial thinking and action can be developed, which leads to a focused observation of the customer markets. For example, the expansion of the international market for special risks was tackled through the establishment of HDI Global Specialty SE. Further market opportunities are likewise seen in the continuous expansion of the insurance business in local markets abroad as well as in international programmes.

Despite the challenges, as a traditional and experienced industrial insurer we have the necessary expertise as well as the corresponding processes and working methods, etc., to take advantage of our opportunities and to press ahead down our path of profitability.

If the sales opportunities arising from the development of new markets and the bundling of business can be better utilised than currently expected, premium growth and net profits could be positively impacted, as a result of which our forecasts could be exceeded.

Report on equality and equal pay

Diversity Management

The diversity of employees is also part of HDI Global SE's corporate identity. The employees contribute their various talents on all continents for the success of the business and the satisfaction of the customers. The fact that a multitude of cultures are united lies in the nature of the international business.

Women and men of all ages with a wide variety of national, ethnic and religious backgrounds as well as people with and without disabilities work at HDI Global SE. A corporate culture characterised by respect, appreciation and mutual acceptance is cultivated. The goal is to provide not only for a working atmosphere characterised by openness and integration, but also to actively and consciously take advantage of diversity in order to maintain and further increase the success and competitiveness of the Group and the companies. Diversity Management therefore also means the creation of conditions that enable everyone to fully develop their individual potential, talent and capabilities independent of origin, age, experience or personal living situation. The focus thereby lies on the action fields of demographics, gender and migration. Suitable measures for this include the active support of daycare after the return from parental leave, a strengthening of the cooperation of teams comprising a variety of ages as well as flexible working time models if possible.

HDI Global SE pledges to support equal opportunities and would like to further increase the number of women in managerial positions. As part of a mentoring programme, the development of talented women in higher specialist or management positions is supported. In order to prevent a lack of female managers, an effort is made to bring about a balanced level of diversity when hiring trainees.

In order to bolster the personal resources, the employees fall back on comprehensive prevention measures as part of holistic health management. For example, a digital health week programme was conducted this year for the first time. The Employee Assistance Programme introduced in 2016 will be continued. The offer includes an anonymous and immediate consultation free of charge in the event of private, professional or psychological health concerns as well as a family service.

Equal pay

Remuneration is paid independent of gender. Employees who are remunerated based on the collective salary agreement for the private insurance industry receive a collectively agreed salary based on the relevant pay scale group. In addition, the pay of pay-scale and non-pay-scale employees is reviewed annually as part of a uniform process with the goal of avoiding any wage differences between women and men.

In accordance with section 21(2) of the Act to Promote the Transparency of Pay Structures (Entgelttransparenzgesetz; EntgTranspG), the following disclosures reflect the changes compared with the last report:

The average number of employees was 1,921 in the 2020 calendar year, of which 840 women and 1,080 men. Compared with the previous year, the share of female employees increased by 0.5 percentage points. The average number of full-time employees was 1,609, of which 574 women and 1,035 men. Compared with the previous year, the share of female employees increased by 0.9 percentage points. The average number of part-time employees was 312, of which 267 women and 45 men. Compared with the previous year, the share of female part-time employees decreased by 0.1 percentage points.

The Report on equality and equal pay is neither a component of the annual financial statements nor of the management report; as such, the corresponding provisions and thereby associated legal consequences in particular under the German Commercial Code (HGB) do not apply.

Scope of business operations

Branches

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

International
Athens, Brussels, Copenhagen, Dublin, Hong Kong, Labuan, London, Madrid, Milan, Manama, Oslo, Paris, Rotterdam, Singapore, Sydney, Tokyo, Toronto, Zurich.

Products

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

Liability insurance
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 third-party liability insurance

Other motor insurance
Comprehensive motor insurance,
partial motor 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),
other property loss insurance (marine),
motor warranty insurance

Marine and aviation insurance
Comprehensive aircraft insurance,
comprehensive aviation war risk insurance,
comprehensive spaceflight insurance,
merchandise insurance,
blue water hull insurance,
traffic liability insurance,
brown water hull insurance,
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 loss insurance
(motor warranty insurance),
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 luggage, musical instruments, cameras, reefer cargo, nuclear facilities, automated devices),
other business disruption 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,
cyber insurance,
other casualty insurance

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

HDI Global SE also provides reinsurance in the following insurance classes:
Casualty insurance,
liability insurance,
motor 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,
marine insurance

In addition, HDI Global SE 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 2020

Assets			31.12.2020	01.01.2020*	31.12.2019
EUR thousand					
A. Intangible fixed assets					
I. Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets			714	8,257	8,257
B. Investments					
I. Land, land rights and buildings, including buildings on third-party land		170,498		176,867	173,696
II. Investments in affiliated companies and other equity investments		1,946,637		1,860,283	1,916,957
III. Other investments		5,776,808		5,647,698	5,543,997
IV. Deposits retained by ceding companies on busniess accepted for reinsurance		16,657		17,893	17,893
			7,910,600	**7,702,741**	**7,652,543**
C. Receivables					
I. Receivables arising from direct written insurance business, due from:					
1. Policy holders	277,219			340,294	340,248
2. Intermediaries	396,917			378,443	375,824
		674,136		**718,737**	**716,072**
II. Receivables on reinsurance business of which due to affiliated companies: EUR 42,996 (64,134) thousand		538,896		554,629	532,848
III. Other receivables of which due to affiliated companies: EUR 106,702 (110,972) thousand		609,036		546,647	542,534
			1,822,068	**1,820,013**	**1,791,454**
D. Other assets					
I. Tangible fixed assets and inventories		9,528		9,078	9,078
II. Cash at banks, cheques and cash-in-hand		321,597		433,350	417,342
			331,124	**442,428**	**426,420**
E. Accrued or deferred items					
I. Deferred rent and interest income		49,007		53,553	53,354
II. Other prepaid expenses		2,824		2,444	2,402
			51,831	**55,997**	**55,756**
F. Excess of plan assets over post-employment benefit liability			0	0	0
Total assets			**10,116,338**	**10,029,436**	**9,934,430**

Equity and liabilities			31.12.2020	01.01.2020*	31.12.2019
EUR thousand					
A. Equity					
I. Subscribed capital		125,000		125,000	125,000
II. Capital reserves		284,043		284,043	281,536
III. Net income for the financial year**			–	46	–
			409,043	**409,089**	**406,536**
B. Subordinated liabilities			200,000	200,000	200,000
C. Underwriting provisions					
I. Unearned premium reserve					
1. Gross amount	1,023,450			941,410	934,349
2. less: share for business ceded for reinsurance	507,734			455,650	447,859
		515,716		**485,759**	**486,490**
II. Provision for outstanding claims					
1. Gross amount	11,294,051			11,579,391	11,311,641
2. less: share for business ceded for reinsurance	5,393,983			5,831,836	5,636,302
		5,900,067		**5,747,555**	**5,675,339**
III. Provision for profit-related and non-profit-related premium refunds					
1. Gross amount	20,375			14,247	14,247
2. less: share for business ceded for reinsurance	1,746			1,869	1,869
		18,629		**12,378**	**12,378**
IV. Equalisation reserve and similar provisions		716,670		676,962	676,962
V. Other underwriting provisions					
1. Gross amount	183,404			53,055	53,055
2. less: share for business ceded for reinsurance	80,204			11,943	11,943
		103,200		**41,112**	**41,112**
			7,254,282	**6,963,766**	**6,892,281**
D. Other provisions					
I. Provisions for pensions and similar obligations		472,020		463,234	463,229
II. Provisions for taxes		43,349		41,810	41,810
III. Other provisions		81,833		78,551	78,342
			597,201	**583,595**	**583,381**
E. Deposits retained on reinsurance ceded			152,743	141,870	141,870
F. Other liabilities					
I. Liabilities from direct written insurance business due to:					
1. Policy holders	106,078			98,830	98,830
2. Intermediaries	158,484			179,927	168,066
		264,562		**278,756**	**266,896**
II. Payables on reinsurance business of which due to affiliated companies: EUR 90,854 (70,791) thousand		690,046		639,209	635,505
III. Other liabilities of which taxes: EUR 49,782 (51,585) thousand of which social security: EUR 1,299 (1,210) thousand of which due to affiliated companies: EUR 99,296 (410,189) thousand		546,774		811,069	805,879
			1,501,382	**1,729,034**	**1,708,280**
G. Deferred and accrued items			1,685	2,082	2,082
Total equity and liabilities			**10,116,338**	**10,029,436**	**9,934,430**

* *The amounts stated as at 1 January 2020 are carrying amounts reported in the merger balance sheet*
** *Merger result as at 1 January 2020*

The annuity provision recognised on the balance sheet as at the close of the 2019 financial year under equity and liabilities C.II. is equal to EUR 47,123,092.65. It is confirmed that the provision for outstanding pension claims shown on the balance sheet under line C.II. has been calculated in consideration of section 341f and section 341g HGB as well as in compliance with the regulation issued based on section 88 (3) of the Insurance Supervision Act (*Versicherungsaufsichtsgesetz;* VAG).

