

Solvency and Financial Conditions Report (SFCR)

ERGO Insurance SE
Financial Year 2019

ERGO



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SUMMARY

ERGO Insurance SE is presenting the Solvency and Financial Condition Report (SFCR) for the third time. This report is part of the qualitative (narrative) reporting system that insurance companies must prepare in the course of Solvency II. The report on Solvency and Financial Position is open to the public and is published annually. Its content structure and the information to be reported are laid down in supervisory law, for example in Commission Delegate's Regulation (EU) 2015/35 of 10 October 2014.

This report relates to the 2019 financial year.

As one of the Baltic's leading insurance companies ERGO Insurance SE offers a comprehensive selection of property and casualty insurance products to both private and corporate clients. In 2019, ERGO Insurance SE generated premium income of 193,3 million euros, 5% increase on the year before. The largest classes were motor third-party liability and comprehensive motor vehicle insurance.

Solvency II provides insurance companies with numerous guidelines for their governance system. Our company has continued to develop its extensive and appropriate governance system. In this respect, it has paid particular attention to the reliability and suitability of the persons managing the company ("fit and proper") as well as to the appropriate control of the outsourced functions. The four key functions, which we report in detail (Chapter B Governance System), have a particularly important role.

During 2019 the significant effort and contribution was paid to process harmonization among three countries that is tightly connected to the new common IT platform integration. The harmonization of the operational processes in all three countries is a key requirement for the implementation of a common IT-solution.

Our company is always in a position to manage the risks involved. This is demonstrated by the implementation of sound risk management system (chapter C Risk Profile).

Solvency II creates new rules for the accounting of assets, actuarial provisions and other liabilities. We explain the main differences in the accounting according to Solvency II and IFRS, including their bases, methods and underlying assumptions. Our valuation method has not changed in the past financial year (chapter D Valuation for solvency purposes).

Our company is adequately capitalized and in the reporting year has met the requirements for the provision of solvency capital and minimum capital at all times (Chapter E Capital Management).

The qualitative reporting system supplements the quantitative (number-based) reporting. Quantitative Reporting Templates (QRT), which insurance companies must regularly transfer the supervisory authority, are part of the quantitative reporting system. The report contains selected QRTs with information on the 2019 financial year.

This Solvency and Financial Condition Report for financial year 2019 was approved by the Management Board of ERGO Insurance on 06.04.2020.

A. BUSINESS AND PERFORMANCE

A.1 Business objectives

ERGO Insurance SE hereinafter referred also as ERGO or the Company, is operated in the legal form of *societas Europaea*, a public company registered in accordance with the corporate law of the European Union. ERGO is operating in the Baltic countries, with the headquarters in Estonia and branches in Latvia and Lithuania.

The Company is 100% owned by ERGO International AG, Germany, which is part of the ERGO Group AG, Germany, which in turn is part of the Munich Re Group (Münchener Rückversicherungs-Gesellschaft AG, Munich). ERGO Group is one of the major insurance groups in Germany and Europe, offering a comprehensive spectrum of insurance services.

As one of the Baltic's leading insurance companies ERGO offers a comprehensive selection of property and casualty insurance products to both private and corporate clients. ERGO's gross premium income for 2019 was 193,3 million euros. In terms of premium income, ERGO maintained the third position in the Estonian and same position in the Baltic non-life insurance market. ERGO operates with a multi distribution channel approach and can rely on an own extensive and country wide sales network. ERGO underwrites business mainly in Estonia, Latvia and Lithuania.

ERGO's material lines of business:

- Medical expense insurance
- Income protection insurance
- Motor vehicle liability insurance
- Other motor insurance
- Marine, aviation and transport insurance
- Fire and other damage to property insurance
- General liability insurance
- Credit and suretyship insurance
- Assistance
- Miscellaneous financial loss
- Legal Protection Insurance

ERGO Insurance SE's business is determined by the strategic framework of ERGO Group: the main priority is always customer satisfaction. Globally, ERGO Group is also strongly focused on innovation and digitalization.

ERGO strives to be the most innovative and efficient insurance undertaking in the Baltics that provides the best possible customer service and is a responsible employer in all three countries.

In 2019 the Supervisory Board made changes in the composition of the Management Board.

During 2019 the significant effort and contribution was paid to process harmonization among three countries that is tightly connected to the new common IT platform integration. The harmonization of the operational processes in all three countries is a key requirement for the implementation of a common IT-solution.

The responsible supervisory authority for the company is Estonian Financial Supervision Authority, (Finantsinspektsioon), Sakala 4, 15030 Tallinn, Estonia. The company is audited by KPMG Baltics OÜ, Narva mnt 5, Tallinn, Estonia.

The responsible supervisory authority for the Munich Re and ERGO Groups is the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin), Graurheindorfer Str. 108, 53117 Bonn.

ERGO Insurance SE has participations in:

- CJSC ERGO Ins. Co, Closed Joint Stock Company, Belarus, share of participation 32,52%.
- DEAX Õigusbüroo OÜ, private limited company, Estonia, share of participation 100%.

A.1.1 Main trends and factors affecting the company's performance

Economic environment

According to the estimates of the European Commission made in March 2020, there is still a lot of uncertainty about the extent and economic impact of the crisis caused by the COVID-19 pandemic. The impact of the crisis will depend, among other things, on the spread of the pandemic and on the capacity of public authorities to act quickly. The stylised scenario is based on the assumptions that COVID-19 will have the same mortality rate across the EU and that the restrictions imposed will have a bigger impact in Europe compared to the one observed in China. On that basis, the COVID-19 crisis is estimated to have significant detrimental impacts, some of which can, however, be offset by timely and effective policy action. The base case scenario is that real GDP growth in 2020 will be zero but in the case of a more adverse scenario it may also be negative.

Estonia

Economic growth in the first half of 2019 was driven by strong private investment and a flexible labour market. Nevertheless, in the future growth is expected to slow due to cyclical factors and the restructuring of the energy sector.

Economic growth will be adversely affected by uncertainty in the industrial sector and declining electricity production (due to rising carbon allowance prices).

So far, growth in private consumption has been supported by rapidly rising employment and real incomes. Domestic demand is expected to remain the main growth driver thanks to rising incomes and moderate inflation.

Latvia

In 2019, economic growth in Latvia slowed. Private consumption is expected to remain the principal growth driver, while investment is expected to continue to decline. Growth in private consumption will be supported by subdued inflation and tax cuts.

Export growth is expected to be modest due to weak external demand, agricultural exports being a possible exception. The decline in investment should somewhat mitigate labour shortages and the tight situation in the labour market.

Lithuania

In 2019, economic growth was supported by strong domestic demand and a resilient export sector. Growth in private consumption has been driven by employment growth and lower labour taxes.

Growth in exports has been driven by robust export of services, which is expected to offset the decline in the export of goods in the second half of 2019.

According to forecasts, inflation will decrease.

A.2 Underwriting Performance

In 2019, ERGO generated premium income of 193,3 million euros, a 5,2% increase on 2018. The largest classes were motor third-party liability (hereafter 'motor liability') insurance and comprehensive motor vehicle (hereafter 'motor own damage') insurance, which generated premium income of 77,6 million euros and 48,4 million euros, accounting for 40,2% and 25,1% of the total portfolio, respectively. Property insurance contributed 34,1 million euros, i.e. 17,6%. Premiums written in income protection insurance and liability insurance totalled 7,7 million euros and 8,3 million euros respectively and their respective contributions were 4,0% and 4,3%. The total contribution of other insurance classes, which each accounted for less than 2,7%, was 17,2 million euros, i.e. 8,9%.

Compared with 2018, the share of motor liability insurance decreased by 3,0 percentage points and its premium income by 1,9 million euros, i.e. 2,3%. Opposite to motor liability insurance, growth was achieved in all other lines except legal expenses insurance. Highest increase was in property insurance and marine insurance where premium income grew by 11,7% and 73,6%, i.e. 3,6 million euros and 1,5 million euros, respectively.

Gross premium income by line of business:

<i>In euros</i>	2019		2018		Change	
	Gross written premiums	Share of class, %	Gross written premiums	Share of class, %	Gross written premiums	Share of class, pp
Medical expense insurance	5 174 394	2,7%	3 891 252	2,1%	1 283 142	0,6pp
Income protection insurance	7 655 800	4,0%	7 072 364	3,8%	583 436	0,1pp
Motor vehicle liability insurance	77 619 680	40,2%	79 481 539	43,2%	-1 861 859	- 3,0pp
Other motor insurance	48 474 886	25,1%	47 082 009	25,6%	1 392 877	- 0,5pp
Marine, aviation and transport insurance	3 472 270	1,8%	1 999 988	1,1%	1 472 282	0,7pp
Fire and other damage to property insurance	34 101 602	17,6%	30 531 356	16,6%	3 570 246	1,0pp
General liability insurance	8 264 960	4,3%	6 964 465	3,8%	1 300 495	0,5pp
Credit and suretyship insurance	3 969 880	2,1%	3 096 319	1,7%	873 561	0,4pp
Legal expenses insurance	1 637 973	0,8%	1 822 300	1,0%	-184 327	- 0,1pp
Assistance	2 937 421	1,5%	1 885 399	1,0%	1 052 022	0,5pp
Total	193 308 868	100,0%	183 826 991	100,0%	9 481 877	

Gross Premium Income by countries:

<i>In euros</i>	2019	2018
Estonia	61 662 526	57 314 444
Latvia	36 909 953	34 399 225
Lithuania	94 736 389	92 113 320
Total	193 308 868	183 826 990

A.3 Investment Performance

A.3.1 Overview of investment performance

Strategic investment management is the responsibility of the company's asset and liability management team which includes highly qualified specialists from Estonia and Germany. In line with the investment management system, tactical investment management is outsourced

to an external service provider, the group's asset management company MEAG (MEAG Munich ERGO Asset Management GmbH), which delivers the service in accordance with the strategic investment management plan and risk profile approved by the management board of ERGO.

In 2019, ERGO maintained a conservative approach to debt securities' interest rate and credit risk. The credit risk profile of the debt securities portfolio was as follows: 50,1% (2018: 48,3%) had an AAA (by Standard & Poor's) or Aaa (by Moody's) credit rating; 18,1% (2018: 16,6%) were rated AA or Aa, 13% (2018: 15,5%) had an A rating; 16,3% (2018: 16%) were rated BBB or Baa and 2,5% of portfolio had rating BB or Ba.

At the year-end, investments consisted of investments in associates of 0,69 million euros, where the major part (0,64 million euros) is classified as held for sales (2018: 0,69 million euros), debt securities of 167,8 million euros (2018: 146,3 million euros), loans of 1.4 million euros (2017: 1.4 million euros), and equities and fund units of 24,5 million euros (2018: 20,4 million euros). There were no investments in term deposits.

Income on assets with interest rate risk amounted 0,31 million euros (2018: 0,48 million euros). Realisation of equities and fund units resulted in profit of 0 euros (2018: loss 0,15 million euros) and realisation of debt securities produced a gain of 0,05 million euros (2018: 0,27 million euros). Dividend income amounted to 0.12 million euros (2018: 0,21 million euros). The fair value reserve increased by 0,8 million euros (2018: - 1,16 million euros). Thus, the overall yield of the investment portfolio was 0.52% (2018: -0,45%). Investment management expenses accounted for 0,19% of the carrying value of managed investments.

ERGO does not have any investments in securitisation.

A.3.2 Gains and losses recognised directly in equity

Fair value change is related to developments in fixed income markets – during the year yield curve shifted downwards.

<i>In euros</i>	2019	2018
At 1 January	70 670	1 231 680
Derecognised from equity and recognised in profit or loss in connection with sale and impairment	-61 963	-115 686
Derecognised from equity and recognised in profit or loss in connection with arrival of maturity date	-220	-1 881
Net change in fair value recognised in other comprehensive income or expense during the year	873 714	-1 043 443
At 31 December	882 201	70 670

A.4 Performance of other activities

Other income contains fees, commissions, and charges received; insurance brokerage income; income from currency revaluation; rental income and other income not related to insurance activities. Compared to the previous period, the structure of other incomes did not change in 2019, but the revenue from all activities was somewhat smaller.

Other expenses contain membership fees to Financial Supervision Authority and professional associations; audit and legal fees; expenses related to currency revaluation; insurance brokerage expenses; write-off and other expenses not related to insurance activities. As no

write-off of intangible assets occurred in the reporting period, other expenses decreased by 35%.

<i>In euros</i>	2019				2018			
Other activities	Estonia	Latvia	Lithuania	Total	Estonia	Latvia	Lithuania	Total
Other income	533 009	196 914	990 846	1 720 769	579 675	227 606	1 187 670	1 994 951
Other expenses	834 780	221 223	329 811	1 385 814	1 096 367	402 815	634 862	2 134 044
Total result	-301 771	-24 309	661 035	334 955	-516 692	-175 209	552 808	-139 093

A.5 Any other information

There is no other information.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

In 2019 the Supervisory Board initiated changes in the composition of the Management Board. One Management Board member was recalled and a new Management Board member was elected. Also one Supervisory Board member was recalled from the Supervisory Board at her own request. All members were evaluated under Fit and Proper procedure and their candidacies were reconciled with Estonian Financial Supervision and Resolution Authority (Finantsinspektsioon). More detailed information about current composition of the Management Board as well as its members duties and responsibilities is provided below (chapter B.1.1).

As the main registered office of ERGO is in Estonia, the company must comply with European Union laws (e. g. Solvency II directive), Estonian Insurance Activity Act as well as Estonian Commercial Code and relevant regulations, approved by Estonian Financial Supervisory Authority (Finantsinspektsioon).

ERGO has functional and administrative structures aimed at supporting the strategic objectives and operations. Structures will be adapted to changes in the strategic objectives, operations or in the business environment. The organisational and operational structure of ERGO is considered appropriate for the complexity and size of operations and the business strategy.

ERGO has following management bodies:

- **General meeting of shareholders**
- **Supervisory Board** (consists of 3 members, elected for a term of 3 years)
- **Management Board** (consists of 5 members, elected for a term of 5 years)
- **Committees**

B.1.1 Management Board

Duties and responsibilities

The Company is managed by the Management Board. The Management Board is responsible for managing the Company, setting objectives and determining strategy. In doing so, it is obliged to safeguard Company interests and endeavour to achieve a long-term increase in the Company's value. The Management Board must ensure compliance with statutory requirements and internal company directives, and is responsible for effecting adequate risk management and risk control in the Company.

Management Board is acting in accordance with Rules of Procedure of the Management Board of ERGO.

The Management Board constitutes a council from the Management Board members, to whom the business management has been assigned. Duties are properly allocated between Management Board members, taking also into account the aim to avoid conflict of interest. The performance of its activities requires a sufficient presence in the company.

The Management Board members are elected by the Supervisory Board. The Chairman of the Management Board is appointed by the Supervisory Board. According to Rules of Procedure

of the Management Board Each Management Board member has its own area of responsibility (internal allocation of tasks).

The branches of the company are managed by the branch managers. Branch manager is one of the Management Board Members. The branch managers are appointed by the Management Board. All terms applicable for Management Board Members according to the current procedure are applicable for Branch Managers also.

According to the Supervisory Board decision as from 31st of July 2019 Tarmo Koll was recalled from the position of the Management Board. Temporarily his duties took over the Chairman of the Board Bogdan Benczak. In the 3Q 2019 Maciej Szyszko was elected as a new member of the Management Board and CFO instead of Tarmo Koll.

Management Board members as at the end of 2019 were:

- Bogdan Benczak – Chairman of the Management Board
- Ingrida Kirse – Management Board member
- Tadas Dovbyšas – Management Board member
- Maciej Szyszko – Management Board member
- Marek Ratnik – Management Board member.

The roles and responsibilities of the members of the Management Board until 31.12.2019 were as following:

Chairman of the Management Board (CEO) Bogdan Benczak is responsible for the following departments: corporate communication and marketing, corporate development and strategy, HR and office administration, legal and compliance, IT, claims, information security.

Member of the Management Board (CUO Life/ Health) Ingrida Kirse is responsible for life, health insurance operations (UW, product development, pricing, contract management, AML) in the Baltics. She also is a branch manager of ERGO Insurance SE and ERGO Life Insurance SE branch offices in Latvia.

Member of the Management Board (CDO) Tadas Dovbyšas is responsible for sales (distribution) in P&C and Life in the Baltics. He is also a branch manager of ERGO Insurance SE branch in Lithuania.

Member of the Management Board (CUO P&C/LPI) Marek Ratnik is responsible for P&C insurance operations in the Baltics (underwriting, product development, pricing, contract management). He is also a branch manager of ERGO Life Insurance SE branch in Estonia.

Member of the Management Board (CFO) Maciej Szyszko is responsible for accounting, planning and controlling, actuarial, risk management, investments, procurement in the Baltics.

Internal regulation, working procedure and delegation of tasks

Members of the Management Board work together in a spirit of collegiality and inform each other of all business procedures of particular significance within the responsibility of a member of the Management Board, and of such business procedures which affect, or may affect, the responsibility of another member of the Management Board.

In view of the requirement of a consistent business management the Management Board members (including Branch Managers of Company's Branches) conduct their business area independently and on their own responsibility. Any matters of fundamental importance have to be presented to the Management Board for information and/or deciding. Any matters having impact on another business area have to be decided between the responsible members of the Management Board. In case if the Management Board members are of contrary opinions, final decision shall be taken by the CEO solely.

In order to ensure the necessary coordination, the matters to be discussed and/or decided by the Management Board are discussed regularly during the Management Board meetings. These are called by the Chairman of the Management Board according to the annual plan.

Management Board has also established internal signature rights for signing insurance contracts and for disbursement of claims.

There are also special decrees on determining signature rights of executives on concluding agreements for goods and services and approving invoices.

B.1.2 Supervisory Board

Duties and responsibilities

The Supervisory Board plans the activities of the Company, organises the management of the company, elects and recalls Management Board members and supervises the activities of the Management Board. Certain transactions require its approval, but it is not authorised to take management action in place of the Management Board.

The members of the Supervisory Board shall be elected and removed by the General Meeting of the Shareholders. In order to elect a member of the Supervisory Board, his or her written consent is required.

Members of the Supervisory Board are obliged to act in the Company's interest and when making decisions may neither pursue personal interests nor make use of the Company's business opportunities for their own purposes.

All Company business activities beyond the usual framework of daily business require the previous approval of the Supervisory Board. Exact requirements are established by the rules of procedure of the Management Board.

Meetings of the Supervisory Board shall be held when necessary but not less frequently than once every three months. The Chairman summons the meeting of the Supervisory Board.

In 20th of November 2019 Shareholder took a decision on revoking Malgorzata Maria Makulska from the position as from 20th of November 2019 at her own request.

The members of the Supervisory Board are:

- Piotr Maria Sliwicki – Chairman of the Supervisory Board
- Grzegorz Szatkowski – member of the Supervisory Board
- Carsten Keune – member of the Supervisory Board

The Supervisory Board has established its own rules of procedure, specifying responsibilities, work processes and required majorities. It has also adopted separate charter for the Audit Committee.

B.1.3 Key functions

In accordance to Solvency II Directive, ERGO has in place the following **four key functions**:

- Actuarial function
- Compliance function
- Internal audit function
- Risk Management function

Key functions are incorporated into the organisational structure in a way which ensures that each function is free from influences that may compromise the function's ability to undertake its duties in an objective, fair and independent manner. All key functions also satisfy a range of requirements, such as fulfilling the “fit and proper” requirements, comply with certain reporting and remuneration requirements.

B.1.3.1 Actuarial function

Within the scope of the tasks as per Solvency II, the Actuarial Function performs monitoring tasks in the actuarial field as the 2nd line of defence. Focal points are the coordination of the calculation of technical provisions, monitoring tasks are related to the underwriting policy as well as the use of reinsurance. The Actuarial Function also supports the Risk Management Function.

The role of the Actuary Function in ERGO is to measure, manage, and mitigate risks by using statistical models and analysis to enhance the understanding of risks assumed. Actuaries also provide advice on the adequacy of risk assessment, reinsurance arrangements, investment policies, capital levels and stress testing of the future financial condition of these companies. The Appointed actuary is the holder of the actuarial function in ERGO. Please see chapter B6 for details.

B.1.3.2 Compliance function

The Compliance Function includes advising the administrative, management or supervisory body on compliance with the laws, regulations and administrative provisions adopted pursuant to Solvency II directive. It also includes the assessment of the possible impact of any changes in the legal environment on the operations of the undertaking concerned and the identification and assessment of compliance risk. Please see chapter B.4.2 for details.

B.1.3.3 Internal Audit

The Internal Audit Function is provided by local auditors in Estonia, Latvia and Lithuania. The Internal Audit Function performs assigned audits independently, objectively and under its own responsibility.

The Internal Audit Function provides independent, objective assurance and consulting services designed to add value and improve the effectiveness of risk management, control and governance processes. The Internal Audit Function supports ERGO Supervisory Board and ERGO Management Board in performing its monitoring tasks and is responsible in particular for checking the internal governance system, including the risk management system, internal control system and the other Solvency II key functions (compliance, risk management and actuarial function). Please see chapter B5 for details.

B.1.3.4 Risk Management function

The Risk Management Function is an integral part of ERGO's corporate management with regard to achieving the goal of turning risk into value. The Risk Management Function is the main operating unit responsible for implementing the risk management system. Its main purpose is to assist ERGO Management Board to effectively implement a risk management system and integrate it into business operations. In this respect, the risk management system is understood as meaning the entirety of all measures, on an individual or aggregate basis, serving the regular identification, assessment, monitoring and management of risks taken or potential risks as well as reporting on these. Please see chapter B.3.2 for details.

B.1.4 Remuneration policy

ERGO Remuneration policy sets the transparent and common remuneration system that facilitates the implementation of Company strategy. The coherent and transparent remuneration system allows bonuses to be aligned with company results.

The bases and principles of determining the remuneration and other office related benefits of employees, shall:

- be clear, transparent and in compliance with prudent and efficient risk management principles;
- be based on the business strategy and values of the insurance undertaking, taking into consideration the economic performance of the insurance undertaking and the legitimate interests of the policyholders, insured persons and beneficiaries;
- take into consideration the long-term objectives of the insurance undertaking in view of its ability to cope with the changes in the external environment.

General remuneration principles

Based upon the legal framework and regulations as well as best human resources practices, the most important principles of the policy are:

- remuneration policy is in line with the achievement of objectives defined in the Company strategy; in the event of changes of the strategy, the remuneration system structure shall be reviewed and if necessary, amended;
- remuneration policy shall help to avoid negative incentives, especially conflicts of interest, as remuneration will be paid strictly according to this policy;
- remuneration system comprises a fixed component and a variable component, both of which must stand in an appropriate relationship to one another;
- remuneration policy shall ensure internal fairness and external competitiveness;
- employees are offered a competitive and market aligned remuneration package;
- every position is evaluated to determine both its relative internal value and external value based on written position description – job profile.

Principles of remuneration of Management Board members

Exact conditions of the remuneration of Management Board members are set by the Shareholder's authorised person and are reflected in the individual Management Agreement of each Member of the Management Board.

The remuneration shall not be considered as a wage or any other similar payment, which could be connected with the Management Board Member's subordination to the Company or depending solely on the profit (loss) earned by the Company.

Where the Management Board Member occupies Other Positions on the basis of employment agreement, the Management Board Member shall receive due remuneration for the performed work pursuant to the procedure and conditions specified in a respective employment contract.

Job grading

All job positions within the Company are classified according to remuneration survey provider principles. The basis for classifying a position is the corresponding job evaluation based on Hay Method. The Hay Method is an analytic method to evaluate job requirements by means of defined evaluation criteria. As is always the case with Hay Method, the approach is job and not person related.

Total Compensation approach

ERGO applies a total compensation approach. The total remuneration contains not only fixed components, but also variable remuneration. Remunerations ranges are assigned to managerial or non-managerial level of position. The variable remuneration percentages are monitored against market on annual bases.

Basic remuneration

The basic remuneration is determined on the basis of the role, position including professional experience, responsibility, job complexity, local market conditions. It is paid monthly or twice per month according to local legislation.

Management Board Member receives as a remuneration for his/her activities as a Management Board Member an annual gross salary set forth in the individual Management Agreement (incl. vacation period). The annual gross salary is divided into 12 monthly instalments to be paid in accordance with the national laws. In addition to fix salary Management Board also receives the variable salary (short term and long-term).

Where the Management Board Member occupies other positions on the basis of employment agreement and receives a salary under such employment agreement, the overall fixed remuneration payable to the Management Board Member as referred to herein shall cover the salary payable under the employment agreement, so that in any case the overall fixed salary to be paid to the Management Board Member does not exceed the annual gross salary set forth in the Management Agreement.

Variable remuneration

The variable remuneration component must reflect overall business performance of the Company. The components of variable remuneration need to adequately take into account company success, particularly in terms of significant risks and their timescales. Therefore a part of the variable remuneration for employees is measured using the value-based key-figure Economic Earnings.

According to the positions' direct influence to company results, percentage of variable remuneration can differ – depending on whether it is business or support function.

Additionally there are several motivation schemes in place for sales employees and managers to best meet the market needs and customer expectations.

Depending on the position (executive, non-executive) the annual variable remuneration calculation is based either 100% on Company's annual target achievement or on both Company's annual targets achievements as well as individual annual targets achievements:

- a. Company's targets include 60% and
- b. Individual targets include 40%

Annual targets of the Company are set by the Management Board based on the agreements with the Supervisory Board. The targets are achievable, sufficiently ambitious and challenging to provide the long-term value for all stakeholder groups of the Company.

Annual individual targets are set in accordance to company's strategy, performance targets, and priorities of the responsibility area and should be achievable, sufficiently ambitious and challenging to provide the long-term value for all stakeholder groups of the Company.

Variable remuneration for the key function holders consists of short term variable remuneration component and long term variable remuneration component.

Short term variable remuneration component (annual bonus)

The target amount for each fiscal year for 100% target achievement is stated in the Management Agreement of the Management Board Member. The short term variable remuneration component (annual bonus) is subject to negotiation and if applicable ERGO Group regulations and is depending on the defined responsibilities and tasks of the respective Management Board Member. The target achievement range is between 0% and 150%. The necessary agreement on targets (corporate goals, individual goals) is to be agreed in the beginning (and at the latest by the end of first quarter) of each fiscal year between the Chairman of the Supervisory Board and the Management Board Member. Individual goals shall be defended to be measurable by objective criteria within evaluation process.

Long term variable remuneration component (long term bonus)

As a part of the variable remuneration, a long term bonus is agreed for a period of three years respectively. The long-term target setting is adopted for Head of Internal Audit function, Head of Compliance function, Head of Risk Management function and Head of Actuarial function (the key functions).

Social package

Company provides for employees attractive social package, which includes additional vacations, trainings, health and life insurance, recognition for length of service, etc.

Pension scheme for the Management Board

The Company contributes a yearly amount at the rate of 5% of the annual gross fixed remuneration of the Management Board Member for the pension scheme, which the Management Board Member has to choose and indicate to the Company. The insurance may also cover benefits in case of invalidity and for surviving family members as well as accident insurance if the latter was agreed in former Management Agreements.

The payments to the pension scheme shall be made throughout the duration of the Management Agreement upon submission of the corresponding agreement. In case if the contract is terminated before 10 years of service the amount saved stays with the company.

B.1.5 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management and supervisory bodies

There was no such kind of transactions during reporting period.

B.2 Fit and proper requirements

The Fit and Proper Policy of ERGO documents the criteria and procedures to be applied in order to ensure that all persons who effectively run ERGO or are responsible for other key

functions within ERGO, at all times meet the “fit and proper” requirements under regulatory laws based on or resulting from the implementation of the Solvency II framework.

Persons to whom the fit and proper requirements apply:

- Members of the Management Board of ERGO
- Members of the Supervisory Board of ERGO
- Head of the internal audit function
- Head of the compliance function
- Head of the risk management function
- Head of the actuarial function
- Persons who are key function executors (all employees who are performing key functions in actuarial, compliance, internal audit, risk management)

B.2.1 Fitness requirements

A Key Person is considered “fit” if his/her relevant professional and formal qualifications, knowledge and experience within the insurance sector, other financial sectors or other businesses are adequate to enable sound and prudent management. The respective duties allocated to that Key Person and, where relevant, his/her insurance, financial, accounting, actuarial and management skills should be taken into account.

The ERGO Board Members collectively shall possess at least qualifications, experience and knowledge about the following:

- (i) Insurance and financial markets;
- (ii) the business strategy and business model;
- (iii) the system of governance;
- (iv) financial and actuarial analysis and the regulatory framework and requirements.

The respective duties allocated to the individual member shall ensure appropriate diversity of qualifications, knowledge and relevant experience to ensure that the undertaking is managed and overseen in a professional manner. When changes occur within the Management Board of ERGO the collective knowledge of the ERGO Board Members need to be maintained at an adequate level at all times.

Members of the Supervisory Board must have the qualifications, experience and knowledge to fulfill their supervisory tasks adequately. Such qualifications, experience and knowledge may have been acquired from functions in other businesses, the public or academic sector or from political institutions, if relevant topics were in the focus of that function for a longer period of time.

Persons who have other key functions must have theoretical and practical knowledge required for the respective key function and must be able to demonstrate relevant experience with applicable professional and other standards.

B.2.2 Propriety requirements

A Key Person is considered “proper” if he/she is of good repute and integrity. This is not the case when the assessment of the Key Person’s honesty and financial soundness – based on his/her character, and behaviour and business conduct, including any criminal, financial or

supervisory aspects – may justify the assumption that such aspects could affect the sound and prudent performance of his/her duties as a Key Person.

The proper requirement also includes Key Persons being expected to avoid, to the extent possible, activities that could create conflicts of interest or the appearance of such conflicts of interest. Key Persons are generally bound by ERGO's best interests and, accordingly, may not pursue personal interests in their decision-making or utilise business opportunities for personal gain.

B.2.3 Assessment of fitness and propriety

The assessment of each Key Person's fitness and propriety will be conducted prior to his/her appointment by the corresponding Committee of Assessment.

In order to perform assessment in time and get approval of Financial Supervisory Authority to candidacy of Management Board member, Secretary of Committee on members of the Management Board assessment must be informed in advance (at least 60 days) before planned beginning of office duties.

Assessment of fitness

The fitness assessments shall include, but will not be limited to, a review of employment history, references and educational and professional qualifications in relation to the respective duties allocated to the relevant key function. The fitness assessment shall be based on the definition of the required knowledge, experience and qualification for the allocated duties.

While knowledge and qualification are significant factors, account may be taken of whether further professional training can be arranged in due course to remedy any aspects of the Key Person's qualifications with respect to the fitness requirements that have been identified as deficient during the assessment.

Assessment of propriety

When assessing the propriety of Key Persons, their honesty and financial soundness shall be assessed based on evidence regarding their character, personal behaviour and business conduct, including any criminal, financial or supervisory concerns regardless of location.

The considerations include, but are not limited to, the following:

Criminal offences under the laws governing banking, financial, securities or insurance activity, or concerning securities markets or securities or payment instruments, including, but not limited, to laws on money laundering, market manipulation, or insider dealing and usury as well as any offences of dishonesty such as fraud or financial crime. They also include any other criminal offences under legislation relating to companies, bankruptcy, insolvency, or consumer protection.

Any other criminal offences in the past may also be relevant, as they can cast doubt on the integrity of the Key Person.

Disciplinary or administrative offences made under an activity of the financial sector, including offences under legislation relating to companies, bankruptcy, insolvency, or consumer protection.

Other circumstances than court decisions and on-going judicial proceedings, which may cast doubt on the repute and integrity of the person, including current investigations or enforcement actions, the imposition of administrative sanctions for non-compliance with provisions governing banking, financial, securities or insurance activity, securities markets, securities or payment instruments or any financial services legislation.

Current investigations or enforcement actions by any relevant regulatory or professional body for non-compliance with any relevant provisions could be taken into account.

However, previous infringements do not automatically preclude the Key Person from being assessed as proper for the duties he/she is to perform. While criminal convictions, disciplinary or administrative measures or past misconduct are significant, the assessment must be carried out on a case-by-case basis. Hence, consideration must be given to the type of misconduct or conviction, the level of appeal (definitive/final vs. non-definitive/non-final convictions), the lapse of time since the misconduct or conviction, its severity and the Key Person's subsequent conduct.

The proper assessments shall include, but will not be limited to, a review of criminal records and personal declaration of no conflict of interest.

B.3 Risk management system including the own risk and solvency assessment

B.3.1 Description of risk management system

As part of the Munich Re Group, ERGO is committed to turning risk into value. Risk management is an integral part of our corporate management with regard to achieving this goal. Risk management includes all strategies, methods and processes to identify, analyse, assess, control, monitor and report the short and long term risks ERGO faces or may face in the future.

Risk management is performed at all levels of ERGO Group and is organized according to the three "lines of defence": risk takers (1st line), Risk Management Function, Actuarial Function, Compliance Function (2nd line), and Internal Audit Function (3rd line).

Risk management processes

We view risk management as an enterprise wide discipline by which we identify, assess, measure, steer, monitor and report risks from all potential sources for the purpose of achieving our risk management objectives. The diagram below shows the risk management cycle and associated key tasks.