Hannover, 29 January 2021 The Responsible Actuary Thomas Adrian Schmidt

Income statement for the period from 1 January to 31 December 2020

I. Underwriting account			2020	2019
EUR thousand				
1. Premiums earned for own account				
a) Gross written premiums	4,524,181			4,449,315
b) Premiums ceded to reinsurance	2,390,478			2,379,922
		2,133,703		**2,069,393**
c) Change to the gross premium reserve unearned	-117,795			72,267
d) Adjustment of reinsurers' share in gross premiums unearned	-71,990			31,676
		-45,805		**40,591**
			2,087,898	**2,109,984**
2. Underwriting interest income for own account			397	380
3. Other underwriting income for own account			2,711	2,793
4. Expenses on insurance claims for own account				
a) Claims payments				
aa) Gross amount	2,721,349			3,131,740
bb) Reinsurers' share	1,390,107			1,496,161
		1,331,243		**1,635,579**
b) Changes to the provision for outstanding claims				
aa) Gross amount	-30,554			-31,086
bb) Reinsurers' share	-301,081			-89,469
		270,527		**58,383**
			1,601,769	**1,693,962**
5. Change to other net underwriting provisions			62,070	4,002
6. Expenses for profit-related and non-profit related premium refunds for own account			10,261	6,391
7. Expenses for insurance operations for own account				
a) Gross expenses for insurance operations		818,388		898,439
b) less: commissions and profit commissions received for business ceded to reinsurance		389,067		380,011
			429,321	**518,428**
8. Other underwriting expenses for own account			-1,436	-6,964
9. Subtotal			**-10,980**	**-102,662**
10. Changes to equalisation reserve and similar provisions			-39,708	41,488
11. Underwriting result for own account			**-50,688**	**-61,174**

II. Non-underwriting account			2020	2019
EUR thousand				
1. Investment income				
a) Income from long-term equity investments of which from affiliated companies: EUR 58,627 (61,551) thousand	70,557			70,310
b) Income from other investments of which from affiliated companies: EUR 7,036 (6,681) thousand				
ba) Income from land, land rights and buildings, including buildings on third-party land	13,134			12,982
bb) Income from other investments	121,659			137,179
c) Income from reversal of write-downs	7			41
d) Gains on disposal of investments	35,936			14,650
e) Income from profits received under profit pooling, profit-or-loss transfer, or partial profit transfer agreements	17,275			27,944
		258,568		**263,106**
2. Investment expenses				
a) Investment management expenses, interest expenses and other expenses related to capital investments	13,877			13,209
b) Write-downs of investments	7,295			23,699
c) Losses on disposal of investments	25,682			1,345
d) Cost of loss absorption	10			13
		46,865		**38,266**
		211,703		**224,840**
3. Underwriting interest income		397		380
			211,306	**224,460**
4. Other income		71,988		62,946
5. Other expenses		196,176		141,407
			-124,189	**-78,461**
6. Result from ordinary activities			**36,430**	**84,825**
7. Extraordinary expenses		1,718		9
8. Extraordinary result			**-1,718**	**-9**
9. Taxes on income		25,169		16,631
10. Other taxes		5,732		17,578
			30,902	**34,209**
12. Profit transferred on the basis of profit pooling, profit-and-loss-transfer, or partial profit transfer agreements		3,810		50,607
			-3,810	**-50,607**
13. Net profit/loss for the year			**0**	**0**

Notes to the financial statements

General information

HDI Global SE is headquartered at HDI-Platz 1, 30659 Hannover, entered in the commercial register of the Local Court of Hannover (Amtsgericht Hannover) under HRB 60320.

The annual financial statements and the management report for the 2020 financial year were prepared in accordance with the regulations in the German Commercial Code (Handelsgesetzbuch; HGB), the German Stock Corporation Act (Aktiengesetz; AktG), the German Insurance Supervision Act (Versicherungsaufsichtsgesetz; VAG) and the Regulation on the Accounting of Insurance Undertakings (Verordnung über die Rechnungslegung von Versicherungsunternehmen; RechVersV) in the version applicable at the balance sheet date.

As part of its acquisition accounting, HDI Global SE exercised its option granted under section 24 of the German Reorganisation Act (Umwandlungsgesetz; UmwG) to transfer the carrying amounts of the closing balance sheet of HDI/NL – to the extent that they meet the recognition criteria under the German Commercial Code - as the acquisition cost of assets and liabilities in accordance with section 253(1) HGB.

Accounting policies

Assets

Intangible fixed assets
Intangible fixed assets were recognised at cost less amortisation applied in accordance with their customary useful lives. The domains hdi-global.com and hdiglobal.com represent an exception to this rule. They were recognised at cost and are not amortised.

Land, land rights and buildings, including buildings on third-party land
Land and buildings were accounted for at cost, less straight-line depreciation of buildings based on the typical useful life (section 341b(1) sentence 1 in conjunction with sections 255 and 253(3) HGB) and write-downs if the impairment is expected to be permanent (section 253(3) sentence 5 HGB).

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 estate. The present value of cash flows generated by the real estate and discounted over its remaining economic useful life was determined using this approach. As a general rule, current market values are determined by external experts every five years (section 55(3) of the Regulation on the Accounting of Insurance Undertakings (Versicherungsunternehmens-Rechnungslegungsverordnung; RechVersV)). The cost or the value assessed in a report compiled by an external, publicly certified expert was recognised for all land and buildings newly acquired as well as properties under construction.

Investments in affiliated companies and long-term equity investments
Investments in affiliated companies and long-term equity investments were recognised at cost less any write-downs to the lower fair value in accordance with section 341b(1) sentence 2 HGB in conjunction with section 253(3) sentence 5 HGB.

Loans to affiliated companies and other long-term investees and investors were measured at amortised cost using the effective interest method in accordance with section 341c(3) HGB. Necessary write-downs were recognised based on the less strict lower-of-cost-or-market principle.

The market value of the shares in affiliated companies and equity investments has been determined in accordance with section 56 RechVersV. As a rule, the present value of future distributable 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 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.

The fair values of loans to affiliated companies and to long-term investees and investors were determined by means of product and rating-specific yield curves using a net present value method. Special structures such as deposit protection, guaranty obligations, or subordination were taken into account with respect to the spread premiums applied.

Other investments
Provided that they are accounted for based on the principles governing current assets, shares, or shares in investment fund and other floating-rate securities as well as bearer bonds and other fixed-interest securities were measured according to the strict lower-of-cost-or-market principle at cost or the lower quoted or market price. The requirement to reverse write-downs was observed (section 341b(2) HGB in conjunction with sections 255(1) and 253(1) sentence 1, (4) and (5) HGB). If these securities are intended to serve the business operations permanently, they were measured according to the less strict lower-of-cost-or-market principle (section 341b(2) HGB in conjunction with section 253(3) HGB). Permanent impairment was recognised in profit or loss. For securities acquired above or below par, the difference was amortised over the term to maturity using the effective interest method.

The fair value for shares and stock funds accounted for as fixed assets was determined 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 exceeded 120% of fair market value, they were capped at 120%.

For the determination of fair value for special bond funds accounted for as fixed assets, the bonds were recognised at amortised cost. In the case of default securities and securities whose market value was less than 50% of the nominal value, the lower fair market value was applied. For mixed funds accounted for as fixed assets, the fair value is determined separately for the individual components such as shares and bonds using the aforementioned methods. In addition to the earnings per share of the included shares and/or the calculated value of the included bonds, all other elements of the fund, such as liquid funds (cash and cash equivalents), interest accruals, receivables and liabilities factor into the fair value of the respective shares, bonds, and mixed funds.

As a general rule, derivatives were measured at cost or the lower fair value prevailing on the balance sheet date. In case of a negative market value, provisions for anticipated losses from pending transactions would be recognised.

Options were valued separately. The costs represent the upper value limits. Provisions for anticipated losses were recognised in the event of negative fair values.

Foreign exchange futures 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 anticipated losses from pending transactions would be recognised. There were no open forward exchange contracts as of 31 December 2020.

The fair value of other investments was generally determined on the basis of their open market value. For investments having a market or listed price, the market value was 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 stock market quotations were available, yield-implied prices were used based on price formation methods established in financial markets. Investments were valued at maximum at their expected realisable value in accordance with the principle of prudence.

Registered bonds, notes receivable and loans as well as loans guaranteed by mortgages, land charges and annuity land charges were accounted for at amortised cost (section 341c HGB), whereby the investments were recognised upon acquisition at the purchase price or amount paid. The difference to the repayment amount was amortised using the effective interest method. Necessary write-downs were recognised based on the less strict lower-of-cost-or-market principle.