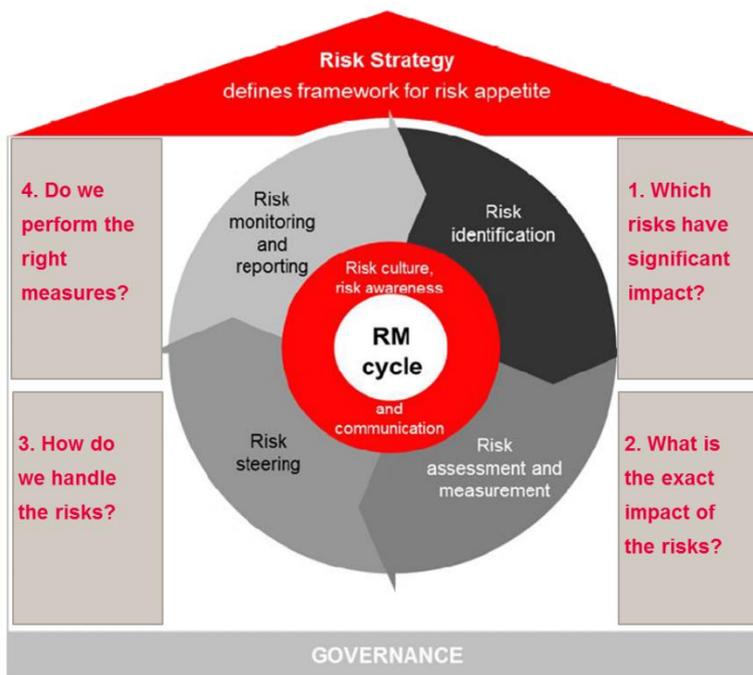


Figure 1. Risk Management Cycle

Risk strategy

The risk strategy is the connection between the business strategy and risk management and is based on the company's risk profile. It defines the overall framework for the risk appetite and impacts on the general proceedings in the risk management cycle.

The risk strategy complements our business strategy. It describes the extent to which a risk is desirable and, consequently, whether it is acceptable or must be mitigated through risk limits or budgets, risk controls or risk transfer.

The development of the risk strategy is closely aligned with the annual business planning cycle. It starts with a check of actual year-end exposures against tolerances and an initial proposal of tolerances for the next planning year, including an indication of likely exposure bottlenecks and free risk-bearing capacity for strategic asset liability mismatch risk. It concludes with a recommendation of operational limit and trigger amounts, by group/segment or company level, in order to ensure that strategic risk tolerances are respected. Subsequently, the Management Board approves the risk strategy.

To implement and operationalise the risk strategy, a system of relevant risk criteria, limits and triggers are defined. This is described for the ERGO Group and its entities in the "Risk Limit and Trigger Manual for ERGO Group (incl. ERGO International)" (ERGO RLTM). ERGO Integrated Risk Management department (IRM) has the overall responsibility for the content of both documents and ensures that they are reviewed and updated annually in line with the framework set by Munich Re's RLTM.

Risk identification

Risk identification is performed by means of appropriate systems and indicators (quantitative component) and a number of risk surveys, which are supplemented by expert opinions and

assessments by selected, highly experienced managers (qualitative component). Our ad-hoc reporting process provides for staff to report risks to the risk management function at any time.

The regular risk identification process is initiated and coordinated by risk management function. The risk takers (1st line of defence) are responsible for using the methodology established by risk management function to identify risks and to verify previously identified risks within their respective area of responsibility.

Risk assessment and measurement

Based on the results from the risk identification, risks can be quantified or assessed qualitatively. The frequency of the assessment may differ dependent on the nature of the risk and the significance of a single risk or group of risks.

ERGO uses the standard formula for risk quantification. For all risks covered by the standard formula, the (sub) module results are used in general as basis for the risk quantification. Risks that are not modelled (e.g. strategic risks, reputational risks and liquidity risks) are evaluated qualitatively with specific assessment methods.

Stress tests and scenario analyses are implemented where appropriate. There are several methods how to implement the analysis, depending on risk type (quantifiable vs. non-quantifiable), time horizon (trend vs. instant) and valuation methods.

Risk steering

Risk steering measures aim to reduce the probability of the risk occurring or the financial impact and resulting losses and should ensure the achievement of business objectives. The measures have to be within the scope of the risk bearing capacity and relevant regulatory and group requirements (risk strategy, risk management policy and other applicable standards). In general, risks can be taken/accepted, mitigated, transferred or terminated.

We manage risks through underwriting guidelines, tools and processes, investment controlling, and a new product introduction process. The risk appetite and specific risk tolerances are detailed by the RLTM and Entity Specific Appendix to the Risk Management Policy, which describes risk criteria per risk type and specifies limit and trigger amounts.

Within the meaning of an early warning system, the limits and triggers are regularly observed by the respective risk takers and are contained in the regular risk reporting. Appropriate measures are defined and approved by the responsible management.

Risk monitoring

Risk monitoring focuses on the risk profile and takes into account the respective risk limits, risk triggers, risk accumulation and interdependencies. Not only is the risk profile itself be monitored but also the implementation of risk strategy, the risk relevant methods and processes as well as the overall management of risks. Additionally, the overall solvency position is continuously monitored taken into account the results of the SCR calculation and the risk bearing capacity.

The methods for risk monitoring include comparison of actual with target, analysis of the efficiency of risk measures, analysis of the results of the risk profile analysis and performance measures as well as the monitoring of existing controlling figures linked to risk management. Escalation processes have been defined for limit breaches and are also documented in the RLTM.

ERGO uses Key Risk Indicators that ensures early recognition of risks and prepares proposals for suitable countermeasures. Key Risk Indicators focus on risks that could have a sizeable adverse impact on the business or the company and are reported to the Management Board quarterly.

Risk reporting

To ensure continuous monitoring regular reporting process is established. Input is gained from a variety of sources such as the bottom up risk assessments, ad-hoc reports, internal audit reports, operational risk event reporting, early warning reporting, quarterly solvency calculations, company results, as well as discussions with the management. The internal risk report contains information about the key risks the company is exposed to and should enable management to evaluate the current risk profile and decide on necessary steering measures.

In case of a significant change in the risk situation, an immediate reporting to the company's management is performed. The ad-hoc risk reporting process complements the regular risk reporting processes thus ensuring that new risks or significant changes to existing risks are reported comprehensively and swiftly. This report includes an appropriate risk analysis and assessment. Ad-hoc reporting on arising risks is to ensure that the involved parties are informed and – where necessary – appropriate measures to steer and control the risk have been initiated.

B.3.2 Description of Risk Management Function

Methods, standards, processes and policies are defined by ERGO IRM in line with the overall Munich Re Group framework. Local risk management function is responsible for implementing the IRM methodology on a legal entity level. The Management Board of the Company is ultimately responsible for risk management.



Figure 2. Risk Management Organization within Munich Re and ERGO Group

In ERGO the risk management function is carried out by Risk Management division. The Head of Risk Management reports directly to the CFO. Reporting lines have been set up between the head of risk management function and ERGO Group CRO.

The risk management function is the main operating unit responsible for implementing the risk management system in ERGO. Its main purpose is to assist the Management Board to effectively implement a risk management system and integrate it into business operations. Members of the risk management function are not engaged in regular business operations to ensure their operational independence. The risk management function has full and unlimited access to information throughout the company.

Main functions and objectives:

- Coordination tasks: The risk management function coordinates the Risk Management activities at all levels and in all business areas. In this role, it is responsible for the development of strategies, methods, processes and procedures for the identification, assessment, monitoring and management of risks, and ensures correct implementation of Risk Management guidelines.
- Risk control tasks: The risk management function is responsible for mapping the overall risk situation of the company. Its tasks also include adequate consideration of reciprocal interactions between individual risk categories, the preparation of an aggregated risk profile as well as, in particular, the identification of risks threatening the continued existence of the company/Group.
- Early warning tasks: The responsibility of the risk management function also includes implementation of a system that ensures the early recognition of risks and preparation of proposals for suitable countermeasures.
- Advisory tasks: The risk management function advises the Board of Management on Risk Management matters and supports strategic decisions in an advisory capacity.
- Monitoring tasks: The risk management function monitors the effectiveness of the Risk Management System, identifies possible weaknesses, reports to the Management on these and develops suggestions for improvement.

The risk management function also ensures comprehensive reporting to the Management; in addition to illustrating the current risk situation, this also includes Own Risk and Solvency Assessment (hereinafter ORSA) results and an assessment of the quality of the Risk Management System.

The risk management duties and responsibilities in ERGO are divided between Risk Management and Actuarial functions.

In addition to the actuarial activities, Actuarial function is responsible for the risk management system with focus on the projection of the future financial position, development of methods and processes in line with group standards for risk evaluation and monitoring (especially related to quantitative risk evaluation), identifying, assessing and managing risks related to technical provisions, identifying and assessing risks related to underwriting and reinsurance and the assessment of the solvency position.

Risk management is embedded in relevant steering and business processes. This is ensured by clearly defining processes, roles and responsibilities. It can be stated, that risk management is involved whenever decisions are taken that may lead to a significant change in the risk profile. When decisions are required that lie outside the predefined level of authority of the risk taker, involvement of and approval from risk management is mandatory.

The examples of the processes, where risk management function is involved, are:

- New products incl. adjustments (insurance products, investments) and new business segments
- Outsourcing
- Investment Management
- Underwriting/Reinsurance
- Strategic Planning Process

B.3.3 Own risk and solvency assessment

The Own Risk and Solvency Assessment (ORSA) is an integral part of our risk management system.

The performance of the ORSA is embedded in the relevant processes, e.g. risk management, planning process, capital management. The results and conclusions of the ORSA – documented annually in the ORSA Report – are an important management tool and have to be taken into account in the strategic decisions on an ongoing basis.

The Board of Management has the ultimate responsibility for ORSA. It plays an active role in the set-up of ORSA and has to challenge the ORSA outcome. The objectives of the ORSA and the corresponding roles, responsibilities and processes are described in the ERGO ORSA Policy which has been approved by the ERGO Board together with an Entity Specific Appendix.

The development of the risk strategy is closely aligned with the annual business planning cycle and the corresponding ORSA considerations. The ORSA aims to promote a better understanding of the specific risk profile of the company and to enhance the decision making on Board level by using the ORSA results e.g. within the business planning process. The ORSA process also allows disclosure of sufficient and clear information to relevant stakeholders.

The regular ORSA activities associated with the business planning process are conducted annually or more often if necessary (after significant changes in the risk profile). Timeline for annual ORSA is defined in line with the Company's annual planning process. More frequent monitoring is in place for the most relevant risk criteria via quarterly risk reporting as well as ad hoc reporting.

As part of the ORSA, the connection between the risk profile, the risk tolerances and the own solvency needs are outlined. Own solvency needs is determined based on the following processes:

- Definition and annual review of the "Financial Strength" criteria in Risk Strategy
- The assessment of the quantity and quality of Own Funds
- Assessment of actual capital adequacy over the business planning horizon
- Demonstration of main assumptions underlying the projections
- Performance of stress test and scenario analysis
- Assessment of the model appropriateness
- Assessment of the risks not covered in the model

Within ORSA probable and potential capital needs to manage the capitalisation of the company are identified. The risk management function makes proposals if additional measures are necessary together with a statement if additional risk capital is required for the coverage of non-modelled risks. More specifically, the outcome of the ORSA shall feed into the development of a capital management plan over the time horizon of the business plan. The risk management function should propose actions based on the information gathered during the performance of the ORSA if necessary.

B.4 Internal control system

B.4.1 Description of the internal control system (ICS)

Our internal control system (ICS) is a system for managing operational risks integrated across all risk dimensions and areas of the company. The ICS meets the requirements of corporate governance as well as the legal and regulatory requirements.

ERGO's ICS functions as an integral component of our group-wide risk management and hence constitutes a key element of ERGO's corporate governance. Within the ICS, the significant operational risks and corresponding controls are identified, analysed and assessed across all important risk dimensions (financial reporting, compliance and operations) with the aim of achieving a harmonised, holistic approach to risk controls with no overlaps and no gaps.

The ICS is based on the concept of the three lines of defence represented by three roles: risk-takers (those who accept risk), risk controllers (those who monitor risk) and independent assurance (those who are independent of the operating business and examine the design and performance of the risk controls). The overall responsibility for risks and their control, and for setting the overall risk tolerance, lies with the Board (Risk owner).

Organizational responsibility is under the Risk Management. The departments are responsible for the risks and controls within their area. The integration of all departments creates a uniform understanding of risk. This enables us to improve our awareness of risks and controls. Clear responsibilities for risks, controls and control measures also create transparency.

By making our risk situation transparent in this way, we can focus on and react rapidly to possible weaknesses or changes in internal and external requirements. This means that we are able to identify risks at an early stage, address control shortcomings immediately and take effective remedial action.

Internal Audit assesses regularly the effectiveness of the ICS in the key processes and applications.

B.4.2 Compliance function

Description the compliance function

The Compliance Function includes advising the administrative, management or supervisory body on compliance with the laws, regulations and administrative provisions adopted pursuant to Solvency II directive and others. It also includes the assessment of the possible impact of any changes in the legal environment on the operations of the undertaking concerned and the identification and assessment of compliance risk.

The Compliance function is part of internal control system. Considering this obligation, ERGO has established special job positions, related to this function. The Head of Legal and Compliance division in Baltic States is appointed as the Chief Compliance Officer. Three local Compliance Officers (i.e in Estonia, Latvia and Lithuania) are appointed from Legal and Compliance division, local Compliance Officer in Lithuania has additional regional responsibilities.

The Head of Legal and Compliance division in the Baltic States reports (functionally) directly to the member of the Management Board, responsible for this area (CEO) and to the Group Compliance (horizontal reporting line). Local Compliance Officers report (functionally) directly to the Chief Compliance Officer.

The activity of the Compliance function is regulated with the Compliance Manual (version 5).

Compliance Manual comprises definitions, objectives, principles, instruments and methods for the assurance of compliance in ERGO. All the main principles of the Compliance Manual are also reflected in the job descriptions of persons performing the function.

The Compliance Function has these basic responsibilities:

- compliance risk control - identification and assessment of compliance risks, recommendations for the mitigation and elimination of compliance risks, participation in design of compliance risk control measures;
- early warning - monitoring of significant changes in the legal environment and provision or relevant information to respective recipients; recommendations regarding compliance risks and escalation;
- consulting and reporting - consultation on compliance with applicable legal requirements and possible impact of legal changes, compliance trainings, escalation of relevant compliance issues, participation in relations with other subjects, reporting on Compliance topics to the Management Board and Group Compliance;
- monitoring - monitoring of adherence to legal requirements on a regular basis and creation of necessary controls.

The strategic objectives of the Compliance:

- Adherence to external and internal requirements;
- prevention of reputational risks and prevention of liability as well as criminal liability risks of ERGO, resulting from failure to observe or incorrect application of applicable laws and/or ERGO internal regulations, as well as significant standards of ERGO Group and local supervisory authorities;
- adequate management of conflicts of interest;
- adequate protection of customer interests;
- to promote corporate culture through active value management including establishment of a tone-from-the-top concerning compliance matters;
- to support ERGO Board and executives in their actions aimed at mitigating or eliminating compliance risks;
- define a communication strategy to staff / management concerning Compliance matters (e.g. newsletter, tips etc.).

Compliance risk management

Compliance function performs the on-going compliance risk management. This process includes:

- identification and assessment of compliance risks;
- measurement of compliance risks;
- determination of control measures;
- collecting and reporting of information on compliance risks;
- recommendations regarding actions for mitigating and eliminating compliance risks;
- monitoring of compliance risks.

Area of compliance (domains)

Compliance Function bears responsibility for the objectives under the following subject areas (domains):

1. Code of conduct (incl. conflicts of interest)
2. Reputational risks
3. Internal Fraud prevention
4. Bribery / corruption prevention

5. Money laundry prevention
6. Antitrust compliance
7. Financial sanctions
8. Personal data protection
9. Sales compliance
10. FATCA/CRS compliance

For these domains Compliance Function is responsible for risk analysis, program, policies, communication, training and inspections. The spectrum of ERGO covers many other related areas also which are not managed by Compliance Function directly. Therefore Compliance Function has defined and concluded written interfaces with relevant units with special responsibilities. These areas are as follows:

1. HR and occupational safety;
2. Information security;
3. Business Continuity Management;
4. Investments;
5. Accounting and controlling
6. Taxes
7. Internal fraud;
8. IT compliance;
9. Credit-Cash Management.

B.5 Internal audit function

Internal Audit of ERGO supports the Supervisory Board and the Management Board in carrying out its monitoring tasks. In particular, it is responsible for examining the system of internal governance. These include the risk management system, the internal control system (ICS) and the three key functions compliance, risk management and actuarial.

B.5.1 Organization

The Internal Audit is an independent function. However, it operates within the framework of the standards applicable throughout the Munich Re Group. It is legally assigned to ERGO Insurance SE. The Head of Internal Audit is directly subordinated administratively to the Chief Executive Officer (CEO) of ERGO and functionally – to the Supervisory Board. It also has a so-called "dotted reporting line" to the Head of ERGO Group Audit.

The audit mandate of Internal Audit covers all units of ERGO, its branches and subsidiaries.

B.5.2 Core tasks of Internal Audit

The core tasks of Internal Audit include:

Audit Performance: Internal Audit audits the Governance System, consequently the entire business organization, and in particular the Internal Control System in terms of appropriateness and effectiveness. The auditing work of Internal Audit must be carried out objectively, impartially and independently at all times. The audit area of Internal Audit covers all activities and processes of the Governance System, and explicitly includes the other Governance Functions. The audit assignment includes the following areas in particular:

- Effectiveness and efficiency of processes and controls,
- Adherence to external and internal standards, guidelines, rules of procedure and regulations,

- Reliability, completeness, consistency and appropriate timing of the external and internal reporting system,
- Reliability of the IT systems,
- Nature and manner of performance of tasks by the employees.