The fair values of the registered bonds, notes receivable and loans were determined by means of product and rating-specific yield curves using a net present value method. Special structures such as deposit protection, guaranty obligations, or subordination were taken into account with respect to the spread premiums applied. The fair value of zero-coupon registered bonds and zero-coupon notes receivable was determined based on the Company's own calculations derived using actuarial methods.

With respect to the structured products in the portfolio, they are financial instruments for which the underlying instrument in the form of a fixed income cash instrument is contractually bundled as a unit with one or more derivatives. They are generally accounted for uniformly at amortised cost based on the provisions for investments accounted for as assets according to the less strict lower of cost or market principle (section 341b(1) sentence 2 HGB in conjunction with section 253(3) sentence 5 HGB).

Deposits with banks and funds withheld were recognised at their nominal amounts.

Receivables

Receivables from direct written insurance business were recognised at their nominal amounts. For the business in Germany, a global valuation allowance for receivables from policy holders and insurance brokers was calculated in the amount of 1%. For the international business, a global valuation allowance was recognised based on the age structure of receivables from policy holders and for the receivables from insurance brokers, the general risk of default was taken into account through the recognition of an adequate global valuation allowance.

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

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.

Other assets

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 items up to EUR 250 are immediately recognised as operating expenses. Low-value items costing between EUR 250 and EUR 800 are capitalised and written off in the year of acquisition. Some inventory items are carried at a fixed value.

Cash at banks, cheques and cash-in-hand were recognised at their nominal 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 post-employment benefit liability" represents the excess amount remaining after netting post-employment benefit obligations with plan assets under individual contracts (mainly pension liability insurances).

Deferred taxes

Since HDI Global SE in its relationship with Talanx AG is a consolidated tax group subsidiary (Organgesellschaft), deferred taxes on measurement differences of the German parent company were presented at the level of the consolidated tax group parent (Organträger), so that only differences between the carrying amounts in the financial accounts and in the local tax accounts of the foreign branch office are to be taken into account.

The anticipated future tax expenses and refunds for each permanent establishment were netted when determining accrued tax amounts. For this purpose, deferred tax liabilities from temporary differences (in particular from the provisions for premium transfers and the equalisation reserve as well as from accounts receivable from the reinsurance business) were netted with the deferred tax assets from temporary differences (in particular with respect to the differing carrying amounts in the financial accounts and the local tax accounts of the loss provisions and other provisions) as well as with deferred tax assets on tax loss carry forwards for all foreign branches separately for each individual country. Deferred taxes were measured based on the local tax rate. Due to the existing option to recognise deferred tax assets, the excess of assets over liabilities resulting from the netting was not accounted for on the balance sheet.

Tax rates

	2020
In %	
Australia, Sydney	30.0
Japan, Tokyo	28.0
Canada, Toronto	26.0
France, Paris	25.8
Belgium, Brussels/Norway, Oslo/Spain, Madrid/The Netherlands, Rotterdam	25.0
Greece, Athens/Italy, Milan/Malaysia, Labuan	24.0
Denmark, Copenhagen	22.0
Switzerland, Zurich	21.3
United Kingdom, London	19.0
Singapore (onshore / offshore)	17.0/10.0
China, Hong Kong	16.5
Ireland, Dublin	12.5

Equity and liabilities

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

Approximation and simplification methods
For the purposes of the timely preparation of the consolidated financial statements and the requisite punctual delivery of the individual financial statements, both written amounts as well as estimates were used as part of the fast-close process implemented in reinsurance. In the determination of the reinsurers' contractual shares in all gross basis items, a timing offset of one month was applied. Every reinsurance contract was individually calculated on the basis of gross data written for the first eleven months, and a simplified estimate of the shares for reinsurance was made 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 that represents an average reinsurance valuation and which facilitates an accelerated entry of the shares for reinsurance was applied to the shares thus calculated and to the entire German portfolio. 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
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 liability, motor comprehensive and motor partial own damage insurance, the group-valuation option was used for unsettled minor claims. The provision for the indemnification of claims for losses in the financial year was measured globally in the maritime area for the investment and underwriting business based on past experience from prior years.

Corresponding provisions for claims incurred but not yet reported ("IBNR") were recognised for insurance claims that were not yet known at the balance sheet 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 liability class, the provisions were calculated based on the chain ladder method. In the other classes the calculation is made based on the expected loss expenses and geared towards a three to five year average, taking special factors into account.

The annuity provision calculated in accordance with section 65 VAG (Versicherungsaufsichtsgesetz; German Insurance Supervisory Act) and the provision for anticipated claims adjustment expenses were recognised in addition. The provision for external claims adjustment expenses is comprised of external and internal costs. Whereas the provision for external claims adjustment expenses is recognised for each individual insurance claim, the provision for internal claims adjustment expenses is determined using a factor-based approximation method. This method is based on actual claims payments made as a measure of volume for costs incurred and determines the future provision for internal claims adjustment expenses as a percentage share of the current provision for claims payments based on this relationship. The corresponding percentage rate/factor is determined as the average of historical observation years. Since it is assumed that the claims for reported losses have already been partially adjusted, the determined factor is reduced based on past experience for specific lines.

The (gross) annuity claims 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 is 0.7% (0.9%).

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 section 29 RechVersV and the Appendix to section 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 section 30(2) and/or (2a) RechVersV. The provision for large risks relating to pharmaceutical risk was determined in accordance with section 30(1) RechVersV.

The other underwriting provisions were determined as follows:

Provisions for premium adjustments were recognised on the basis of portfolio analyses in connection with expert opinions.

The provision for premium lapse risks was calculated by determining the average rate of premium lapses for the last three years and multiplying it with the premiums for the current year.

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 insurance policies was determined on a contract-by-contract basis.

The provision for impending losses from directly written insurance business or insurance business accepted for reinsurance reported under other underwriting provisions in accordance with section 31(1) no. 2 RechVersV are recognised as the negative balance of the income expected for the contracts for which there is a legal obligation at the balance sheet 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 prior loss years.

With respect to the underwriting provisions from the insurance business accepted for reinsurance, the provisions ceded by the prior insurers were generally recognised under liabilities unless the Company had better knowledge. 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
Pension liabilities were recognised in accordance with section 253(1) sentence 2 HGB in the amount of the settlement amount dictated by prudent business judgement and discounted according to section 253(2) sentence 2 HGB with the average interest rate for the past 10 years forecasted as of 31 December 2020 with an assumed remaining term of 15 years by the German Bundesbank in accordance with the Regulation on the Discounting of Provisions (RückAbzinsV) published on 30 September 2020. The provisions for pensions for employer-funded commitments and for employee-funded commitments not contingent on securities were calculated in accordance with the projected unit credit method. The adjustment of benefits with respect to commitments under deferred compensation as a result of future expected participation in surplus assets on the part of reinsurers was taken into account based on individual agreements.

The measurement is based on the turnover probabilities (probabilities of withdrawal) according to the "Heubeck 2018G actuarial charts", which were reduced based on the risk trend observed in the portfolio. Further information regarding trend assumptions, the discount rate and the difference in accordance with section 253(6) HGB is provided under section D.1 Provisions for pensions and similar obligations of this report.

The securities-linked employee-financed commitments are exclusively pension commitments covered by fully matched benefit reinsurance, which are measured in accordance with section 253(1) sentence 3 HGB. For these commitments, the settlement amount therefore corresponds to at least the fair value of the plan assets of the life insurance agreement plus surplus participation.

The calculation of the provision for partial retirement included all employees of the Company who have already taken advantage of partial retirement. The calculations were carried out using the modified "Heubeck 2018G actuarial charts" as they are used to measure pension liabilities. The calculations were based on the actuarial decrement tables for active employees. A forecasted actuarial interest rate of 0.48% (0.63%) was applied under the assumption of an average remaining term of two years. As in the prior year, a rate of 2.50% was assumed for salary increases. In accordance with section 253 HGB, the provision is recognised at the required settlement amount. It comprises the provision for back wages and salaries, the provision for top-up amounts, the provision for the additional employer contributions to the statutory pension insurance scheme and the provision for severance.

The anniversary obligations are measured based on the same principles as the pension liabilities, whereby the same assumptions for taking into account salary trend and fluctuation probabilities are applied. Only the projected discount rate is calculated differently using an average mean of the past seven years and applied at 1.61% (1.97%).

Provisions for taxes and other provisions take all identifiable risks and uncertain obligations into account and were recognised at the settlement amount dictated by prudent business judgement.

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 RückAbzinzV.

Deposits retained
Deposits retained on direct written insurance business 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 reporting date was presented under deferred income to the extent that it represents income for a specific period after the reporting 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. With respect to monthly foreign currency measurement, the portfolio positions are translated at the respective exchange rate prevailing at the end of the month.

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 items are translated using a rolling method. The addition of the translated individual items effectively resulted in a translation at average rates.

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 each currency, the foreign currency liabilities are combined with the foreign currency assets matching them in hedging relationships in accordance with section 254 HGB (portfolio hedges), whereby the items allocated to the hedging relationships are primarily non-current assets, underwriting provisions and non-current liabilities. Foreign currencies are generally translated regardless of the restrictions of the historical cost convention and the realisation principle.