Reporting tasks: A written report must be submitted promptly following each audit by Internal Audit. At least once per year, Internal Audit will prepare a report comprising the main audit findings for the past financial year. Within the follow-up process, Internal Audit is also responsible for monitoring the rectification of deficiencies.

Consulting tasks: Internal Audit can provide consulting work, for example within projects or project-accompanying audits, and advise other units concerning the implementation or alteration of controls and monitoring processes. The prerequisite is that this does not lead to conflicts of interest and the independence of Internal Audit is ensured.

B.5.3 Independence and Objectivity

The managers and employees of Internal Audit are aware and adhere to the national and international standards for the professional standards of Internal Audit.

This also applies to the principles and rules for safeguarding the independence and objectivity of Internal Audit. Numerous measures (adequate positioning in the organizational structure, consistent segregation of duties, and comprehensive quality assurance during the audit) ensure that the independence and objectivity of the audit function is adequately ensured.

The Head of Internal Audit is directly subordinated administratively to the CEO and functionally – to the Supervisory Board. She has direct and unrestricted access to the Management Board and the Supervisory Board of ERGO and all branches and subsidiaries. As a service provider for the company she is independent from all other functions of the company.

In order to ensure independence, the employees of the Internal Audit do not assume any non audit-related tasks. Employees who are employed in other departments of the company may not be entrusted with Internal Audit tasks. This does not exclude the possibility for other employees to work for Internal Audit temporarily on the basis of their special knowledge or personnel development measures.

When assigning the auditors, attention is paid to the fact that there are no conflicts of interest and that the auditors can perform their duties impartially. In particular, it is ensured that an auditor does not audit any activities for which he himself was responsible in the course of the previous twelve months.

Internal Audit is not subject to any instructions during the audit planning, the performance of audits, the evaluation of the audit results and the reporting of the audit results. The right of the Supervisory Board and the Management Board to order additional audits does not impair the independence of Internal Audit.

According to the statement of the Head of Internal Audit, the function has sufficient resources and conducts the audits on its own responsibility, independent and impartially (objectively). The Head of Internal Audit contributes to the independence and objectivity of the auditing function by his behavior.

During the reported period the independence and objectivity of the Internal Audit was not impaired at any time.

B.6 Actuarial function

B.6.1 Set up of Actuarial Function

The Art. 48 of the Solvency II Directive obliges insurance and reinsurance undertakings to set up an effective Actuarial Function. Within the scope of the tasks as per Solvency II, the Actuarial Function performs monitoring tasks in the actuarial field as the 2nd line of defence. Focal points are the coordination of the calculation of technical provisions, monitoring tasks are related to the underwriting policy as well as the use of reinsurance. The Actuarial Function also supports the Risk Management Function.

ERGO actuaries have a detailed understanding of economic, financial, demographic and insurance risks in the Baltic States and expertise in developing and using statistical and financial models to facilitate financial decisions, pricing, establishing the amount of liabilities, and setting capital requirements for uncertain future events within ERGO. The role of the Actuary Function in ERGO is to measure, manage, and mitigate risks by using statistical models and analysis to enhance the understanding of risks assumed. Actuaries also provide advice on the adequacy of risk assessment, reinsurance arrangements, investment policies, capital levels and stress testing of the future financial condition of these companies.

The Actuarial Function performs its tasks independently from the front office and from risk taking activities of the Management Board and has no responsibility for the company's profits and financial results. The Head of Actuarial Department (Appointed Actuary) carries out the Actuarial Function in ERGO. Appointed Actuary reports to the Management Board member CFO.

B.6.2 Tasks of Actuarial Function

The Actuarial Function assumes the lead management role in the coordination of all work to the calculation and valuation of technical provisions for purposes of Solvency II and is responsible for the development and appropriateness of corresponding methods and the underlying models, procedures and processes. This includes both the statistical quality of the actuarial valuation as well as the quality of the data used and the validation of the results.

The Actuarial Function informs and advises the Management Board concerning the underwriting policy as well as concerning the appropriateness of the reinsurance agreements. In particular, it indicates the interactions between the reserving, the underwriting and the reinsurance cover, and develops recommendations for optimizing the underwriting, acceptance and reinsurance strategy. At least once a year the Actuarial Function provides a written report to the Management Board.

In addition, the Actuarial Function supports the Risk Management Function in its tasks, in particular terms of concerning risk and solvency assessment, and also provides actuarial expertise.

B.7 Outsourcing

B.7.1 Description of outsourcing

Guidelines on the Minimum Requirements for Outsourcing for the Companies of the ERGO Group (Outsourcing Policy) and its Entity Specific Appendix regulate the outsourcing of any critical or important operational functions or activities.

An outsourcing arises when a service provider is directly selected by ERGO to carry out certain activities and processes in connection with the performance of insurance, financial or other services that are:

- Otherwise provided by the insurance company itself (insurance-specific), and
- Important for the company.

An activity is insurance-specific only when there is a relation between the outsourced activities and the original insurance business. In this sense, the outsourcing of the following functions and insurance activities are considered as important outsourcing:

- The outsourcing of key functions of the company:
 - internal audit function;
 - compliance function;
 - risk management function;
 - actuarial function.
- The outsourcing of other functions and insurance activities that are fundamental for the ability of the company to carry out its core business, such as:
 - sales,
 - claims management,
 - policy management, incl. underwriting
 - accounting,
 - investments and/or asset management,
 - product development and pricing of insurance products,
 - rendering of data storage services
 - regular maintenance and support for the relevant IT systems
 - ORSA process (Own Risk and Solvency Assessment).

ERGO has not outsourced any key functions.

B.8 Any other information

There is no any other information.

C. RISK PROFILE

The risk profile describes the risks ERGO is exposed to. The management board considers the risk profile when deciding on steering measures. The overall risk profile is integral part of the annual ORSA report and includes a qualitative and quantitative assessment for modelled and non-modelled risks. When determining the risk profile, ERGO looks at the risks arising from the business portfolio across all risk categories.

The Risk Management Function is responsible for ensuring that adequate processes surrounding the overall risk profile have been established. The risk profile also provides important input for the determination of the risk appetite in the annual risk strategy as well as for internal risk reporting and ORSA. Significant changes to the company risk profile are reported promptly by the Risk Management Function to the management board.

Description of how assets have been invested in accordance with the „prudent person principle“

Company runs liability based investment approach i.e. first step in investment process is to establish different characteristics of liabilities (e.g. maturity structure, currency structure etc.). After that, risk neutral portfolio of assets can be established. Risk neutral portfolio is hypothetical asset portfolio which replicates liability structure. In case, Company has sufficient solvency capital available it can deviate from risk neutral asset portfolio. Otherwise Company will build up asset portfolio which corresponds to liability structure as much as practically possible.

Composition of asset portfolio will take into account appropriate diversification between asset classes and issuers. Proper quality and security of the asset portfolio is ensured by monitoring average rating of fixed income portfolio (as this forms biggest part of the asset portfolio). Company ensures also adequate liquidity of the portfolio – sufficient amount of funds must be available even in most severe circumstances.

Use of special purpose entities

The Company does not use any purpose companies within the meaning of Directive 2009/138 / EC of the European Parliament and of the Council.

C.1 Underwriting risk

C.1.1 Risk exposure

ERGO operates in three Baltic countries with a broad range of products. The Company's underwriting strategy seeks diversity to ensure a balanced portfolio. ERGO analyses its insurance portfolio on permanent basis and has developed sophisticated tariff models to price the products.

ERGO is acknowledging the following underwriting related risks: premium and reserve risk, catastrophe risk and lapse risk. The premium and reserve risk takes into account losses that occur at a regular frequency. Extreme events, which occur very rarely, are taken into account in the catastrophe risk.

Premium risk is related to future claims arising during and after the period for the solvency assessment. The risk is that the expenses plus the volume of (covered but not incurred) losses for these claims (comprising both amounts paid during the period and (incurred but not settled) claim provisions made at its end) are higher than the premiums received. Premium risk is

present at the time the policy is issued, before any events occur. Premium risk also arises because of uncertainties prior to issues of policies during the time horizon.

Reserve risk stems from two sources: on the one hand, the absolute level of the claims provisions could be mis-estimated. On the other hand, the actual claims will fluctuate around their statistical mean value because of the stochastic nature of future claims pay-outs. The company is also subject to longevity as well as revision (inflation) risk stemming from Motor Third Party Liability pensions.

In case of ERGO, the catastrophe risk includes only man-made catastrophes and no natural catastrophes. As specified in the Delegated Acts, none of the Baltic countries is exposed to specified natural catastrophes (windstorm, earthquake, flood, hail and subsidence). Nevertheless, in order to withstand catastrophes, however unlikely, ERGO is purchasing specific catastrophe reinsurance cover.

Future premiums are affected by significant deviation of actual lapse ratio from the expected. The risk can develop in correlation of general economic environment and unfavourable media coverage resulting in loss of trust by customers.

C.1.2 Material changes in underwriting risk over the reporting period

The experience gained by insurance and reinsurance undertakings during the first years of application of the Solvency Capital Requirement standard formula was used by EIOPA to review the methods, assumptions and standard parameters. As a result, in 2019 the Delegated Regulation (EU) 2015/35 was amended by Delegated Regulation (EU) 2019/981 affecting the Underwriting risk calculations of the Company as at 31.12.2019, mostly in respect of premium and reserve risk and catastrophe risk.

Apart from the Delegated Acts changes, the portfolio increases had a clear impact to premium and reserve risk capital calculations in 2019. Overall the share of underwriting risk in total capital requirement stayed on the similar level as in 2018

By lines of business the biggest share of underwriting risk is expectedly rising from Motor portfolio. During 2019 when compared to year 2018, Company's Motor portfolio in terms of Gross Written Premium slightly increased but its share in total portfolio decreased.

C.1.3 Measures for risk assessment

The significant Underwriting risks are evaluated within the Standard Formula.

Risk capital for underwriting risk is most affected by the quick portfolio growth, the composition of the portfolio, in terms of both quality and line of business balance, and environmental changes.

Company believes that over the years it has accumulated enough knowledge and expertise to manage the growth in underwriting risk well. Qualified actuarial skills are used in portfolio pricing to establish adequate premium levels as well as appropriate reserve and capital levels, underwriters and claims handlers of the Company are highly experienced and reinsurance contracts are in place. All assumptions and models are regularly reviewed, actuarial modelling results are compared against experience in both pricing and reserving.

C.1.4 Material risk concentrations

ERGO belongs to Munich Re Group that has defined a methodology applicable to all ERGO Group subsidiaries for performing the accumulation risk management process. The process for accumulation risk management is intended to ensure that all risks that could pose a substantial threat to the business are identified, assessed and steered.

Underwriting risk concentration risk stems from high concentration of risks in one building or small geographical area. In ERGO the risk is the most significant in property lines of business. Additionally, the risk may arise in the motor business, i.e. concentration of risks in the ownership of one customer or higher concentration of special client segments due to anti-selection.

C.1.5 Risk reduction techniques

In order to protect its solvency position ERGO has concluded several reinsurance agreements. The main forms of reinsurance are risk based obligatory non-proportional and risk based obligatory proportional reinsurance, accompanied by catastrophe reinsurance protection for aggregation of net risks deriving from several of lines of business. Risks exceeding the limits of obligatory reinsurance contracts or falling outside their scope are reinsured on a facultative basis.

While preparing the obligatory reinsurance program the portfolio structure, available solvency free capital and prudent future development trends are considered. The insurance portfolio is modelled in order to find optimal level of retention as well as the required treaty limits.

ERGO Group internal regulations and reinsurance company ratings are used in the process of choosing the reinsurance partners. The reinsurance program is approved by the ERGO Management board on annual basis. The Company has adopted the reinsurance strategy and process for purchasing facultative reinsurance. In case of deviances from reinsurance programs Risk Management approval is necessary.

C.1.6 Description of Stress tests and scenario analyses

Primary objectives of stress tests and scenario analyses are to enhance the transparency of the risk profile particularly by evaluating the sensitivity of the solvency ratio and the Company's viability. The focus of the stress tests and scenario analyses is set on assessing the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) according to the Standard Formula and Own Funds (OF) impact of scenarios or stresses.

The stress tests and scenario analyses should cover all material risks. The materiality concept covers the assessment of the materiality for all quantifiable risks.

The following main objectives are covered by the stress tests and scenario analyses:

- Transparency of the risk profile:
 - Sensitivity of solvency ratio according to the Standard Formula
 - Identification of scenarios being a threat to the company's viability
- Risks in the business plan:
 - Analysing the risks in missing targets set in the business plan.

Similarly to last year, the stress test with the highest impact is Nat Cat event and related reinsurance default, would decrease the solvency ratio significantly but not to the point of insolvency (decrease of solvency ratio by 14 ppts)..

The same event would be one of the scenarios for the reverse stress test, which we use to determine the stress level giving rise to a certain amount of loss. As a first step, we performed qualitative analyses which scenarios may lead to a critical solvency situation, a situation in which the survival of the company is not ensured anymore. The objective of stresses was bringing Own Funds to the level of SCR and MCR, i.e. Own Funds = SCR/MCR. No other single scenario used would on its own directly lead Own Funds to SCR.

Similarly to last year, increase of combined ratio has large impact on company's solvency ratio. Another potentially harmful scenario would be very fast portfolio growth accompanied by increase in combined ratio together with unfavourable development of past claims (e.g. inflation, legal environment).

C.2 Market risk

C.2.1 Risk exposure

Due to the fact that a large portion of our Company's portfolio consists of (fixed-) interest securities, changes of the general interest rates and credit spreads have a considerable effect on the value of our investments.

The following significant risk drivers and risk causes or challenges regarding risk identification and assessment have been identified:

- Interest rate risk (incl. spread risk and interest volatility)
- Property risk

Since de-risking of asset portfolio in 2016 whereas Company realized equity positions, emerging market bond positions and participation in Real Estate Company ERGO Invest SIA, Company is relatively resilient to possible shocks in financial markets.

C.2.2 Measures for risk assessment

The significant risks of the asset portfolio are evaluated within the Standard Formula. Additionally, exposure to fluctuations in market value is assessed on an ongoing basis using four internal models. The detailed description of the models can be found in Chapter C.2.5 "Description of stress tests and scenario analyses".

C.2.3 Material risk concentrations

Below is the list of 10 counterparties with highest market exposure

Counterparty	Type of exposure	Rating class (when available)	Total exposure, €
Germany	6- zero risk according to an article 187, 1-3	AAA - AA	30 260 059
France, Republic	3 – Mortgage covered bond or public sector covered bonds exposure ja 6 – zero risk according to an article 187, 1-3	AAA - AA	13 346 715
Groupe BPCE S.A.	3 – Mortgage covered bond or public sector covered bonds exposure	AAA - AA	9 854 824
Vilnius, Gelezinio Vilko 6/6A, Lithuania	4 - Property exposure	-	5 500 000
Croatia, Republic	1 – standard	BBB	4 804 713
Credit Suisse Group AG	1 – standard	AAA - AA	4 210 019
Northern Macedonia, Republic	1 – standard	BB	4 128 292

Counterparty	Type of exposure	Rating class (when available)	Total exposure, €
Banco Santander S.A.	1 – standard	BBB	3 929 340
Korea, Republic	1 – standard	AAA - AA	3 868 495
Indonesia, Republic	1 – standardne	BBB	3 698 530

C.2.4 Risk reduction techniques

Company does not have any risk mitigation techniques currently in place. At the end of 2019, Company did not have any risk mitigation contracts outstanding.

C.2.5 Description of Stress tests and scenario analyses

Exposure to fluctuations in market value is assessed on an ongoing basis using four internal models. The first, Net Loss Limit (NLL), monitors the probability of achieving a result that surpasses the minimum investment result fixed by the actuaries. The second, Credit Value at Risk (CVaR) measures the potential loss that a portfolio of assets, exposed to credit risk, could suffer due to a weakening of the issuer's credit rating. The third model, Market Value at Risk (MVaR), measures the possible decrease in value of the existing investment portfolio during one year. The fourth model, Investment Asset/Liability Mismatch (InvALM), combines the two aforementioned models (CvaR, MVaR) with company's liability side and monitors, how the market events might influence the company due to the risks taken on asset side exceeding the risk neutral position from liabilities.

C.3 Credit risk

C.3.1 Risk exposure

Credit risk is defined as the economic loss that can arise if the financial situation of a counterparty changes. The credit risk includes both the risk of migration (deterioration of the "credit rating" of the counterparty) and the credit spread risk (price changes within a fixed rating class).

In order to monitor and control our group wide credit risks, the Group has implemented a cross-balance-sheet counterparty limit system valid throughout the group. The liability-driven Investment Process is designed to manage and to limit this risk to an acceptable level.

C.3.2 Measures used for risk assessment

Credit risk is not evaluated explicitly in Standard Formula approach. It is only captured implicitly under a combination of market and counterparty default modules. From the perspective of ERGO Group the latter is proved to be reasonable since there are no material differences between corresponding shocks applied in Group Internal Model and Standard Formula.

In our fixed-income investments, we control the associated credit risk by selecting issuers with appropriate quality and observing counterparty limits. The rating of external rating agencies is just one of the several criteria that we take into account. In addition, we carry out our own analyses. Our demands on issuers are also reflected in Group-wide investment principles. The majority of our investments consist of securities issued by issuers with high credit ratings.

The counterparty credit risk we face is closely monitored and actively managed. In an annual process we analyse our Company's exposure to reinsurance counterparties, especially for

ceded business outside of the Munich Re group. Here, we also benefit from the central credit risk assessment processes of MR Group.

C.3.3 Material risk concentrations

Please see chapter C.2.3 under Market risk.

C.3.4 Risk reduction techniques

We control and monitor our counterparty default risks through a Group-wide counterparty limit system. The limits are based on the financial position of the counterparty and on the risk tolerance defined by the Management Board. Counterparty limits are constantly monitored and adjusted if necessary.

C.3.5 Stress test and scenario analyses

Please see chapter C.2.5 under the Market risk.

C.3.6 Material changes in credit risk over the reporting period

Under Standard Formula the counterparty default risk module considers two different kind of exposures - Type 1 and Type 2 exposures. While the Type 1 relates mostly to reinsurance and financial institution counterparties then Type 2 has to do with policyholders' and intermediaries' debts. In 2019 Company changed its approach to Type 2 exposures and as a result the Counterparty default risk decreased significantly.

C.4 Liquidity risk

C.4.1 Risk exposure

Liquidity risk refers to the risk that a company is unable to meet its financial obligations at maturity due to the lack of fungibility of existing assets.

Considering the short-term nature and liquidity characteristics of fixed income portfolio it's reasonable to expect availability of liquid funds even under most severe insurance and market events. Liquidity needs might be significantly increased because of insurance event (extraordinarily big claim) but even in that case the pay-out is not immediate but usually according to previously agreed schedule. Therefore, liquidity risk is of minor importance for the Company.

Additionally there is possibility of liquidity squeeze in the financial markets but considering maturing bonds and high share of liquid government bonds, Company should be in position to meet liquidity demands even under most severe circumstances.

C.4.2 Total amount of the expected profit included in future premiums

According to Article 260(2) of the Commission Delegate Regulation (EU) 2015/35 the expected profit included in future premiums shall be calculated as the difference between the technical provisions without a risk margin and a calculation of the technical provisions without a risk margin under the assumption that the premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future are not received for any reason other than the insured event having occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

The total amount of expected profits included in future premiums is EUR 5 400 961, the value has increased during 2019 due to increased profitability as well as portfolio growth.

C.4.3 Measures used for risk assessment

Finance and Investment department prepares cash flow report on quarterly basis where both liability and asset side cash flows are forecasted for next 12 months. In case significant shortage or excess is foreseen then appropriate steps on asset side is taken in order to meet upcoming demand or surplus.

C.4.4 Material risk concentrations

There are no material risk concentrations regarding liquidity risks.

C.4.5 Risk reduction techniques

Liability based investment approach, where duration of liabilities is matched with asset with similar duration, forms also good foundation for reducing liquidity risks. Additionally, fixed income portfolio consist significant part of government and covered bonds with excellent liquidity characteristics.

C.4.6 Stress test and scenario analyses

No scenarios were explicitly calculated for the liquidity risk this year, as the company's good liquidity position is unlikely to lead to any developments that jeopardize the capitalization of the company.

C.5 Operational risk

C.5.1 Risk exposure

Operational risks are inevitably connected to the Company's business activities. They should to be mitigated or if possible avoided as long as this is economically feasible.

The causes of operational risks are errors in processes, inadequate information and telecommunications technology, external influences, such as natural disasters, and legal risks.

The highest operational risks have been identified in the areas of execution, delivery and process management (errors in data entry, accounting, underwriting, etc.), Internal Fraud (unauthorized activities of employees) and Suitability, Disclosure & Fiduciary (failed mandatory reporting, actions that could cause violation of Data protection, Insurance supervision and Contract law). In addition, single high operational loss events might endanger Company's ability to continue with business operations. These events include errors in reserving and underwriting, internal fraud, business interruption due to system failure or fire and disclosure of confidential data.

C.5.2 Measures for risk assessment

The Company manages the risks which are connected to the business processes with adequate controls in the respective processes and used IT applications. Also the controls and measures on legal entity level guarantees compliance with the regulatory requirements. The functionality of the single controls is guaranteed via the cooperation of the different functions of the 1st to 3rd line of defence and as well via the interlocking of controls on the different levels within the Internal Control System.

The operational risks are assessed both qualitatively and quantitatively. The qualitative assessment is performed during the annual risk and control assessment, where net risks (net after control/mitigation) are compared with a predefined limit system (heat maps) and significant risks are managed as necessary through (further) reduction, transfer and/or intensive monitoring.

The quantitative assessment of the significant operational risks is carried out using a scenario-based approach.

C.5.3 Material risk concentrations

Weaknesses in the control environment, as well as in the central IT systems, can have an impact on the insurance-related operating process and thus have a cumulative impact.

C.5.4 Risk reduction techniques

The Operational risk management focuses on the following operative elements:

- Resources, especially information and infrastructure (IT and buildings)
- Human Resources and processes
- Projects

We mitigate risks coming from our business processes with controls on process, IT and entity level. Controls on process level can be authorization systems, 4-eyes principle, segregation of duties, guidelines, etc. Examples of IT controls are backup solutions, access controls and corresponding emergency planning. Entity level controls aim to assess whether the regulatory requirements pertaining to an adequate control environment are fulfilled. All employees are regularly trained.

In addition, Business Continuity Management system ensures the continuity of important business processes and systems in emergency or crisis situations. The goal is to be able to continue with normal business operations within ERGO under such circumstances. This is assured by a well-defined emergency management, a proper set-up of crisis management, and adequate recovery management concepts. The continuity systems are tested regularly.

C.6 Other material risks

C.6.1 Strategic Risks

Strategic risks can result from wrong business decisions or inadequate implementation of decisions already made. Additionally we also reflect the reluctance to adjust to a changing environment (e.g. changes of the legal environment) in the strategic risks.

Despite stable political environment in the Baltic region, potential shifts in regulation and competitive market environment are the key risks that might affect strategy execution:

1. Political environment – political environment in the Baltic States is currently stable.
2. Shifting regulation – current government implementing EU regulation, particularly on Insurance Distribution (IDD) and General Data Protection Regulation (GDPR) require additional resources for contribution.
3. Competitive market environment – markets continue to be competitive. Ongoing market consolidation might lead to loss of competitive market share (importance of scale in the Baltic market).

4. Demographical situation – high migration due to comparably low wages and continuing population aging might trigger a need for different products we offer as well as number of possible clients will decrease constantly.
5. The possible impact to the business model of ERGO by changed customers' behaviour and needs in terms of digitalization.

Strategic risks are addressed by interlocking strategic decision making and risk management processes, especially with regards to preparations and decisions as part of the planning process.

As part of the Management of Strategic Risks' process, top risks are identified, evaluated by the Board of Management and discussed on Board level. If needed, appropriate measures are initiated on Board level. For these risks, a responsible person is defined who is responsible for implementing the measures.

C.6.2 Reputational risks

Reputational risk is the risk that adverse publicity regarding ERGO's business practices and associations, whether accurate or not, will cause loss of confidence in the integrity of the institution. Reputational risks may result from the realization of other risks (e.g. operational, strategic or concentration risk) and / or in conjunction with other risks, hence, reputational risks are controlled indirectly through the control of the respective risks and risk types.

Reputational risk can occur through a number of ways: directly as the result of the actions of the Company itself; indirectly due to the actions of an employee; or tangentially through other third parties.

ERGO has defined two sub-categories of Reputational risk:

- Data and Information
- Image risks

The reputational risk associated with unauthorized publishing of confidential information is increasing, as society's awareness on disclosure on personal data is growing, also in relation with the implementation of new data protection regulations in EU countries. Large-scale negative publications in media from unsatisfied customers could also significantly affect ERGOs reputation.

The identification process of Reputational risk takes place in three ways:

- ad hoc reporting;
- regular quarterly communication between the Risk Management function and relevant parties such as the Compliance function, Internal Audit or Corporate Communication;
- internal control system, where basic assessment of potential reputational loss for each operational risk takes place.

Respective risk takers define measures including an implementation plan to minimize and steer the risk. Depending on the relevance and materiality, other relevant parties such as the Compliance function or Internal Audit are consulted and informed about the defined measures. As a minimum, measures for the most important reputational risks are discussed and approved by the local Management Board. ERGO Group AG Management Board, Munich Re Management Board or relevant committees are informed about the initiated measures as necessary.

The top reputational risks are incorporated into the risk profile of the Company and reported during the quarterly risk reporting. Ad-hoc reporting processes have been implemented to ensure that (potential) reputational risks are communicated promptly.

The control functions – the Compliance function and the Internal Audit – perform the reputational risk assessment process in accordance with their own methodology and report identified real of presumable reputational risks to the Risk Management function as well as other responsible stakeholders.

C.7 Any other information

The COVID-19 pandemic occurred during the preparation of the report in February 2020 is considered as a “major development” as referred to in article 54(1) in the Solvency II Directive. Moreover, different scenarios were preliminary assessed during March 2020 and no significant impact on solvency identified. More detailed stress tests and analysis are currently work-in-progress and will be available during second quarter of the year 2020.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 Assets

D.1.1 Comparison of assets with their Solvency II values and Statutory accounts values

The following table covers information about assets that is to be given in the Quantitative Reporting Template (QRT) S.02.01, i.e. the comparison of assets with their Solvency II values and with their Statutory accounts values, that is for ERGO the IFRS values. Assets in direct conjunction with technical provisions (reinsurance recoverables) are not considered here, but in Chapter D.2.

ASSETS	Solvency II value 2019	IFRS value 2019	Explanations
Deferred acquisition costs	0	8 635 680	Acquisition costs are not shown as an asset in the solvency balance sheet but are considered in the valuation of the technical provisions.
Intangible assets	0	7 373 533	Other intangible assets are only shown in the solvency balance sheet if they are both accounted for in IFRS and traded in an active market. The latter requirement is deemed to be met if an active market exists for similar assets. Since ERGO Insurance SE's intangible assets do not currently meet this requirement, this item in the solvency balance sheet is empty.
Deferred tax assets	273 452	273 452	Deferred tax assets valuation does not differ in SII and IFRS reporting.
Property, plant & equipment held for own use	13 397 717	12 544 919	The difference 881'469 euros is equal to the difference between property appraisal and book value. Works of art in amount 28'671 euros are reported in SII on item <i>Any other assets, not elsewhere shown</i> .
Investments (other than assets held for index-linked and unit-linked contracts)	194 012 078	192 988 653	
Holdings in related undertakings, including participations	1 710 798	687 372	Participations to affiliated companies are accounted for by the equity method. The difference 1'023'426 euros between SII and IFRS values comes from different base values taken for the calculation because the affiliated company's SII and IFRS own funds are not equal.
Equities	43 443	43 443	SII and IFRS values are equal.
<i>Equities - unlisted</i>	43 443	43 443	SII and IFRS values are equal.
Bonds	167 814 219	167 814 219	SII and IFRS values are equal.
<i>Government Bonds</i>	69 687 481	69 687 481	SII and IFRS values are equal.
<i>Corporate Bonds</i>	98 126 737	98 126 737	SII and IFRS values are equal.
<i>Structured notes</i>	0	0	SII and IFRS values are equal.
Collective Investments Undertakings	24 443 619	24 443 619	SII and IFRS values are equal.
Loans and mortgages	1 414 310	1 414 310	
<i>Other loans and mortgages</i>	1 414 310	1 414 310	SII and IFRS values are equal.
Insurance and intermediaries receivables	2 957 419	21 866 092	In the balance sheet under Solvency 2, receivables not due in the amount of 3'471'693 euros are presented on item <i>Any other assets, not elsewhere shown</i> . Receivables not due in the amount 15'541'759 are included in the calculation of <i>Technical Provisions</i> . In the IFRS balance sheet, receivables related to reinsurance are presented on the item <i>Reinsurance receivables</i> . At the end of the reporting period, discounting of this item has not been required."
Reinsurance receivables	1 703 550	1 808 329	The difference between 104'779 euros is caused by the differences in presentation. In the balance sheet under Solvency 2 incoming reinsurance receivables are shown in the item Insurance receivables and receivables from intermediaries. At the end of the reporting period, discounting of this item has not been required.
Receivables (trade, not insurance)	1 604 190	1 604 290	At the end of reporting period discounting of this item has not been required.
Cash and cash equivalents	11 689 236	11 689 236	SII and IFRS values are equal.

ASSETS	Solvency II value 2019	IFRS value 2019	Explanations
Any other assets, not elsewhere shown	5 220 322	1 719 959	Other assets, not elsewhere shown, cover all assets that cannot be allocated in any other class of assets. This item includes work of arts, prepayment assets and insurance and intermediaries receivables not due. Insurance receivables not due 3'471'693 euros are reported in IFRS reporting on item <i>Insurance and intermediaries receivables</i> . Works of art in amount 28'671 are shown in IFRS on item <i>Property, plant & equipment held for own use</i> . At the end of reporting period, discounting of this item has not been required.
Total assets without technical provisions	232 272 275	261 918 453	

According to the Article 75(1)(a) of Directive 2009/138/EC all assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction, that means with their fair values.

According to IFRS a mixed measurement model is established. That means, some assets are also measured with their fair values, others are measured at amortized costs or with their par values. If the valuation basis for Solvency II and IFRS is the same, we use the same fair values for both purposes. If the valuation basis is different, we explain the differences in more detail for the respective asset classes. Only if differences between the fair values and IFRS values are immaterial, assets are measured with the latter values as explained in more detail below.

In addition to the different valuation methods used for individual items, the structure of the solvency balance sheet also differs from that of the IFRS balance sheet. Not all balance sheet items are therefore directly comparable. The differences are particularly significant for assets shown under investments. In the IFRS balance sheet, loans on policies are included in investments as "loans", whilst under Solvency II they are shown outside investments as a separate item. There are also differences in the classification of receivables and other assets, which are described under the individual items. Where it was possible to reclassify assets as per IFRS in order to comply with the structure prescribed for the solvency balance sheet, we did so.

D.1.2 Use of judgements and estimates in recognition and measurement

Where valuation has to be based on models because no market prices are available for the calculation of the fair values required, discretion must be exercised and estimates and assumptions used, and these affects both the assets and the other liabilities shown in the solvency balance sheet.

Solvency II amounts should be determined as accurately as possible, considering all the relevant information. The basis for determining amounts is management's best knowledge regarding the items concerned at the reporting date. Nevertheless, it is in the nature of these items that estimates may have to be adjusted in the course of time to take account of new knowledge.

D.1.3 Goodwill

No goodwill is shown in the solvency balance sheet.

Goodwill resulting from the first-time consolidation of subsidiaries is tested for impairment at least annually, in accordance with IAS 36. We additionally carry out ad-hoc impairment tests if there are indications of impairment. For impairment testing, the goodwill is allocated to the

cash-generating units or groups of cash-generating units expected to derive benefit from the synergies of the business combination.

D.1.4 Deferred Acquisition Costs

Acquisition costs are not shown as an asset in the solvency balance sheet but are considered in the valuation of the technical provisions.

Whereas under IFRS deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. In life business and long-term health primary insurance, acquisition costs are capitalized and amortized over the duration of the contracts.

The deferred acquisition costs are amortized on a straight-line basis over the average term of the policies, from one to five years.

Deferred acquisition costs are regularly tested for impairment.

D.1.5 Intangible assets

Other intangible assets are only shown in the solvency balance sheet if they are both accounted for in IFRS and traded in an active market. The latter requirement is deemed to be met if an active market exists for similar assets. Since ERGO's intangible assets do not currently meet this requirement, this item in the solvency balance sheet is empty.

The other intangible assets mainly comprise self-developed and other software. Intangible assets are recognised at acquisition or production cost and depreciated on a straight-line basis over their planned useful life.

D.1.6 Deferred tax assets

Deferred income tax is provided for, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax calculations are based on the tax rates effective on the balance sheet date expected to be effective in the periods when the Company will realize the deferred tax asset or settle deferred tax liabilities. The principal temporary differences arise from different property and equipment depreciation rates, as well as from accrued expenses, provisions for doubtful debts and tax losses carried forward.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are not discounted. The same deferred tax assets value is used for Solvency II and IFRS purposes.

D.1.7 Property, plant & equipment held for own use

For Solvency II purposes property, plant and equipment held for ERGO own use shall be valued with their fair value. The valuation must be performed annually. Property is not evaluated by the company itself, but appraisal service is outsourced to professional real estate appraiser.

Two methods can be used for such valuation: Sales Comparison Approach and Income Approach. The selection of a relevant methodology depends upon the nature and characteristics of the real estate under consideration and the market data available.

Choice of the valuation method/approach depends on particular property characteristics and certain market conditions. If the object is suitable for generating of the rental income, the income approach is preferable.

For the purpose of Solvency II plant and equipment is – for reasons of simplification – measured with its IFRS value that means at amortized costs, subject to scheduled depreciation over the course of its useful life in accordance with the decline in its utility to the necessity of unscheduled depreciation to a lower value. The same method is applied in IFRS for property objects.