If there is a surplus for a particular currency, it is examined whether is is sustainable or not. Sustainable surpluses are combined with currency forwards in separate hedging relationships in accordance with section 254 HGB and are generally translated independent of the restrictions of the historical cost convention and the realisation principle. In the reporting period, there were sustainable surpluses exclusively in the Canadian dollar.

The gross hedge presentation method is applied to the effective portion of the hedging relationships.

Temporary surpluses and deficits are generally translated immediately through profit or loss. The remaining assets and liabilities outside of the aforementioned hedging relationships per currency have a remaining term of less than one year and are therefore measured in compliance with section 256a HGB.

Assets

Changes to assets A. and B. I. to B. III in the 2020 financial year

			Balance sheet amounts for the prior year	Balance sheet amounts 01.01.2020*	interest accruals 01.01.2020
EUR thousand					
A.	Intangible fixed assets				
	I.	Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	8,257	8,257	–
B. I.	Land, land rights and buildings, including buildings on third-party land		173,696	176,867	–
B. II.	Investments in affiliated companies and long-term equity investments				
	1.	Shares in affiliated companies	1,443,126	1,376,784	–
	2.	Loans to affiliated companies	263.840	271,569	-203
	3.	Long-term equity investments	195,824	197,765	–
	4.	Loans to other long-term investees and investors	14,165	14,165	–
		Total B. II.	**1,916,956**	**1,860,283**	**-203**
B. III.	Other investments				
	1.	Shares, shares in investment funds and other non-fixed interest securities	1,645,209	1,648,395	–
	2.	Bearer bonds and other fixed interest securities	2,960,163	3,044,295	-1,081
	3.	Mortgages, land charges and annuity land charges	422	422	–
	4.	Other loans			
		a) Registered bonds	693,795	701,673	-127
		b) Promissory notes and loans	201,692	210,197	-106
	5.	Deposits with financial institutions	42,716	42,716	–
		Total B. III.	**5,543,997**	**5,647,699**	**-1,314**
Total			**7,642,906**	**7,693,106**	**-1,517**

Additions	Reclassifications	Disposals	Reversal of write-down	Exchange rate fluctuations	Amortisation, depreciation and write-downs	Balance sheet values for the financial year	Market values 31.12.2020
–	–	–	–	6	7,549	**714**	**n/a**
519	–	3,171	–	–	3,717	**173,696**	**228,119**
140,640	–	71,415	–	–21,432	–	**1,424,577**	**2,021,246**
63,022	–	42,325	–	–12,386	–	**279,677**	**284,085**
–	–	–	–	9	75	**197,699**	**210,708**
30,506	–	–	–	13	–	**44,685**	**44,685**
234,168	**–**	**113,741**	**–**	**–33,795**	**75**	**1,946,637**	**2,560,723**
211,930	–	390,066	–	-8,044	267	**1,461,949**	**1,547,884**
1,140,121	–	793,735	7	-87,076	2,236	**3,300,295**	**3,475,050**
–	–	5	–	–	–	**417**	**526**
63,366	-6,500	39,275	–	–	–	**719,137**	**777,401**
40,789	6,500	24,422	–	-2,022	1,000	**229,936**	**244,209**
28,068	–	–	–	-5,709	–	**65,075**	**65,047**
1,484,274	**0**	**1,247,503**	**7**	**-102,851**	**3,503**	**5,776,808**	**6,110,116**
1,718,961	**0**	**1,364,415**	**7**	**-136,641**	**14,844**	**7,894,657**	**8,898,959**

B. Investments

Disclosures pursuant to section 52 no. 1a RechVersV

The carrying amount of the Company's own land used in the context of its operations remained unchanged from the previous year at EUR 759 thousand.

Disclosures pursuant to section 55(7) RechVersV

The fair values were determined on the basis of internal and external expert opinions from 2019. The fair value as at 31 December 2020 is EUR 228,119 million.

Investments with hidden losses (section 285 no. 18 HGB)

	Carrying amounts 31.12.2020	Market values 31.12.2020
EUR thousand		
Shares in affiliated companies	46,934	44,187
Shares, shares in investment funds and other non-fixed interest securities	68,761	66,982
Bearer bonds and other fixed interest securities	247,903	244,704
Total	**363,598**	**355,873**

A write-down in the amount of EUR 4,978 (13,647) thousand was avoided by means of dedication as fixed assets in accordance with section 341b(2) HGB.

In the opinion of the Company, the omitted write-downs are temporary impairments.

Hedge accounting in accordance with section 254 HGB (section 285 no. 23 HGB)

Type of hedge	Hedged item	Hedging transaction	Nature of the risks	Amount of risks hedged
Section 285 no. 23a HGB Portfolio-Hedge	Foreign currency liabilities As of the balance sheet date, hedging relationships in the total amount of EUR 1,381 million were recognised and broken down to the following major currencies: US dollar EUR 523 million United Kingdom pounds sterling EUR 254 million Swiss franc EUR 231 million Canadian dollar EUR 211 million Australian dollar EUR 71 million	Foreign currency assets	Foreign currency risk	Currency result from the hedged foreign currency liabilities; Recognition of effective changes in the value of hedged items and hedging transactions based on the application of the gross hedge presentation method in the balance sheet and income statement
Section 285 no. 23b HGB Portfolio-Hedge	Variable securities portfolio (sustained surplus in foreign currency assets)	Hedging is carried out by means of currency forwards (sale of Canadian dollars against the purchase of euros)	Foreign currency risk	Currency result from the hedged foreign currency assets; Recognition of effective changes in the value of hedged items and hedging transactions based on the application of the gross hedge presentation method in the balance sheet and income statement

Disclosures pursuant to section 277(3) HGB

Write-downs were recognised on fixed assets in the financial year in the amount of EUR 1,342 (19,378) thousand.

Shares or shares in investment funds pursuant to section 285 no. 26 HGB

The line item B.III.1. Shares, shares in investment funds and other floating-rate securities includes the funds listed below in which our Company holds an interest of more than 10 %. There are no restrictions with respect to the daily surrender option.

	Balance sheet values 31.12.2020	Market values 31.12.2020	Distribution 31.12.2020
EUR thousand			
Bond funds			
BlueBay Em. Market Invest. Grade Corp. Bond Fund I	31,963	33,810	1,564
Fisch CB - Global Defensive BQ2	28,224	31,082	19
CS Lux AgnaNola Global Convertible Bond Fund	39,960	45,198	34
EURO-RENT 3 Master	1,044,524	1,113,095	17,130
Subtotal Bond fund	**1,144,671**	**1,223,184**	**18,748**
Mixed funds			
HDI Global SE Absolute Return	614	614	58
HDI Globale Equities	999	999	211
Assenagon Balanced EquiVol I	15,000	15,157	0
Subtotal Mixed funds	**16,613**	**16,770**	**269**
Total	**1,161,284**	**1,239,954**	**19,016**

Write-downs pursuant to section 253(3) sentence 4 HGB were not applied to the special funds reportable under unrealised losses, since the Company considered the impairments to be temporary.

For the equity funds held as fixed assets, the fair value of every single share 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 amortised cost 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.

There are no restrictions with respect to the daily surrender option.

Disclosures pursuant to section 341b(2) HGB

The Company has exercised the option pursuant to section 341b(2) HGB to classify investments with a carrying amount of EUR 4,546,739 (4,429,332) thousand as fixed assets. EUR 1,458,032 (1,645,209) thousand of this amount can be attributed to shares, shares in investment funds and other floating-rate securities and EUR 3,088,707 (2,784,123) thousand to bearer bonds and other fixed-interest securities.

B. II. Investments in affiliated companies and long-term equity investments

Name, registered office	Share in %[1]	Currency	Equity in thousand	Result in thousand
Caplantic AIF, SICAV-SIF S.C.Sp., Luxembourg[2]	24.71	EUR	9,996	-7,964
Credit Suisse (Lux) Gas Transit Switzerland SCS, Luxembourg[3]	16.31	EUR	134,179	6,840
Extremus Versicherungs-Aktiengesellschaft, Cologne[4]	13.00	EUR	64,100	2,860
Funderburk Lighthouse Limited, Grand Cayman[4]	100.00	USD	43,841	-3,743
HDI AI EUR Beteiligungs-GmbH & Co. KG, Cologne[4]	100.00	EUR	507,037	49,746
HDI AI USD Beteiligungs-GmbH & Co. KG, Cologne[4]	100.00	EUR	239,081	22,291
HDI Global Insurance Limited Liability Company, Moscow[4]	100.00	RUB	602,149	13,790
HDI Global Network AG, Hannover[4]	100.00	EUR	211,564	-[6]
HDI Global Network AG Escritório de Representaçao no Brasil Ltda, São Paulo[4]	100.00	BRL	342	18
HDI Global Seguros S.A., São Paulo[4]	100.00	BRL	81,292	16,242
HDI Global Specialty Holding GmbH, Hannover[4]	100.00	EUR	148,544	-[6]
HDI Reinsurance (Ireland) SE, Dublin[4]	100.00	EUR	231,421	25,430
HDI Risk Consulting GmbH, Hannover[4]	100.00	EUR	1,626	-[6]
IVEC Institutional Venture and Equity Capital GmbH, Cologne[4]	23.80	EUR	31,758	1,507
Magma HDI General Insurance Ltd., Kolkata[5]	20.68	INR	3,498,901	-321,157
Petro Vietnam Insurance Holdings, Hanoi[4]	53.92	VND	6,565,536,356	569,753,765
Riethorst Grundstücksgesellschaft AG & Co. KG, Hannover[4]	50.00	EUR	143,525	8,111

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

2) Carrying amounts as at 30 September 2019

3) Carrying amounts as at 30 June 2020

4) Carrying amounts as at 31 December 2019

5) Carrying amounts as at 31 March 2020

6) A profit and loss transfer agreement is in effect.

C. III. Other receivables

EUR thousand	31.12.2020	31.12.2019
Claims payments/Co-insurance/Share of losses attributable to other companies	400,952	368,210
Receivables from affiliated companies	104,937	108,983
Receivables from tax authorities	31,774	20,012
Receivables due to timing differences in accounting entries	25,383	15,281
Payments not yet assigned	22,853	9,091
Receivables for incidental expenses incurred in connection with real estate	3,045	3,955
Receivables from the sale of renewal rights	1,989	3,087
Receivables from security deposits, sureties and loan collaterals	1,460	1,391
Receivables from insurance pools	360	1,198
Costs posted after the cost accounts are closed	0	1,123
Receivables from the sale of Oslo Fjord	0	1,069
Miscellaneous	16,283	9,134
Total	**609,036**	**542,534**

Receivables from affiliated companies comprise EUR 58,627 (44,051) thousand in other receivables from investment income. In addition, these also include receivables from HDI Global Network AG in the amount of EUR 15,744 (27,040) thousand and from HDI Risk Consulting GmbH in the amount of EUR 1,531 (904) thousand from the transfer of profits.

Receivables from the sale of renewal rights to affiliated companies amount to EUR 1,989 (1,989) thousand.

Other receivables have a remaining term of more than one year in the amount of EUR 3,426 (5,027) thousand.

D. I. Tangible fixed assets and inventories

EUR thousand	2020	2019
Balance as at 31.12.2019	9,078	9,855
Balance as at 01.01.2020	9,078	9,855
Additions	3,708	2,394
Disposals	2,003	1,921
Amortisation, depreciation and write-downs	1,177	1,354
Exchange rate fluctuations	-78	104
Balance as at the end of the financial year	**9,528**	**9,078**

E. I. Deferred rent and interest income

Only income from interest was accrued in the amount of EUR 49,007 (53,354) thousand.

E. II. Other prepaid expenses

Other prepaid expenses in the amount of EUR 2,824 (2,402) thousand represent administrative expenses.

Equity and liabilities

A. I. Subscribed capital

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

A. II. Capital reserves

The capital reserves are equal to EUR 284,043 thousand. The creation of a statutory reserve is not required since section 150(2) AktG ("statutory reserve fund") has already been satisfied by the creation of a capital reserve in accordance with section 272(2) no. 1 HGB.

B. Subordinated liabilities

	31.12.2020	**31.12.2019**
EUR thousand		
neue leben Lebensversicherung AG, Hamburg	88,632	88,632
PB Lebensversicherung AG, Hilden	88,632	88,632
HDI Versicherung AG, Hannover	20,000	20,000
Gerling Versorgungskasse VVaG, Cologne	2,736	2,736
Total	**200,000**	**200,000**

HDI Lebensversicherung AG granted HDI Global SE a subordinated loan with a contract dated 11 August 2014 in the nominal amount of EUR 180,000 thousand. HDI Lebensversicherung AG assigned the loan to neue leben Lebensversicherung AG, PB Lebensversicherung AG and Gerling Versorgungskasse VVaG with an assignment agreement dated 28 November 2017.

C. Total gross underwriting provisions

	31.12.2020	31.12.2019
EUR thousand		
Direct written insurance business		
Casualty insurance	235,832	232,354
Liability insurance	5,494,024	5,317,625
Motor third-party liability insurance	786,705	735.28
Other motor insurance	144,061	70,914
Fire and property insurance	1,359,308	1,325,396
of which:		
a) Fire insurance	462,454	471,877
b) Engineering insurance	846,250	787,055
c) Other property insurance	50,604	66,464
Marine and aviation insurance	590,804	548,762
Legal protection insurance	84,202	84,837
All-risk insurance	975,253	1,015,010
Other insurance	134,727	146,365
Total	**9,804,915**	**9,576,544**
Business accepted for reinsurance	3,433,036	3,413,710
Total insurance business	**13,237,950**	**12,990,254**

Of which:

a) Gross provision for outstanding claims: EUR 11,294,051 (11,311,641) thousand

b) Equalisation reserve and similar provisions: EUR 716,670 (676,962) thousand

C. II. 1. Gross provision for outstanding claims

	31.12.2020	31.12.2019
EUR thousand		
Direct written insurance business		
Casualty insurance	197,284	194,576
Liability insurance	5,064,406	4,943,968
Motor third-party liability insurance	751,318	698,739
Other motor insurance	54,235	69,786
Fire and property insurance	1,015,786	1,044,236
of which:		
a) Fire insurance	351,486	389,447
b) Engineering insurance	627,052	598,217
c) Other property insurance	37,249	56,572
Marine and aviation insurance	505,026	487.22
Legal protection insurance	80,768	81,189
All-risk insurance	738,611	887,273
Other insurance	119,228	131,654
Total	**8,526,660**	**8,538,642**
Business accepted for reinsurance	2,767,391	2,772,999
Total insurance business	**11,294,051**	**11,311,641**

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

This item amounts to EUR 20,375 (14,247) million and, as in the previous year, relates exclusively to non-performance-related premium refunds.

C. IV. Equalisation reserve and similar provisions

	31.12.2020	**31.12.2019**
EUR thousand		
Direct written insurance business		
Casualty insurance	–	–
Liability insurance	148,027	141,583
Motor third-party liability insurance	0	10,927
Other motor insurance	77,925	89,272
Fire and property insurance	84,653	51,877
of which:		
a) Fire insurance	84,653	51,877
Marine and aviation insurance	49,077	30,487
Other insurance	648	682
Total	**360,330**	**324,828**
Business accepted for reinsurance	356,340	352,134
Total insurance business	**716,670**	**676,962**

D. I. Provision for pensions and similar obligations

	2020	2019
EUR thousand		
Balance as at the start of the financial year	463,229	444,485
Change	-22,585	-14,611
Accrued interest / interest rate change	31,376	33,355
Balance as at the end of the financial year	472,020	463,229

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. In Germany, the presumed trend was 2.50% for salary increases and 1.64% (1.74%) for pension increases as in the previous year. The provisions for pensions were discounted using an interest rate of 2.31% (2.71%) and assuming a remaining term of 15 years. The discount rate applied in the measurement of pension liabilities at the UK branch is 3.36% (3.78%). Salary increases were factored into the calculation at 2.50% (2.40%) and pension increases at 3.30% (3.40%).

Probable staff turnover rates (%)

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 settlement amount for the employer-funded provision for pensions as at 31 December 2020 was EUR 516,219 (508,467) thousand. The fund held to cover this amount was accounted for at fair value of EUR 45,785 (46,661) thousand in accordance with section 253(1) sentence 4 HGB. The cost of the fund converted based on the exchange rate prevailing on the reporting date was EUR 35,608 (42,279) thousand.

The settlement amount for the employee-funded provision for pensions was EUR 9,725 (9,875) thousand. Nettable plan assets totalling EUR 8,140 (8,452) thousand represent pension liability insurance claims offset in the amount of EUR 8,139 (8,451) 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 section 255(4) sentence 3 HGB is equal to the so-called actuarial reserves of the insurance agreement plus excess.

Income from plan assets for pension liabilities in the amount of EUR 2,036 thousand was netted with expenses from the unwinding of the discount on provisions for pension liabilities in the amount of EUR 6,325 thousand in the reporting period.

The difference in accordance with section 253(6) sentence 1 amounts to EUR 52,314 thousand. In order to calculate the difference, the commitment discounted at the average interest rate of the past ten years and recognised was compared to the amount that would have resulted if it had been discounted at the average interest rate of the past seven years.