D.1.8 Investments

Participations

This item comprises the associates or such entities over which the company has significant influence but not control. Significant influence is presumed to exist when the company holds directly or indirectly through subsidiaries 20-50% of an entity's voting power.

Investments in associates are accounted for using the equity method. Upon initial recognition, investments in associates are measured at cost. The cost of an investment includes directly attributable transaction charges. The financial statements include the company's share of an associate's profit or loss from the date the significant influence commences to the date the significant influence ceases to exist.

In the Solvency II the value of participations must be either the market price or the proportional amount of the equity of the participation.

Other financial assets

In the solvency balance sheet, we value all financial assets at fair value. The fair value of a financial instrument is the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction.

Where a price is quoted in active markets (i.e. a market value), it should be used. If no market value is available, valuation models are used in which observable market parameters are applied as far as possible. The same valuation principles are followed as under IFRS.

D.1.9 Determining fair values

Since market values are not available for all financial instruments, IFRS has a valuation hierarchy with three levels. Though Solvency II does not explicitly name the levels, it does provide for equivalent differentiation in the assessment of the fair values used.

The allocation reflects whether a fair value has been derived from transactions in the market or the valuation is based on models because there are no market transactions.

In the case of Level 1, valuation is based on unadjusted quoted prices in active markets for identical financial assets which ERGO can refer to at the balance sheet date. A market is deemed active if transactions take place with sufficient frequency and in sufficient quantity for price information to be available on an ongoing basis. Since a quoted price in an active market is the most reliable indicator of fair value, this should always be used if available. The financial instruments we have allocated to this level mainly comprise equities, investment funds (except property funds) and fixed-interest securities (bearer bonds) for which either a stock market price is available, or prices are provided by a price quoter on the basis of actual market transactions. We have also allocated derivatives traded on the stock market to Level 1.

Assets allocated to Level 2 are valued using models based on observable market data. For this, we use inputs directly or indirectly observable in the market, other than quoted prices. If the financial instrument concerned has a fixed contract period, the inputs used for valuation must be observable for the whole of this period. The financial instruments we have allocated to this level mainly comprise borrowers' note loans, pfandbriefs, subordinated securities and derivatives not traded on the stock market.

For assets allocated to Level 3, we use valuation techniques not based on inputs observable in the market. This is only permissible insofar as no observable market data are available. The inputs used reflect ERGO Insurance's assumptions regarding the factors which market players would consider in their pricing. We use the best available information for this, including internal company data. The financial instruments allocated to this level of the fair value hierarchy largely comprise investments in private equity, renewable energy and new technologies (RENT), certain credit structures, and investments in affiliated companies and associates measured at fair value. We also allocate insurance derivatives and derivative components that are separated from the host insurance contract to Level 3. Regularly, at each quarterly reporting date, we assess whether the allocation of our investments and liabilities to the levels of the valuation hierarchy is still appropriate. If changes in the basis of valuation have occurred – for in-stance, if a market is no longer active or the valuation was performed using parameters that make it necessary to change the allocation – we make the necessary adjustments.

D.1.10 Valuation categories according to IFRS

Unlike in the solvency balance sheet, for IFRS assets are classified into four categories, depending on the purpose of acquisition:

- financial assets at fair value through profit or loss;
- loans and receivables
- held-to-maturity investments;
- available-for-sale financial assets.

Financial assets at fair value through profit or loss are financial assets which on initial recognition are designated as at fair value through profit or loss.

Derivatives are classified as held for trading and are designated as at fair value through profit or loss unless they are designated and used as effective hedging instruments.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities which the company intends and is able to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market.

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or are not classified to any of the other categories.

Purchases of financial assets are recognised at the settlement date. A financial asset is derecognised when contractual rights to receive cash flows from the asset expire, or where the asset, together with substantially all the risks and re-wards of ownership, has been transferred.

Financial assets are initially measured at their fair value. After initial recognition, the company measures financial assets at fair value through profit or loss and available-for-sale financial assets at their fair value, without any deduction for the transaction costs it may incur on disposal. The fair value of a quoted financial asset is its quoted bid price at the reporting date.

If the market for a financial asset is not active, the company determines fair value using valuation techniques. These include the use of recent arm's length market transactions, references to another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If the value of equity instruments cannot be measured reliably, they are measured at cost.

Held-to-maturity investments are measured at amortised cost less impairment losses using the effective interest method. Loans and receivables are measured at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, cash flows are estimated considering all contractual terms of the financial instrument excluding future credit losses. The calculation includes all fees paid or received between parties to the contract, direct transaction costs, and all other premiums or discounts.

Realised gains and losses and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income or expense. When available-for-sale financial assets are sold or become impaired, the cumulative gains or losses previously recognised in other comprehensive income or expense are recognised in the income statement. Where these investments are interest-bearing, the interest income calculated using the effective interest rate method is recognised in the income statement.

As the deposits with banks mainly have a period to maturity of less than one year, the fair values largely correspond to the carrying amounts.

D.1.11 Impairment

For IFRS at each balance sheet date, we assess whether there is any substantial objective evidence of impairment in a financial asset or group of financial assets. Impairments in value are recognised as an expense in the income statement. IAS 39.59 contains a list of factors providing substantial objective evidence of impairment of such financial assets. In addition, IAS 39.61 states that for equity investments, a significant or prolonged decline in the fair value of the investment below its acquisition cost is objective evidence of impairment. These rules are given more concrete form by means of internal guidelines. For equities quoted on the stock exchange, we assume a significant decline in fair value if the market value at the re-view date is at least 20% below the average purchase price or has been lower than this amount for at least six months.

In the case of fixed-interest securities and loans, the main basis for establishing impairment is an indication of substantial financial difficulty on the part of the issuer, the current market situation or media reports on the issuer.

We determine acquisition cost on the basis of the average purchase price. In the case of an impairment, a write-down is made to the fair value at the balance sheet date, i.e. generally the publicly quoted market price. If there is a further fall in the fair value of equity investments that have already been written down once, a further write-down recognised in the income statement is made again immediately. Such impairments recognised in profit or loss may not be reversed through profit or loss. If, in a subsequent period, the reasons for the impairment of fixed-interest

securities or loans cease to apply, the impairment is reversed, with impact on the income statement. The resultant carrying amount may not exceed the original amortised cost.

As all assets in the solvency balance sheet are shown at fair value, no impairment rules are required. For the same reason, no unbundling or hedge-accounting rules are necessary either.

D.1.12 Insurance & intermediaries receivables

In the solvency balance sheet Insurance & intermediaries receivables have to be measured with their fair values; compared to investments no special requirements have to be considered.

Insurance and intermediaries receivables have to be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered. Receivables aged less than one year should not be discounted.

For IFRS insurance & intermediaries receivables is recognised at face value. Regular aging analysis is performed based on the time buckets (0-30 days old, 31-60 days old, 61-90 days old and older than 90 days), in case if receivable falling into time bucket older than 90 days, it should be written down immediately.

D.1.13 Reinsurance receivables

In the solvency balance sheet reinsurance receivables have to be measured with their fair values; compared to investments, no special requirements have to be considered. Reinsurance receivables have to be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered. Receivables aged less than one year should not be discounted.

For IFRS reinsurance receivables is recognised at face value. Regular aging analysis is performed based on the time buckets (0-30 days old, 31-60 days old, 61-90 days old and older than 90 days), in case if receivable falling into time bucket older than 90 days, it should be written down immediately.

Both reinsurance receivables and insurance & intermediaries receivables are included in other receivables under IFRS but shown as separate items in the solvency balance sheet. Additionally, under Solvency II all insurance contracts are to be assigned to the technical provisions irrespective of the level of insurance risk in individual contracts. Therefore, receivables resulting from reinsurance contracts without significant risk transfer, which do not fall within the scope of IFRS 4, are – notwithstanding IFRS – not reported as receivables, but as part of the technical provisions.

D.1.14 Receivables (trade, not insurance)

Under Solvency II, the Receivables (trade, not insurance) include in particular Receivables from dividends, Receivables from profit pooling or transfer agreements, receivables from taxes or other receivables. Basically, these receivables have to be measured with their fair values. However, for reasons of simplification, receivables from dividends and receivables from profit pooling or transfer agreements are measured at their IFRS book value, i.e. at amortised costs. Doubtful receivables are written down to the envisaged amount attainable.

Receivables (trade, not insurance) have to be discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. The individual business partner's credit risk is also considered. Receivables aged less than one year should not be discounted.

For IFRS receivables is recognised at face value. Regular aging analysis is performed based on the time buckets (0-30 days old, 31-60 days old, 61-90 days old and older than 90 days),

in case if receivable falling into time bucket older than 90 days, it should be written down immediately.

D.1.15 Cash and cash equivalents

For the purpose of Solvency II, for cash the fair value is the par value. Transferable deposits (including cheques) are valued at amortized cost (usually this is the par value). Credit risk is considered by write off of doubtful deposits and doubtful cheques to the envisaged amount attainable. For IFRS, we show cash held at face value.

D.1.16 Any other assets, not elsewhere shown

Other assets, not elsewhere shown, cover all assets that cannot be allocated in any other class of assets. This includes work of arts and prepayment assets. In contrast to our Financial Reporting, in the solvency balance sheet activated deferred premium refunds are included in the valuation of the technical provisions.

As a basic principle, under Solvency II all other assets are to be measured with their fair values. However, similarly to IFRS, prepayments are calculated pro rata temporis and cover the period between the reporting date and the date the corresponding benefit is earned or becomes due. Contrary to IFRS, the prepayments are discounted, considering the actual relevant risk-free interest rate as well as relevant interest rate spreads, unless the effect from discounting is immaterial.

D.2 Technical provisions

D.2.1 Value of Technical provisions

ERGOs technical provision values as at 31.12.2019 are set out in the table below.

<i>in Euros</i>	Solvency II value	IFRS value
Technical provisions – non-life	124 088 077	157 678 128
Technical provisions – non-life (excluding health)	120 661 572	152 018 870
<i>TP calculated as a whole</i>	0	0
<i>Best Estimate</i>	116 095 896	0
<i>Risk margin</i>	4 565 677	0
Technical provisions - health (similar to non-life)	3 426 505	5 659 257
<i>TP calculated as a whole</i>	0	0
<i>Best Estimate</i>	3 114 484	0
<i>Risk margin</i>	312 021	0
Technical provisions - life (excluding index-linked and unit-linked)	14 520 425	14 414 975
Technical provisions - health (similar to life)	0	0
<i>TP calculated as a whole</i>	0	0
<i>Best Estimate</i>	0	0
<i>Risk margin</i>	0	0
Technical provisions – life (excluding health and index-linked and unit-linked)	14 520 425	14 414 975
<i>TP calculated as a whole</i>	0	0
<i>Best Estimate</i>	14 414 975	0
<i>Risk margin</i>	105 450	0
Technical provisions – index-linked and unit-linked	0	0
<i>TP calculated as a whole</i>	0	0
<i>Best Estimate</i>	0	0
<i>Risk margin</i>	0	0

Life insurance technical provisions in above table stem only from Motor Third Party Liability annuities, non-life insurance technical provisions are further split into lines of business as in the following table.

<i>in Euros</i>	Solvency II Best Estimate	Risk Margin	Solvency II Technical provision
Medical expense insurance	1 000 438	107 361	1 107 799
Income protection insurance	2 114 046	204 659	2 318 705
Motor vehicle liability insurance, excl. annuities	71 751 699	2 163 183	73 914 883
Other motor insurance	12 415 940	1 089 782	13 505 721
Marine, aviation and transport insurance	1 458 057	67 892	1 525 949
Fire and other damage to property insurance	16 940 310	839 727	17 780 037
General liability insurance	9 123 289	237 538	9 360 827
Credit and suretyship insurance	3 509 782	72 688	3 582 470
Legal expense insurance	376 051	40 057	416 109
Assistance	520 768	54 809	575 577
Total	119 210 380	4 877 697	124 088 077

The value for reinsurance recoverables as at 31.12.2019 is set out below.

<i>in Euros</i>	Solvency II value	IFRS value
Reinsurance recoverables from:	13 890 624	16 681 580
Non-life and health similar to non-life	11 442 534	14 241 313
Non-life excluding health	11 480 030	14 236 477
Health similar to non-life	-37 496	4 836
Life and health similar to life, excluding health and index-linked and unit-linked	2 448 090	2 440 267
Health similar to life	0	0
Life excluding health and index-linked and unit-linked	2 448 090	2 440 267
Life index-linked and unit-linked	0	0

D.2.2 Overall requirements for technical provisions

Insurance and reinsurance undertakings have to establish technical provisions with respect to all of their insurance and reinsurance obligations towards policy holders and beneficiaries of insurance or reinsurance contracts. The value of technical provisions shall correspond to the current amount insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking. The calculation of technical provisions shall make use of and be consistent with information provided by the financial markets and generally available data on underwriting risks (market consistency). Technical provisions shall be calculated in a prudent, reliable and objective manner. Following the principles set out above, the calculation of technical provisions is carried out as described below.

D.2.3 Calculation of technical provisions

In general, the value of Solvency II technical provisions is equal to the sum of a best estimate and a risk margin as set out below.

The best estimate corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure. The calculation of the best estimate is based upon up-to-date and credible information and realistic assumptions and performed using adequate, applicable and relevant actuarial and statistical methods. The cash-flow projection

used in the calculation of the best estimate takes account of all the cash in- and out-flows required to settle the insurance and reinsurance obligations over the lifetime thereof. The best estimate is calculated gross, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles. Those amounts are calculated separately.

The risk margin is such as to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations. Where the best estimate and the risk margin are valued separately, the risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over the lifetime thereof. The rate used in the determination of the cost of providing that amount of eligible own funds (Cost-of-Capital rate) is the prescribed rate.

D.2.4 Valuation of financial guarantees and contractual options included in insurance and reinsurance contracts

In general, when calculating technical provisions, the value of financial guarantees and contractual options included in insurance and reinsurance policies are taken into account. Any assumptions made with respect to the likelihood that policyholders will exercise contractual options, including lapses and surrenders, are realistic and based on current and credible information. The assumptions take account, either explicitly or implicitly, of the impact that future changes in financial and non-financial conditions may have on the exercise of those options.

D.2.5 Segmentation

We segment our insurance and reinsurance obligations into homogeneous risk groups, and as a minimum by lines of business, when calculating technical provisions.

D.2.6 Uncertainty Associated with the Amount of Technical Provisions

The estimation of technical provisions is subject to uncertainty due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments. Unforeseen loss trends resulting from court rulings, changes in the law, differences in loss adjustment practice, medical and long-term care, and economic factors such as inflation can have a considerable impact on run-off results.

We calculate the technical provisions for losses and claims settlement costs in accordance with actuarial practice based on substantiated assumptions, methods and assessments. The assumptions are regularly reviewed and updated. Application of Group-wide reserving rules guarantees a substantially reliable and consistent procedure. In addition, internal audits are carried out Group-wide to verify compliance with these rules and the appropriateness of the technical provisions.

The uncertainty in technical provisions is further analysed by stressing certain assumptions and parameters in the calculations. In addition, we define and monitor scenarios that have the potential to impact the level of technical provisions significantly. Our technical provisions reflect the outcome of these analyses.

D.2.7 Financial statements: Application of International Financial Reporting Standards (IFRS)

ERGOs financial statements meet the requirements of IFRS.

D.2.8 Financial statements: Recognition and measurement of gross technical provisions

The technical provisions are shown as gross figures in the balance sheet, i.e. before deduction of the ceded share. The ceded share is calculated and accounted for on the basis of the individual reinsurance agreements. Acquisition costs for insurance contracts are capitalised and amortised over the terms of the contracts. The actuarial assumptions are adjusted if this is shown to be necessary by a liability adequacy test in accordance with IFRS 4.

Unearned premiums are accrued premiums already written for future risk periods. For primary insurance, these premiums are calculated separately for each insurance policy pro rata temporis; for reinsurance, nominal percentages are used in some cases where the data for a calculation pro rata temporis are not available.

The provision for outstanding claims is for payment obligations arising from insurance contracts in primary insurance and reinsurance where the size of the claim or the timing of the payment is still uncertain. Part of the provision is for known claims for which individually calculated provisions are posted. Another part is for expenses for claims whose occurrence is not yet known (e.g. because they have not been reported yet or have not yet manifested themselves). A third class of provisions covers claims which are known but whose extent has turned out to be different than originally foreseen. Expenses for internal and external loss adjustment expenses are included.

The provision for outstanding claims is based on estimates: the actual payments may be higher or lower. The amounts posted are the realistically estimated future amounts to be paid; they are calculated on the basis of past experience and assumptions about future developments (e.g. social, economic or technological factors). Future payment obligations are generally not discounted; exceptions are annuities stemming from property-casualty lines of business, which we discount. For determining the provision for outstanding claims, ERGO uses a range of actuarial projection methods, including the chain ladder and the Bornhuetter-Ferguson method. In applying the statistical methods, we regard large exposures separately. The standard actuarial methods we use are applied both to the run-off triangles for the payments and to the run-off triangles for the reported claims, so that we obtain a range of estimates for the ultimate loss. Within this range, a realistic estimated value for the ultimate loss is determined.