D. III. Other provisions

	31.12.2020	**31.12.2019**
EUR thousand		
Remuneration payable	30,506	35,535
Consulting costs	14,576	1,830
Vacation claims and credit balances in flextime accounts	8,866	7,098
Partial retirement	8,322	6,107
Costs for the preparation of the annual financial statements	2,563	3,369
Anniversary bonuses	1,562	2,042
Administrative expenses of foreign branch offices	2,080	2,329
Provisions for costs	5,217	1,662
Pension fund	1,187	1,128
Outstanding invoices for building-related expenses	1,356	,946
Berufsgenossenschaft (Employers´ Liability Association)	518	463
Litigation expenses	–	703
Miscellaneous	5,079	4,130
Total	**81,833**	**78,342**

The settlement amount of the provision of partial retirement was equal to EUR 14,044 (11,695) thousand. The fund held to cover this amount was accounted for at fair value in the amount of EUR 5,723 (5,587) thousand. The cost of the fund amounted to EUR 5,723 (5,487) thousand.

F. IV. Other liabilities

	Term < 1 year 31.12.2020	Term < 1 year 31.12.2019	Term > 1 year 31.12.2020	Term > 1 year 31.12.2019	Total 31.12.2020	Total 31.12.2019
EUR thousand						
Liabilities from non-group lead business	283,743	410,189	48,137	–	331,879	410,189
Liabilities to affiliated companies	99,296	208,925	–	94,464	99,296	303,389
Liabilities due to tax authorities	49,793	51,585	–	–	49,793	51,585
Liabilities not yet attributed	48,109	27,795	287	1,076	48,395	28,871
Trade payables	6,268	5,224	12	6	6,280	5,230
Liabilities to social security institutions	1,299	1,210	–	–	1,299	1,210
Liabilities from the investing activities based on claim payments	197	467	–	–	197	467
Liability from the acquisition of corporate bonds	0	444	–	–	0	444
Miscellaneous	9,203	4,494	432	0	9,635	4,494
Total	**497,908**	**710,333**	**48,867**	**95,546**	**546,775**	**805,879**

The decrease in other liabilities to affiliated companies of EUR 310,893 thousand to EUR 99,296 (410,189) thousand can be attributed primarily to a reduction in the net amount owed to the parent company Talanx AG, which resulted, among other things, from the acquisition of HDI Reinsurance (Ireland) SE (EUR 268,700 thousand) in the previous year as well as from the decrease in profit transferred for the financial year in the amount of EUR 46,796 thousand to EUR 3,810 (50,607) thousand.

Other liabilities do not include any liabilities with a remaining term to maturity of more than five years.

G. Deferred income

EUR 1,685 (2,082) thousand in deferred income items in the amount of EUR 1,171 (1,1569) thousand relates to management commissions collected for the subsequent year.

Income statement

I. 1. a) Gross written premiums

	2020	2019
EUR thousand		
Direct written insurance business		
Casualty insurance	90,959	109,991
Liability insurance	1,088,934	1,015,945
Motor third-party liability insurance	244,262	263,888
Other motor insurance	141,948	160,288
Fire and property insurance	569,689	582,750
of which:		
a) Fire insurance	174,431	196,443
b) Engineering insurance	331,348	320,763
c) Other property insurance	63,910	65,544
Marine and aviation insurance	327,702	341,906
All-risk insurance	652,811	616,541
Legal protection insurance	27,074	26,634
Other insurance	94,048	99,729
Total	**3,237,428**	**3,217,672**
Business accepted for reinsurance	1,286,754	1,231,643
Total insurance business	**4,524,181**	**4,449,315**

Origin of gross written premiums for the direct written insurance business

	2020	2019
EUR thousand		
In Germany	1,500,178	1,547,633
Other member states of the European Community as well as other treaty states of the Agreement Creating the European Economic Area	1,054,759	1,320,783
Third countries	682,491	349,256
Total	**3,237,428**	**3,217,672**

I. 1. Gross premiums earned

	2020	2019
EUR thousand		
Direct written insurance business		
Casualty insurance	91,422	111,006
Liability insurance	1,059,343	1,016,014
Motor third-party liability insurance	241,762	268,352
Other motor insurance	141,540	159,513
Fire and property insurance	553,669	579,502
of which:		
a) Fire insurance	178,132	200,564
b) Engineering insurance	315,286	312,883
c) Other property insurance	60,252	66,055
Marine and aviation insurance	325,109	347,851
All-risk insurance	627,551	616,625
Legal protection insurance	27,201	26,576
Other insurance	95,162	100,241
Total	**3,162,760**	**3,225,680**
Business accepted for reinsurance	1,243,627	1,295,902
Total insurance business	**4,406,386**	**4,521,582**

I. 1. Net premiums earned

	2020	2019
EUR thousand		
Direct written insurance business		
Casualty insurance	79,481	97,419
Liability insurance	581,839	489,926
Motor third-party liability insurance	224,806	249,923
Other motor insurance	132,070	148,363
Fire and property insurance	252,016	279,090
of which:		
a) Fire insurance	72,821	79,916
b) Engineering insurance	154,473	168,272
c) Other property insurance	24,722	30,902
Marine and aviation insurance	222,931	250,199
All-risk insurance	134,692	138,264
Legal protection insurance	-1	-504
Other insurance	45,192	54,839
Total	**1,673,028**	**1,707,519**
Business accepted for reinsurance	414,870	402,465
Total insurance business	**2,087,898**	**2,109,984**

I. 2. Underwriting interest income for own account

In the direct written gross insurance business, underwriting interest income was calculated on the annuity claims provision. As in the previous year, it amounts to 0.9% of the average of the opening and closing balance of the provision.

I. 4. Gross expenses for insurance claims

	2020	2019
EUR thousand		
Direct written insurance business		
Casualty insurance	63,727	89,087
Liability insurance	773,471	784,918
Motor third-party liability insurance	196,884	236,384
Other motor insurance	80,201	120,144
Fire and property insurance	275,034	495,525
of which:		
a) Fire insurance	86,564	184,227
b) Engineering insurance	184,718	275,778
c) Other property insurance	3,752	35,520
Marine and aviation insurance	202,625	254,442
All-risk insurance	189,009	490,562
Legal protection insurance	12,816	16,000
Other insurance	51,856	57,640
Total	**1,845,624**	**2,544,702**
Business accepted for reinsurance	845,171	555,952
Total insurance business	**2,690,795**	**3,100,654**

I. 7. a) Gross expenses for insurance operations

	2020	2019
EUR thousand		
Direct written insurance business		
Casualty insurance	22,884	25,573
Liability insurance	171,414	187,322
Motor third-party liability insurance	39,723	45,442
Other motor insurance	26,092	28,584
Fire and property insurance	111,871	125,118
of which:		
a) Fire insurance	30,926	36,947
b) Engineering insurance	69,333	76,443
c) Other property insurance	11,612	11,728
Marine and aviation insurance	70,881	85,093
All-risk insurance	107,279	109,345
Legal protection insurance	4,524	5,900
Other insurance	24,662	29,351
Total	**579,331**	**641,728**
Business accepted for reinsurance	239,058	256,711
Total insurance business	**818,388**	**898,439**

Of the gross expenses for insurance operations for the financial year, EUR 118,499 (126,116) thousand are attributable to acquisition expenses and EUR 699,889 (772,323) thousand are attributable to general and administrative expenses.

Reinsurance balance

	2020	2019
EUR thousand		
Direct written insurance business		
Casualty insurance	-8,824	-8,185
Liability insurance	-108,808	-123,963
Motor third-party liability insurance	4,205	-5,227
Other motor insurance	-2,169	-1,277
Fire and property insurance	-99,502	57,634
of which:		
a) Fire insurance	-47,498	32,438
b) Engineering insurance	-32,717	37,308
c) Other property insurance	-19,287	-12,112
Marine and aviation insurance	-47,230	-34,911
All-risk insurance	-271,035	-60,277
Legal protection insurance	-6,857	-3,966
Other insurance	-20,833	-1,043
Total	**-561,052**	**-181,215**
Business accepted for reinsurance	-279,344	-443,680
Total insurance business	**-840,396**	**-624,895**

– = in favour of the reinsurers

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

The balance for the reinsurance business includes a total amount of EUR 148 (274) million for non-cash reinstatement premiums. This breaks down into EUR 133 (240) million for the direct written insurance business and EUR 15 (34) million for the business accepted for reinsurance.

I. 11. Underwriting result for own account

	2020	2019
EUR thousand		
Direct written insurance business		
Casualty insurance	-4,764	-2,957
Liability insurance	-19,690	-19,959
Motor third-party liability insurance	11,659	-8,035
Other motor insurance	44,421	-13,853
Fire and property insurance	18,185	-23,286
of which:		
a) Fire insurance	-24,358	-28,256
b) Engineering insurance	16,877	-1,776
c) Other property insurance	25,667	6,746
Marine and aviation insurance	-18,625	-21,255
All-risk insurance	28,179	-45,639
Legal protection insurance	3,004	711
Other insurance	-3,582	11,669
Total	**58,789**	**-122,604**
Business accepted for reinsurance	-109,476	61,430
Total insurance business	**-50,688**	**-61,174**

Run-off result for own account

In the financial year, HDI Global SE realised a run-off profit in the amount of EUR 256,649 (231,639) 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

	2020	2019
EUR thousand		
Commissions of any kind for insurance agents within the meaning of section 92 HGB for direct written insurance business	310,590	341,106
Wages and salaries	230,830	237,813
Social insurance contributions and expenses for benefits	37,550	37,597
Expenses for retirement benefits	11,162	13,463
Total expenses	**590,131**	**629,979**

Number of insurance contracts with a minimum term of one year

	2020	2019
Number		
Direct written insurance business		
Casualty insurance	17,794	8,787
Liability insurance	66,673	68,538
Motor insurance	531,899	602,449
Fire and property insurance	32,990	36,822
of which:		
a) Fire insurance	9,522	1,733
b) Engineering insurance	17,500	8,46
c) Other property insurance	5,968	6,628
Marine and aviation insurance	22,769	26,525
All-risk insurance	12,237	2,819
Legal protection insurance	10,941	1,709
Other insurance	15,506	7,53
Total	**710,809**	**795,180**

II. 4. Other income

	2020	2019
EUR thousand		
Income from services rendered	43,669	35,244
Currency exchange gains	9,972	8,297
Income from reversal of specific and global valuation allowances	6,645	6,985
Income from the derecognition of liabilities	5,759	5,573
Income from the reversal of other provisions	1,536	572
Interest and similar income	1,314	2,112
Income from the sale of renewal rights	582	2,649
Miscellaneous	2,511	1,514
Total	**71,988**	**62,946**

II. 5. Other expenses

	2020	2019
EUR thousand		
Other expenses for the Company as a whole	67,138	47,589
Expenses for services	36,559	24,542
Additions to the interest portion of the provision for pensions	29,264	32,806
Write-downs of receivables	29,115	7,582
Interest expense	15,087	14,744
Currency exchange losses	7,738	6,908
Amortisation and write-downs of intangible fixed assets	7,154	5,065
Miscellaneous	4,121	2,17
Total	**196,176**	**141,407**

Interest expenses include expenses for the unwinding of the discount in the amount of EUR 37 (65) thousand.

As a general rule, the expense of changes in interest rates related to pension liabilities is shown under other expenses in compliance with IDW AcP HFA 30 para. 87 in order to facilitate greater transparency in the presentation of the costs of the ongoing insurance business in contrast with capital market and regulatory influences on the existing pension liability.

II 7. Extraordinary result.

The extraordinary result amounted to EUR -1,718 (-9) thousand and resulted primarily from extraordinary expenses for old age pensions.

II. 9. Taxes on income

Taxes on income amount to EUR 25,169 (16,631) thousand. These are essentially the actual taxes for the financial year of the foreign branches in the amount of EUR 24,552 thousand. The expense from German taxes on income amounted to EUR 332 thousand and relates primarily to deductible withholding tax.

II. 10. Other taxes

The line item Other taxes relates in the amount of EUR 3,808 thousand to expenses on the part of the foreign branches and in the amount of EUR 1,924 thousand to German expenses from other taxes (of which EUR 331 thousand can be attributed to property taxes and EUR 1,504 thousand to insurance and fire protection taxes), resulting in an expense from other taxes in the amount of EUR 5,732 thousand.

Other disclosures

Employees

	2020	2019
Number (average)		
Full-time employees	2,393	2,423
Part-time employees	441	443
Total	**2,834**	**2,866**

Employee share programme

In October 2020, the parent company Talanx AG launched an employee stock programme under which the employees of HDI Global SE were each offered a maximum of 36 shares for subscription. The shares were issued to the employees in November. The exercise price was based on the lowest daily price on the Frankfurt and Hannover stock exchanges on 30 October 2020, less a discount of EUR 10 per share, and amounted to EUR 15.00. A total of 29,540 shares were acquired. The transaction resulted in personnel expenses of EUR 295 thousand. The shares issued are subject to a vesting period ending on 25 November 2022.

Governing bodies of the Company

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

Remuneration for the members of governing bodies and advisory boards

Remuneration for the members of the Board of Management totalled EUR 5,058 (6,939) thousand. Total remuneration for the Supervisory Board was equal to EUR 81 (69) thousand and remuneration for the Advisory Board totalled EUR 614 (644) thousand. The remuneration of former Board of Management members and their survivors totalled EUR 5,482 (6,175) thousand. A total of EUR 64,488 (64,490) thousand was recognised for pension liabilities due to former Management Board members and their survivors.

As part of the share-based remuneration system introduced in 2011, the Board of Management had claims to virtual shares under the Talanx Share-Award-Programme with a fair value of EUR 575 thousand for the period under review; this corresponds to 18,108 shares.

Important agreements

A control and profit and loss transfer agreement is in effect with Talanx AG as the controlling entity. In addition, there are control and profit and loss transfer agreements between HDI Global SE as the controlling company and HDI Risk Consulting GmbH, HDI Global Network AG and HDI Global Specialty Holding GmbH, as the controlled companies.

Shareholdings in the Company

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

Credit lines granted

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

Contingencies and other financial obligations

HDI Global SE 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 liability insurance in the next to last calendar year.

As a member of the Pharma-Rückversicherungs-Gemeinschaft, HDI Global SE 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.

HDI Global SE set up a trust account that showed a current balance of EUR 343,903 (359,010) thousand as at the balance sheet date in order to provide collateral for underwriting liabilities to HDI Global Insurance Company. The carrying amount of the collateral deposited in this trust account in the form of securities and cash amounted to EUR 323,950 (349,496) thousand as at the balance sheet date. In addition, there are further assets with a carrying amount of EUR 167,660 (167,497) thousand that are pledged, transferred as collateral or deposited, resulting in a total value of EUR 491,610 (516,993) 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 64,488 (67,396) thousand as at the end of the financial year.

The shortfall due to pension obligations within the meaning of Article 28(1) EGHGB that is not recognised on the balance sheet is equal to EUR 7,170 (1,707) thousand.

As the sponsoring undertaking for Gerling Versorgungskasse VVaG, the Company is proportionately liable for any deficits at Gerling Versorgungskasse.

Other financial obligations amounting to EUR 9,650 (10,680) thousand consist primarily of guarantee credits and bank guarantees. Letters of credit in effect with various banks total EUR 528,924 (545,510) thousand. In addition, there are obligations under fixed liability guarantees in the amount of EUR 68,000 (68,000) thousand.

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

The total amount of other financial obligations and contingent liabilities was EUR 1,169,842 (1,210,286) thousand.

Capital contribution commitments vis-à-vis contracting parties

	31.12.2020	31.12.2019
EUR thousand		
HDI AI EUR Beteiligungs-GmbH & Co. KG, Cologne	50,881	89,740
Violin IFT Bond	6,744	0
Ares Senior Direct Lending Parallel Fund (U) LP	6,282	9,604
UBS Clean Energy Infrastructure Switzerland 2, KmGK, Basle	5,377	5,372
BlackRock European Middle Market Debt II SCSp	4,628	8,452
Bridgepoint Credit Opportunities II LP	4,516	0
AG DL III Offshore Unlevered LP	3,966	6,368
Arcmont Senior Lending Fund (SLF I)	3,057	0
Crown European Private Debt II S.C.Sp.	3,000	3,000
Five Arrows Direct Lending SCSp	2,906	2,765
Monroe Capital Private Credit Fund III LP	2,769	4,025
Ares Capital Europe IV (E) Unlevered	2,761	4,743
Barings European Private Loan Fund II (unlevered)	2,478	5,444
Muzinich Pan-European Private Debt I, SCSp	2,142	4,755
HDI AI USD Beteiligungs-GmbH & Co. KG, Cologne	1,801	22,623
Ares Capital Europe II (E), L.P.	1,520	1,520
Aegon AM Dutch Mortage Fund 2	0	63,000
Caplantic AIF, SICAV-SIF S.C.Sp. – Caplantic Infrastructure I Sub-Fund	0	16,211
Currenta TermLoan FRN	0	5,789
EQT Credit II (No. 1) Limited Partnership	0	4,516
BlueBay Senior Loan Fund I (A) SLP	0	4,129
Total	**104,828**	**262,056**

There are no further call commitments on shares and equities, notes payable or other contingent liabilities of any kind.

Disclosures regarding the Project IBOR Reform

Interbank Offered Rates (IBORs) previously served as basic reference rates for global financial markets. Now, by resolution of the G20 countries, these IBORs should either be reformed or replaced with “risk-free” interest rates by the end of 2021. The discontinuation of IBOR reference interest rates is expected to have an effect on products, processes and systems. A separate project was set up in order to study the effects of the benchmark reform. The study is being conducted at the level of the respective individual contracts. Furthermore, the implications for the measurement of financial instruments and the corresponding necessary adjustments in the IT systems are under observation.