All technical provisions are regularly subjected to a liability adequacy test in accordance with IFRS 4. If current experience shows that the provisions posted on the basis of the original assumptions – less the related deferred acquisition costs and the present value of the related premiums – are inadequate to cover the expected future benefits, we adjust the relevant technical provisions with recognition in profit or loss and disclose this under impairment losses/unscheduled changes in the notes to the consolidated balance sheet. The appropriateness of unearned premiums and of the provision for outstanding claims is assessed in relation to the realistically estimated future amount to be paid. The appropriateness of the provision for future policy benefits is assessed on the basis of realistic estimates of the actuarial assumptions, the proportional investment result and, for contracts with participation in surplus, the future profit sharing.

D.2.9 Financial statements: Recognition and measurement of deferred acquisition costs

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts. In property-casualty business and short-term health primary insurance, the deferred acquisition costs are amortised on a straight-line

basis over the average term of the policies. Deferred acquisition costs are regularly tested for impairment using a liability adequacy test as per IFRS 4.

D.2.10 Financial Statements: Recognition and Measurement of Ceded Share of Technical Provisions

The share of technical provisions for business ceded is determined from the respective technical provisions in accordance with the terms of the reinsurance agreements.

D.2.11 Explanation of the qualitative differences between the methodologies used for valuation for solvency purposes and those used for valuation in financial statements

Definition and scope

Under Solvency II the best estimate for non-life insurance obligations is calculated separately for the premium provision and for the provision for claims outstanding. The premium provision differs significantly from the IFRS Unearned Premium Reserve described in D.2.8. The premium provision relates to future claim events covered by insurance and reinsurance obligations falling within the defined contract boundary. Similarly, to IFRS, the provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not.

In line with Solvency II, technical provisions and reinsurance recoverables are established for all (re)insurance contracts independent of the level of insurance risk underlying a particular contract. That means Solvency II covers all business including products or contracts which do not meet the definition of insurance contract under IFRS.

Contract boundary

When valuating technical provisions under Solvency II, Company has to include obligations relating to existing (re)insurance business and exclude obligations relating to future business. The contract boundary is defined by policyholder's options to establish, renew, extend, increase or resume the (re)insurance cover and Company's options to terminate the contract or amend premiums or benefits.

There are no specific differences against IFRS with respect to the boundary for the determination of unpaid claim costs and claims adjustment expenses after insured events occur. There are differences against financial statements about what is considered existing or future business.

There might be cases where Company's processes lead to a differing contract boundary compared to Solvency II requirements. The impact of those differences is not material.

Discounting

Under IFRS the provision for outstanding claims is generally not discounted; exceptions are annuities stemming from property-casualty business lines of business, which are discounted. Unearned premiums are not discounted.

Under Solvency II technical provisions are discounted. Company uses the risk-free interest rates depending on currency and maturity published by EIOPA when discounting technical provisions.

Matching adjustment referred to in Article 77b of Directive 2009/138/EC is not used.

Volatility adjustment referred to in Article 77d of Directive 2009/138/EC is not used.

Transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC is not used.

Transitional deduction referred to in Article 308d of Directive 2009/138/EC is not used.

Risk margin

Solvency II prescribes an explicit risk margin as a part of technical provisions. By contrast, actuarial assumptions in line with IFRS include adequate provision for adverse deviation to make allowance for the risks of change, error and random fluctuations. In particular, no explicit risk margin is calculated.

The general principle for the calculation of the risk margin assumes that the whole portfolio of insurance and reinsurance obligations of the entity that calculates the risk margin (the original entity) is taken over by another undertaking. It is required to calculate the risk margin separately for the portfolio of insurance obligations related to life and to non-life activities.

In particular, the risk margin should cover underwriting risk, credit risk with respect to reinsurance contracts, arrangements with special purpose vehicles, intermediaries, policy holders and any other material exposures which are closely related to the insurance and reinsurance obligations, and operational risk. The risk margin is calculated by projecting the SCR under a 1-year risk horizon, covering the above risk categories, by using suitable risk drivers. The present value of the total SCR requirements is then multiplied with a cost of capital rate of 6%. The allocation of the risk margin to lines of business takes fair account of the cause of risk capital cost, by considering both the inherent risk drivers of the SCR and the best estimate technical provisions.

Company uses a simplified calculation of the risk margin as described in Article 58 of the Commission Delegate Regulation (EU) 2015/35.

Non-performance risk

While the methodology to determine the allowance for credit risk when calculating the ceded share of technical provisions (i.e. reinsurance recoverables in terms of Solvency II) is not prescribed under IFRS, we comply with the Solvency II requirements for the determination of the counterparty default adjustment.

Acquisition costs

According to IFRS, acquisition costs for insurance contracts are capitalised and amortised over the terms of the contracts. Under Solvency II acquisition costs are taken into consideration when calculating technical provisions.

D.2.12 General requirements for the calculation of reinsurance recoverables

The calculation of amounts recoverable from reinsurance contracts and special purpose vehicles by insurance and reinsurance undertakings shall comply with the rules relating to technical provisions. The amounts recoverable from reinsurance contracts and special purpose vehicles shall be calculated consistently with the boundaries of the underlying insurance or reinsurance contracts to which they relate.

A separate calculation shall be carried out for the amounts recoverable from reinsurance contracts and special purpose vehicles for non-life insurance obligations regarding premium

provisions and provisions for claims outstanding. The cash-flows relating to provisions for claims outstanding shall include the compensation payments relating to the claims accounted for in the gross provisions for claims outstanding of the insurance or reinsurance undertaking ceding risks. The cash-flows relating to premium provisions shall include all other payments. For the purpose of calculating the amounts recoverable from reinsurance contracts and special purpose vehicles, the cash-flows shall only include payments in relation to compensation of insurance events and unsettled insurance claims. Payments in relation to other events or settled insurance claims shall be accounted for outside the amounts recoverable from reinsurance contracts and special purpose vehicles and other elements of the technical provisions. Where a deposit has been made for the cash-flows, the amounts recoverable shall be adjusted accordingly to avoid a double counting of the assets and liabilities relating to the deposit.

When calculating amounts recoverable from reinsurance contracts and special purpose vehicles, insurance and reinsurance undertakings shall take account of the time difference between recoveries and direct payments.

The Company does not use any special purpose vehicles within the meaning of Directive 2009/138 / EC of the European Parliament and of the Council.

D.2.13 Counterparty default adjustment

The result from the calculation of the best estimate shall be adjusted to take account of expected losses due to default of the counterparty. That adjustment shall be based on an assessment of the probability of default of the counterparty and the average loss resulting therefrom (loss-given-default).

The adjustment to take account of expected losses due to default of the counterparty shall be calculated as the expected present value of the change in cash-flows underlying the amounts recoverable from that counterparty, resulting from a possible default of the counterparty, including insolvency or dispute, at a certain point in time. For this purpose, the change in cash-flows shall not take into account the effect of any risk mitigating technique that mitigates the credit risk of the counterparty. These risk mitigating techniques shall be separately recognised as an asset, without increasing the amount recoverable from reinsurance contracts and special purpose vehicles.

The calculation shall take into account possible default events over the lifetime of the reinsurance contract or arrangement with the special purpose vehicle and the dependence on time of the probability of default. It shall be carried out separately by each counterparty and each line of business, and in non-life insurance also separately for premium provisions and provisions for claims outstanding.

Company uses a simplified calculation of the counterparty default adjustment as described in Article 61 of the Commission Delegate Regulation (EU) 2015/35.

D.2.14 Management actions

Management actions are implemented as rules that reflect management discretion. The aim is to model potential management decisions realistically under various scenarios.

ERGO belongs to the Munich Re Group. A Manual of Methods for Technical Provisions ensures consistent valuation approaches throughout Munich Re Group. The technical provisions are calculated using established principles for actuarial valuation. In this context,

requirements regarding segmentation of business, data used, economic and non-economic assumptions as well as methods and models are set out.

Management actions that have a potential to influence technical provisions include setting a reinsurance strategy. Company's management has taken a balanced and stable approach to reinsurance and drastic changes are not assumed.

D.2.15 Material changes in the assumptions made in the calculation of technical provisions compared to the previous reporting period

During 2019 Solvency II Best Estimate assumptions were reviewed in both the outstanding claims and the premium provisions. In the outstanding claims provisions the cash-flow patterns and mortality tables for annuities were reviewed. In the premium provision the assumptions about future premiums, claims, expenses and lapses were reviewed. As a result of changing the approach to future premiums the premium provision was significantly reduced.

During 2019 the provision for outstanding claims without the reinsurance impact increased by 16 million Euros, the premium provision decreased by 11,4 million Euros.

D.3 Other liabilities

D.3.1 Comparison of other liabilities with their Solvency II values and Statutory accounts values

The following table covers information about other liabilities that is to be given in the Quantitative Reporting Template (QRT) S.02.01, i.e. the comparison of other liabilities with their Solvency II values and with their Statutory accounts values, that is for ERGO the IFRS values.

OTHER LIABILITIES	Solvency II values 2019	IFRS values 2019	Explanations
Financial liabilities other than debts owed to credit institutions	5 925 223	5 925 223	SII and IFRS values are equal.
Insurance & intermediaries payables	3 425 716	15 814 346	At the end of reporting period, discounting of this item has not been required. The difference between SII and IFRS data comes from the differences in presentation. For example, the difference 35'838 euros is caused by the fact that payables related to reinsurance activities are shown in IFRS on the item <i>Insurance & intermediaries payables</i> , not on item <i>Reinsurance payables</i> as is typical for IFRS; insurance payables not due 12'324'309 e euros are reported on item <i>Any other liabilities, not elsewhere shown</i> ; and payables to traffic foundation 100'159 euros are shown in IFRS on the item <i>Payables (trade, not insurance)</i> .
Reinsurance payables	2 928 217	3 512 993	At the end of reporting period, discounting of this item has not been required. The difference between SII and IFRS data comes from the differences in presentation. Under IFRS on this item reported ceded part of Deferred acquisition costs in amount 548'938 euros and 35'838 euros payables related to reinsurance activities.
Payables (trade, not insurance)	8 296 785	8 196 631	At the end of reporting period, discounting of this item has not been required. The difference between SII and IFRS data comes from the differences in presentation.
Subordinated liabilities	6 004 493	6 004 493	
Subordinated liabilities not in Basic Own Funds	4 493	4493	SII and IFRS values are equal.
Subordinated liabilities in Basic Own Funds	6 000 000	6 000 000	SII and IFRS values are equal.
Any other liabilities, not elsewhere shown	12 324 309	0	In IFRS reporting insurance payables not due are reported on item <i>Insurance & intermediaries payables</i> . At the end of reporting period, discounting of this item has not been required.
Total other liabilities	38 904 744	39 453 686	

According to Article 75(1) (b) of Directive 2009/138/EC all the other liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction, that means with their fair values. When valuing liabilities, no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made. As in general the valuation basis for Solvency II and IFRS is different, we explain the differences in more detail for the respective liabilities classes below. Only if differences between the fair values and IFRS values are immaterial, the other liabilities are measured with the latter values as explained in more detail below.

The statutory accounts of the undertaking (financial statements prepared under local requirements) shall be reported in the format of Solvency II. Therefore, items of the statutory financial statements shall be classified into the Solvency II split where possible.

D.3.2 Provisions other than technical provisions

Both in the solvency balance sheet and for IFRS, we produce a best estimate of the sum that would be required to settle the liabilities as at the balance sheet date, which is the amount we

would reasonably have to pay to satisfy them or transfer them to a third party as at the balance sheet date. If there is a range of possible estimates having an equal degree of probability, the mid-point of the range is used. If the interest rate is a material factor, we value the provision at the present value of the expected expenditure, and if it is immaterial, we disregard it for Solvency II purposes.

D.3.3 Financial liabilities

Insurance & intermediaries payables

Under Solvency II, insurance & intermediaries payables must be recognised at fair value, for IFRS, at the amount actually required to redeem or settle them.

Reinsurance payables

Under Solvency II, reinsurance payables must be recognised at fair value, for IFRS, at the amount actually required to redeem or settle them.

Both reinsurance payables and insurance & intermediaries payables are included in other payables under IFRS but shown as separate items in the solvency balance sheet. Additionally, under Solvency II all insurance contracts are to be assigned to the technical provisions irrespective of the level of insurance risk in individual contracts. Therefore, payables resulting from insurance or reinsurance contracts without significant risk transfer, are – notwithstanding IFRS – not reported as payables, but as part of the technical provisions.

Payables (trade, not insurance)

In the Solvency balance sheet, the item Payables (trade, not insurance) covers in particular Payables from dividends, Payables from profit pooling or transfer agreements, and Payables from taxes as well as other Payables. Thus, payables (trade, not insurance) shall be measured at their reporting date fair value without considering any upsides or downsides for the own credit risk of the undertaking. However, for reasons of simplification, payables from dividends and payables from profit pooling or transfer agreements are measured at their IFRS book value, i.e. at amortised costs.

Payables from taxes and other receivables are discounted, considering the actual risk-free interest rates as well as relevant interest rate spreads. However, the undertaking's own credit risk must not be considered.

D.3.4 Any other liabilities, not elsewhere shown

Other liabilities, not elsewhere shown, cover all liabilities that cannot be allocated in any other class of liabilities. As a basic principle, under Solvency II, all other liabilities have to be measured with their fair values. For IFRS such liabilities are recognised at the amount actually required to redeem or settle them.

D.4 Alternative methods for valuation

Alternative methods for valuation applied only for Property measurement. The valuation must be performed annually. Property is not evaluated by the company itself, but appraisal service is outsourced to professional real estate appraiser.

Two methods can be used for such valuation: Sales Comparison Approach and Income Approach. The selection of a relevant methodology depends upon the nature and characteristics of the real estate under consideration and the market data available.

D.4.1 Sales Comparison Approach

The Sales Comparison Approach compares subject property to the recently sold local similar properties. This approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transactions. The process uses one of several techniques to adjust the prices of the comparable transactions according to the presence, absence, or degree of characteristics which influence value.

This principle holds that a prudent person would not pay more for a property than cost of acquiring an equally satisfactory substitute property, in the absence of the complicating factors of time, greater risk, or inconvenience. The Sales Comparison Approach relies upon the development of a value estimate from prices paid in the open market for properties with adequate exposure to ensure that the prices represent fair market value.

D.4.2 Income Approach

The Income Approach is based on the principle according to which the value of the real estate reflects the present value of NET income to be earned from it in the future. Methods that fall under the income approach include: income capitalization and discounted cash flow analysis.

This principle holds that a prudent person would not pay more than expected monetary returns subject property can produce.

Discounted cash flow (DCF) analysis is a technique based on explicit assumptions regarding the prospective income and expenses of a property. Such assumptions pertain to the quantity, quality, variability, timing, and duration of inflows and outflows that are discounted to present value. Upon estimating the value, the following formula is used:

$$V_0 = \sum_{t=1}^n \frac{CF_t}{(1+i)^t} + \frac{CF_{closing}}{(1+i)^n}$$

where

CF₀ ... CF_n – cash flow for the period (upon estimating market value – NOI (net operating income))

CF closing – cash flow by the end of the forecasted period (upon estimating market value – Market Value minus sales expenses)

i – discount rate (rate of return)

n – number of considered periods

Upon estimating the market value all elements of the cash flow as well as the discount rate should be market derived. The duration of the forecasted period depends on the economic environment. If the economic environment is risky, then the forecasted period is shorter and vice versa.

Choice of the valuation method/approach depends on particular property characteristics and certain market conditions. If the object is suitable for generating of the rental income, the income approach is preferable.

Both methods are widely used in the world practice and the Company considers them as reliable.

D.5 Any other information

There is no other information



E. CAPITAL MANAGEMENT

E.1 Own funds

E.1.1 Differences between IFRS equity and SII excess of assets over liabilities

Material differences between equity shown in ERGO IFRS financial statements and excess of assets over liabilities as calculated for Solvency II purposes arise from differing rules and regulations for valuation and consideration of balance sheet items.

As per Solvency II methodology, fair value principles are applied comprehensively. This means, either a market value is available and applicable (e.g. investments), or a predefined approach determines the fair value of assets and liabilities without an active market (e.g. best estimate and risk margin for technical provisions). The time value of money is considered under Solvency II and requires the discounting of cash flows, which is only the case for selected technical provisions in IFRS. In contrast to the IFRS balance sheet, the Solvency II balance sheet does not include any claims equalisation provisions.

In consequence, IFRS equity and SII excess of assets over liabilities differ due to differing total balances for assets as well as liabilities in a Solvency II compliant balance sheet and an IFRS balance sheet.