In addition to a portfolio analysis, the effects on the accounting were analysed as at 31 December 2020 and our investment strategy was adjusted based on the results. In addition, an announcement was communicated within the Group as well as to counterparties and issuers. Please note that assets can be affected by valuation effects that are not related originally to the reformed reference rates, but instead only refer to these reference rates as part of the valuation. There were no such valuation effects in 2020, as the conversion to the new reference rates is not planned until the beginning of 2021.

Risk per category (as at 31.12.2020) affected by the reform

LIBOR Rate (old)	Number of contracts	Market value EUR thousand
USD LIBOR 3M	38	99,826
USD LIBOR 6M	1	13,754
SOFR	2	1,756

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 net assets or results of operations.

Total audit fees

The fee for the independent auditor – broken down into expenses for audit service, for other certification 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.

The independent auditor audited the annual financial statements, including the management report and the reporting package prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2020. The reporting packages prepared on a quarterly basis in accordance with IFRS were subjected to a review. In addition, the solvency statement for the year ended 31 December 2020 was audited. Furthermore, assurance engagements were performed in the reporting period based on the International Standard on Assurance Engagements (ISAE) 3000. Moreover, (agreed-upon) procedures were performed in the reporting period based on the International Standard on Assurance Engagements (ISAE) 4400.

Consolidated financial statements

The Company is a group 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 largest group of companies) according to section 341i HGB in conjunction with section 290 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 smallest group of companies) pursuant to section 341i HGB in conjunction with section 290 HGB, which are prepared – as provided for in section 315e(1) HGB – on the basis of the International Financial Reporting Standards (IFRS) as adopted by 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). The inclusion of HDI Global SE in the consolidated financial statements of HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit and Talanx AG exempts the Company in accordance with section 291(1) HGB from preparing its own consolidated financial statements.

Report on post-balance sheet date events
There were no known significant events after the closing of the financial year that might have a material effect on the net assets, financial position and results of operations of the Company.

Hannover, 16 February 2021

The Board of Management

Dr. Edgar Puls

Yves Betz	Dr Mukadder Erdönmez	Dr Christian Hermelingmeier
David Hullin	Dr. Thomas Kuhnt	Andreas Luberichs
Jens Wohlthat		

INDEPENDENT AUDITOR’S REPORT

To HDI Global SE, Hannover

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of HDI Global SE, Hannover, which comprise the balance sheet as at 31 December 2020, and the statement of profit and loss for the financial year from 1 January to 31 December 2020 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of HDI Global SE for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company’s position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor’s report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Measurement of investments

❷ Measurement of the provision for outstanding claims (“loss reserves”)

Our presentation of these key audit matter has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ Measurement of investments

① Investments are stated at EUR 7,910.6 million (78.2 % of total assets) in the Company’s annual financial statement. The commercial-law valuation of the individual investments is based on the acquisition costs and the lower fair value. For investments that are not measured on the basis of stock exchange prices or other market prices (e.g. for equity investments not quoted on stock exchanges, registered bonds, notes receivable and loans as well as real estate), there is an elevated measurement risk due to the necessity of using model calculations. In this context judgements, estimates and assumptions are to be made by the management, also regarding possible effects of the ongoing Corona crisis. Minor changes in these assumptions as well as in the methods applied can have a significant effect on the measurement of the investments. The measurement of the investments was particularly important during our audit due to the material importance of the investments for the Company’s net assets and results of operations as well as the judgements on the part of management and the associated estimation uncertainties.

② Considering the importance of the investments for the Company’s business as a whole, we assessed the models used by the Company and assumptions made by the management during our audit, based, among other things, on our valuation expertise for investments, our industry knowledge and our industry experience. We also assessed the structure and effectiveness of the controls set up by the Company for the valuation of the investments and recognition of the result from investments. Building on this, we conducted further analytical audit procedures and tests of detail with respect to the valuation of the investments. In this context, we also assessed the management’s assessment of the impact of the Corona crisis on the valuation of the investments. Among other things, we also closely examined the underlying carrying amounts and their recoverability using the records provided and reviewed the consistent application of valuation methods and proper accrual of the investments. In addition, we assessed the valuation reports obtained by the Company (including the applied valuation parameters and assumptions made) for the Company’s key properties. Based on our audit procedures, we were satisfied that the estimates and assumptions made by the management regarding the valuation of investments are justified and sufficiently documented.

③ The Company's disclosures regarding its shares in affiliated companies are contained in the Notes to the annual financial statements in the Section entitled Accounting policies and Assets.

❷ Measurement of the provision for outstanding claims (“loss reserves”)

① In the Company’s annual financial statements, provision for outstanding claims (“loss reserves”) are reported in the gross amount of EUR 11,294.1 million (111.6 % of total liabilities) under the balance sheet item Provision for outstanding claims. Insurance companies are to recognise underwriting provisions insofar as they are necessary based on prudent business judgement in order to ensure the permanent ability to satisfy obligations under insurance contracts. In addition to taking the requirements under German GAAP and regulatory requirements into account, the determination of assumptions in order to measure the underwriting provisions requires an estimation of future events and the application of appropriate valuation methods. This also includes the expected effects of the ongoing Corona crisis on the determination of loss reserves in the affected lines of business. Judgements and assumptions made by the management are based on the methods applied to determine the amount of the provision for outstanding claims as well as the calculation parameters. Minor changes in these assumptions as well as in the methods applied can have a significant effect on the measurement of the provision for outstanding claims. The measurement of the provision for outstanding claims was particularly important during our audit due to the material importance of these provisions for the Company’s net assets and results of operations as well as the management’s significant (accounting) judgements and the associated estimation uncertainties.

② Considering the importance of the provision for outstanding claims for the Company’s business as a whole, we assessed the methods used by the Company and the assumptions made by the management during our audit together with our internal valuation specialists, based, among other things, on our industry knowledge and our industry experience as well as on generally accepted methods. We also assessed the structure and effectiveness of the controls set up by the Company for the determination and recognition of the provision for outstanding claims. Building on this, we conducted further analytical audit procedures and tests of detail with respect to the measurement of the provision for outstanding claims. Among other things, we also reconciled the data underlying the calculation of the settlement amount with the base documents. Accordingly, we closely examined the results calculated by the Company regarding the amount of the provisions on the basis of the applied statutory requirements and reviewed the consistent application of the measurement methods and the proper accrual of the provisions. In this context, we also assessed the management’s assessment of the impact of the Corona crisis on the affected lines of business. Based on our audit procedures, we were satisfied that the estimates and assumptions made by the management regarding the measurement of the provision for outstanding claims are justified and sufficiently documented.

③ The Company's disclosures regarding its provision for outstanding claims are contained in the Notes to the financial statements in the sections entitled Accounting policies and Equity and liabilities.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards).

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor’s report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report
The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report
Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the supervisory board on 6 March 2020. We were engaged by the supervisory board on 24 June 2020. We have been the auditor of the HDI Global SE, Hannover without interruption since the financial year 2018.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Florian Möller.

Hannover, 3 March 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Florian Möller	Janna Brüning
Wirtschaftsprüfer	Wirtschaftsprüferin
[German public auditor]	[German public auditor]

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The German version is avaliable on www.bundesanzeiger.de.

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Konzernstruktur
Group structure

talanx.

Talanx AG

Geschäftsbereich Industrieversicherung
Industrial Lines Division

- HDI Global SE
- HDI Global Specialty SE
- HDI Versicherung AG (Austria)
- HDI Global Seguros S.A. (Brazil)
- HDI Global Seguros S.A. (Mexico)
- HDI Global Insurance Limited Liability Company (Russia)
- HDI Global SA Ltd. (South Africa)
- HDI Global Insurance Company (USA)
- HDI Global Network AG
- HDI Reinsurance (Ireland) SE

Geschäftsbereich Privat- und Firmenversicherung Deutschland
Retail Germany Division

- HDI Deutschland AG

Schaden/Unfallversicherung
Property/Casualty Insurance

- HDI Versicherung AG
- Lifestyle Protection AG
- neue leben Unfallversicherung AG
- PB Versicherung AG
- TARGO Versicherung AG

Lebensversicherung
Life Insurance

- HDI Lebensversicherung AG
- HDI Pensionskasse AG
- Lifestyle Protection Lebensversicherung AG
- neue leben Lebensversicherung AG
- PB Lebensversicherung AG
- PB Pensionsfonds AG
- HDI Pensionsmanagement AG
- TARGO Lebensversicherung AG

Geschäftsbereich Privat- und Firmenversicherung International
Retail International Division

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

Geschäftsbereich Rückversicherung
Reinsurance Division

Schaden-Rückversicherung *Property/Casualty Reinsurance* / Personen-Rückversicherung *Life/Health Reinsurance*

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

Konzernfunktionen
Corporate Operations

- Ampega Asset Management GmbH
- Ampega Investment GmbH
- Ampega Real Estate GmbH
- HDI Service AG
- HDI Systeme AG
- Talanx Reinsurance Broker GmbH

Nur die wesentlichen Beteiligungen
Main participations only

Stand / As at: 31.12.2020

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