Excess of assets over liabilities - attribution of valuation differences	31.12.2019	31.12.2018	Explanation of change
Total of reserves and retained earnings from financial statements	67 053 244	55 149 896	Increase of IFRS equity consists of year 2019 profit and changes in the fair value reserve
Difference in the valuation of assets	-29 646 178	-13 769 622	Decrease according to changes between SII and IFRS values
Difference in the valuation of technical provisions	30 693 645	19 336 938	Increase according to changes between SII and IFRS values
Difference in the valuation of other liabilities	548 942	389 886	Increase according to changes between SII and IFRS values
Solvency II Excess of assets over liabilities	68 649 653	61 107 098	

E.1.2 Composition of own funds

In the following table presented information on the structure, amount and quality of the available own funds at the end of the reporting period:

Basic own funds	31.12.2019	31.12.2018	Tier classification
Ordinary share capital (gross of own shares)	6 391 391	6 391 391	Tier 1 - unrestricted
Reconciliation reserve	61 984 810	54 500 295	Tier 1 - unrestricted
Subordinated liabilities	6 000 000	6 000 000	Tier 2
Net deferred tax assets	273 452	215 412	Tier 3
Total basic own funds	74 649 653	67 107 098	

E.2 Solvency Capital Requirement and Minimum Capital Requirement

ERGO discloses and safeguards the regulatory needed capitalisation based on the Standard Formula.

E.2.1 Values of Solvency Capital Requirement and Minimum Capital Requirement

The following table shows the Company's Solvency II Capital Requirement (SCR) composition:

<i>In Euros</i>	Value 31.12.19	Value 31.12.18
Market risk	6 878 838	5 423 473
Counterparty default risk	3 956 756	5 824 119
Life underwriting risk	381 964	347 517
Health underwriting risk	3 155 064	2 806 864
Non-life underwriting risk	46 816 474	43 600 155
Diversification	-9 764 450	-9 232 336
Intangible asset risk	-	-
Basic Solvency Capital Requirement	51 424 645	48 769 792
Operational risk	5 700 981	5 310 553
Loss-absorbing capacity of deferred taxes	-	-
Net Solvency Capital Requirements (SCR)	57 125 626	54 080 345

Minimum Capital Requirement (MCR) is calculated as a maximum of two components: combined MCR and the absolute floor referred to in Article 129(1)(d) of Directive 2009/138/EC. The combined MCR shall be equal to the Linear MCR but not more than 45% of SCR and not less than 25% of SCR.

The Linear MCR is calculate separately for life and non-life obligations and added. For non-life the calculation depends on written premiums and technical provisions without the risk margin, for life technical provisions and capital at risk as described in Articles 250 and 251 of the Commission Delegate Regulation (EU) 2015/35.

The following data is used for Linear MCR calculations:

<i>In Euros</i>	Net technical provisions	Net written premiums	α	β	Linear MCR
Medical expenses insurance	1 006 601	5 089 604	4,7%	4,7%	286 522
Income protection insurance	2 145 380	7 631 136	13,1%	8,5%	929 691
Motor vehicle liability	65 165 506	76 647 068	8,5%	9,4%	12 743 892
Motor, other classes	12 430 322	47 993 346	7,5%	7,5%	4 531 775
Marine, aviation, transport (MAT)	1 575 105	3 262 190	10,3%	14,0%	618 942
Fire and other property damage	15 111 369	30 559 808	9,4%	7,5%	3 712 454
Third-party liability	7 903 215	6 688 761	10,3%	13,1%	1 690 259
Credit and suretyship	1 533 530	2 427 570	17,7%	11,3%	545 750
Legal expense insurance	376 051	1 637 973	11,3%	6,6%	150 600
Assistance	520 768	2 937 421	18,6%	8,5%	346 544
Total Linear MCR for non-life obligations					25 556 430
Linear MCR for life obligations	11 966 885		2,10%		251 305
Total Linear MCR					25 807 734

The value of Minimum Capital Requirement (MCR) is shown below:

<i>In Euros</i>	Value 31.12.19	Value 31.12.18
Linear MCR	25 807 734	25 094 877
SCR	57 125 626	54 080 345
MCR cap	25 706 532	24 336 155
MCR floor	14 281 406	13 520 086
Combined MCR	25 706 532	24 336 155
Absolute floor of the MCR	3 700 000	3 700 000
Minimum Capital Requirement (MCR)	25 706 532	24 336 155

The following table shows that ERGO is sufficiently covered under Solvency II:

<i>In Euros</i>	Value 31.12.19	Value 31.12.18
SCR	57 125 626	54 080 345
MCR	25 706 532	24 336 155
Eligible Own Funds for SCR coverage	74 649 653	67 107 098
Eligible Own Funds for MCR coverage	73 517 508	65 758 917
SCR Coverage	131%	124%
MCR Coverage	286%	270%

E.2.2 Material changes to Solvency Capital Requirement and Minimum Capital Requirement over the reporting period

During 2019 Solvency Capital Requirement value increased by 3,0 million Euros. Capital Requirement for Non-life underwriting risk before diversification grew by 3,6 million Euros mainly due to portfolio growth while the decrease in Counterparty default risk exceeded the increase in Market risk by 0,4 million Euros in absolute values. Change in Delegated Regulation mentioned in C.1.2 affected favourably the risk associated with the future premiums and unfavourably the catastrophe risk.

Minimum Capital Requirement increased by 1,4 million Euros due to Solvency Capital Requirement increase. Similarly to last year, the Minimum Capital Requirement was determined by MCR cap value of 45% of SCR.

E.2.3 Simplified calculations

ERGO uses simplified calculations with longevity risk, lapse risk and catastrophe risk.

Article 88 of the Delegated Regulation (EU) 2015/35 regulates the use of the simplified calculations. The Company assesses that the use of the simplification is justified considering the nature, scale and complexity of the specific risk.

E.2.4 Use of Undertaking-specific Parameters

ERGO does not use Undertaking-specific Parameters (USP) as described in to Article 104 (7) of Directive 2009/138 / EC.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

As the duration-based equity risk sub-module only applies to life insurance undertakings, ERGO does not use it.

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

ERGO does not use internal model for calculating solvency capital requirement.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

As at 31.12.2019 ERGO is compliant with the Minimum Capital Requirement and with the Solvency Capital Requirement.

E.6 Any other information

There is no other information.

APPENDICES

Appendices according to Commission Implementing Regulation (EU) 2015/2452.

S.02.01.02

Balance sheet

Assets	R0030	Solvency II value C0010
Intangible assets	R0030	
Deferred tax assets	R0040	273 452
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	13 397 717
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	194 012 078
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	1 710 798
Equities	R0100	43 443
Equities - listed	R0110	
Equities - unlisted	R0120	43 443
Bonds	R0130	167 814 219
Government Bonds	R0140	69 687 481
Corporate Bonds	R0150	98 126 737
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	24 443 619
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	R0230	1 414 310
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	1 414 310
Reinsurance recoverables from:	R0270	13 890 624
Non-life and health similar to non-life	R0280	11 442 534
Non-life excluding health	R0290	11 480 030
Health similar to non-life	R0300	-37 496
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	2 448 090
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	2 448 090
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	2 957 419
Reinsurance receivables	R0370	1 703 550
Receivables (trade, not insurance)	R0380	1 604 190
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	11 689 236
Any other assets, not elsewhere shown	R0420	5 220 322
Total assets	R0500	246 162 899

Liabilities		Solvency II value C0010
Technical provisions – non-life	R0510	124 088 077
Technical provisions – non-life (excluding health)	R0520	120 661 572
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	116 095 896
Risk margin	R0550	4 565 677
Technical provisions - health (similar to non-life)	R0560	3 426 505
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	3 114 484
Risk margin	R0590	312 021
Technical provisions - life (excluding index-linked and unit-linked)	R0600	14 520 425
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	14 520 425
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	14 414 975
Risk margin	R0680	105 450
Technical provisions – index-linked and unit-linked	R0690	
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	5 925 223
Insurance & intermediaries payables	R0820	3 425 716
Reinsurance payables	R0830	2 928 217
Payables (trade, not insurance)	R0840	8 296 785
Subordinated liabilities	R0850	6 004 493
Subordinated liabilities not in Basic Own Funds	R0860	4 493
Subordinated liabilities in Basic Own Funds	R0870	6 000 000
Any other liabilities, not elsewhere shown	R0880	12 324 309
Total liabilities	R0900	177 513 246
Excess of assets over liabilities	R1000	68 649 653

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	
Premiums written										
Gross	R1410									
Reinsurers' share	R1420									
Net	R1500									
Premiums earned										
Gross	R1510									
Reinsurers' share	R1520									
Net	R1600									
Claims incurred										
Gross	R1610						2 304 801			2 304 801
Reinsurers' share	R1620						719 181			719 181
Net	R1700						1 585 619			1 585 619

Changes in other technical provisions									
Gross	R1710								
Reinsurers' share	R1720								
Net	R1800								
Expenses incurred	R1900								
Other expenses	R2500								
Total expenses	R2600								

S.05.02.01

Premiums, claims and expenses by country

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0010	C0020	C0030	C0070
Country	R0010		LITHUANIA	LATVIA	
Premiums written		C0080	C0090	C0100	C0140
Gross - Direct Business	R0110	61 662 526	94 736 389	36 909 953	193 308 868
Gross - Proportional reinsurance accepted	R0120				
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	2 207 463	3 763 697	2 462 833	8 433 993
Net	R0200	59 455 064	90 972 692	34 447 119	184 874 875
Premiums earned					
Gross - Direct Business	R0210	60 686 343	93 920 507	35 425 838	190 032 689
Gross - Proportional reinsurance accepted	R0220				
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	2 029 855	3 669 157	2 288 084	7 987 097
Net	R0300	58 656 488	90 251 350	33 137 754	182 045 591
Claims incurred					
Gross - Direct Business	R0310	33 352 881	54 262 770	24 015 491	111 631 142

Gross - Proportional reinsurance accepted	R0320				
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340	2 141 703	1 959 331	3 617 769	7 718 803
Net	R0400	31 211 178	52 303 439	20 397 723	103 912 339

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0010	C0020	C0030	C0070
	R0010		LITHUANIA	LATVIA	
Changes in other technical provisions					
Gross - Direct Business	R0410				
Gross - Proportional reinsurance accepted	R0420				
Gross - Non-proportional reinsurance accepted	R0430				
Reinsurers' share	R0440				
Net	R0500				
Expenses incurred	R0550	19 479 510	33 034 144	12 922 572	65 436 226
Other expenses	R1200				
Total expenses	R1300				65 436 226

		Home country	Country (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0150	C0160	C0170	C0210
Country	R0010		LITHUANIA	LATVIA	
Premiums written		C0220	C0230	C0240	C0280
Gross	R1410				
Reinsurers' share	R1420				
Net	R1500				
Premiums earned					
Gross	R1510				
Reinsurers' share	R1520				
Net	R1600				
Claims incurred					
Gross	R1610	1 214 175	701 924	388 702	2 304 801
Reinsurers' share	R1620	719 831	-650		719 181
Net	R1700	494 343	702 574	388 702	1 585 619
Changes in other technical provisions					
Gross	R1710				
Reinsurers' share	R1720				
Net	R1800				
Expenses incurred	R1900				
Other expenses	R2500				
Total expenses	R2600				

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	
				Contracts without options and guarantees	Contracts with options or guarantees		Total (Life other than health insurance, incl. Unit-Linked)				Contracts with options or guarantees
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010										
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020										
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030								14 414 975		14 414 975

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080							2 448 090		2 448 090
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090							11 966 885		11 966 885

		Insurance with profit participation	Index-linked and unit-linked insurance		Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)	
				Contracts without options and guarantees	Contracts with options or guarantees		Total (Life other than health insurance, incl. Unit-Linked)				Contracts with options or guarantees
			C0020	C0030	C0040	C0050	C0060				C0070
Risk Margin	R0100								105 450		105 450
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	R0110										
Best estimate	R0120										
Risk margin	R0130										
Technical provisions - total	R0200								14 520 425		14 520 425

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		Contracts without options and guarantees	Contracts with options or guarantees				
		C0160	C0170	C0180			
Technical provisions calculated as a whole	R0010						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030						

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090						
Risk Margin	R0100						
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	R0110						
Best estimate	R0120						
Risk margin	R0130						
Technical provisions - total	R0200						

S.17.01.02 Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	R0010									
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050									
Technical provisions calculated as a sum of BE and RM										
Best estimate										
<i>Premium provisions</i>										
Gross	R0060	512 924	989 377		20 931 874	7 614 127	311 602	5 224 256	1 182 843	1 216 060

Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R005 0								
Technical provisions calculated as a sum of BE and RM									
Best estimate									
<u>Premium provisions</u>									
Gross	R006 0	-168 820	388 037						38 202 279
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R014 0								-722 695
Net Best Estimate of Premium Provisions	R015 0	-168 820	388 037						38 924 975
<u>Claims provisions</u>									
Gross	R016 0	544 872	132 731						81 008 100
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R024 0								12 165 229
Net Best Estimate of Claims Provisions	R025 0	544 872	132 731						68 842 871

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance			Total Non-Life obligation	
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
		C0110	C0120	C0130	C0140	C0150	C0160		C0170
Total Best estimate - gross	R0260	376 051	520 768						119 210 380
Total Best estimate - net	R0270	376 051	520 768						107 767 846
Risk margin	R0280	40 057	54 809						4 877 697
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	R0290								
Best estimate	R0300								
Risk margin	R0310								
Technical provisions - total									
Technical provisions - total	R0320	416 109	575 577						124 088 077
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330								11 442 534
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	416 109	575 577						112 645 543

S.19.01.21

Non-life Insurance Claims

Total Non-Life Business

Accident year / Underwriting year

Z0020	Accident year
--------------	---------------

Gross Claims Paid (non-cumulative)

(absolute amount)

		Development year										In Current year	Sum of years (cumulative)	
		0	1	2	3	4	5	6	7	8	9			10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100			C0110
Prior	R0100											24 304	24 304	24 304
N-9	R0160	43 187 715	11 971 222	1 702 076	886 094	383 106	15 427	6 523	-8 417	102 021	2 002		2 002	58 247 770
N-8	R0170	42 708 192	12 406 046	1 543 401	377 596	231 964	186 820	-20 105	-10 972	-2 778			-2 778	57 420 164
N-7	R0180	42 343 372	12 704 570	1 083 818	576 315	208 296	27 660	34 432	105 002				105 002	57 083 466
N-6	R0190	43 226 799	11 023 949	1 133 053	862 094	687 893	1 842 114	745 545					745 545	59 521 446
N-5	R0200	40 689 074	19 158 765	1 498 928	705 724	237 650	179 539						179 539	62 469 681
N-4	R0210	48 538 885	21 521 020	1 738 804	602 512	257 433							257 433	72 658 653
N-3	R0220	59 849 041	18 220 806	2 007 557	986 865								986 865	81 064 270
N-2	R0230	57 664 207	19 845 886	1 998 184									1 998 184	79 508 278
N-1	R0240	64 111 816	23 261 434										23 261 434	87 373 250
N	R0250	70 915 387											70 915 387	70 915 387
Total	R0260												98 472 917	686 286 667

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	6 391 391	6 391 391			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	61 984 811	61 984 811			
Subordinated liabilities	R0140	6 000 000			6 000 000	
An amount equal to the value of net deferred tax assets	R0160	273 452				273 452
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	74 649 653	68 376 202		6 000 000	273 452
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	74 649 653	68 376 202		6 000 000	273 452
Total available own funds to meet the MCR	R0510	74 376 202	68 376 202		6 000 000	
Total eligible own funds to meet the SCR	R0540	74 649 653	68 376 202		6 000 000	273 452
Total eligible own funds to meet the MCR	R0550	73 517 508	68 376 202		5 141 306	
SCR	R0580	57 125 626				
MCR	R0600	25 706 532				
Ratio of Eligible own funds to SCR	R0620	1,3068				
Ratio of Eligible own funds to MCR	R0640	2,8599				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	68 649 653
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	6 664 843
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	61 984 811
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	5 400 961
Total Expected profits included in future premiums (EPIFP)	R0790	5 400 961

S.25.01.01

Solvency Capital Requirement - for undertakings on Standard Formula

Basic Solvency Capital Requirement

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	6 878 838		
Counterparty default risk	R0020	3 956 756		
Life underwriting risk	R0030	381 964		
Health underwriting risk	R0040	3 155 064		
Non-life underwriting risk	R0050	46 816 474		
Diversification	R0060	-9 764 450		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	51 424 645		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	5 700 981
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	57 125 626
Capital add-on already set	R0210	
Solvency capital requirement	R0220	57 125 626
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

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Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR _{NL} Result	R0010	25 556 430

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	1 006 601	5 089 604
Income protection insurance and proportional reinsurance	R0030	2 145 380	7 631 136
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	65 165 506	76 647 068
Other motor insurance and proportional reinsurance	R0060	12 430 322	47 993 346
Marine, aviation and transport insurance and proportional reinsurance	R0070	1 575 105	3 262 190
Fire and other damage to property insurance and proportional reinsurance	R0080	15 111 369	30 559 808
General liability insurance and proportional reinsurance	R0090	7 903 215	6 688 761
Credit and suretyship insurance and proportional reinsurance	R0100	1 533 530	2 427 570
Legal expenses insurance and proportional reinsurance	R0110	376 051	1 637 973
Assistance and proportional reinsurance	R0120	520 768	2 937 421
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR _L Result	R0200	251 305

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	11 966 885	
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070
Linear MCR	R0300	25 807 734
SCR	R0310	57 125 626
MCR cap	R0320	25 706 532
MCR floor	R0330	14 281 406
Combined MCR	R0340	25 706 532
Absolute floor of the MCR	R0350	3 700 000
Minimum Capital Requirement	R0400	25 706 532