



2021
Solvency & Financial
Condition Report

HDI Reinsurance (Ireland) SE

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Executive summary

HDI Reinsurance (Ireland) SE (HDI Re or the Company), formerly known as Talanx Reinsurance (Ireland) SE, is a wholly owned subsidiary of HDI Global SE with a detailed organisational chart shown under the business objectives section of this report.

This report covers the business and performance of the Company, its system of governance, risk profile, valuation for solvency purposes and capital management. The ultimate responsibility for all of these matters is the Company's Board of Directors, with the assistance of various governance and control functions that have been established to effectively monitor and manage the business.

Business and performance

The principal activity of the Company consists of the transaction of reinsurance business with Talanx Primary Group. The Company has a 31 December year end and for the year ended 31 December 2021 the Company reported a Net Profit after tax of €31.182Mio (2020: €2.473Mio). The underwriting result was somewhat impacted by large CAT losses during the year, namely Texas Winter freeze, Hurricane IDA and European floods. These losses were more than offset by substantial improvement in the casualty book of business. The return on investments slightly increased from 1.66% in 2020 to 1.76%. The total Shareholder Equity, including capital contribution, is €356.150 Mio (2020 €274.112 Mio). The total eligible own funds to meet the Solvency Capital Requirement increased to €587.493 Mio (2020: €359.504 Mio). The increase can be attributed to both Capital injection of €50.000 Mio and €188.000 Mio subordinated loan from its parent.

The Company deemed it more prudent to not pay a dividend to the parent company HDI Global in light of the increase in business commitments planned for 2022 and instead further strengthen its capital base as well as capital adequacy ratio.

System of governance

HDI Re has established and maintains a strong system of governance which specifies the distribution of rights and responsibilities throughout the whole company.

The Company's organisational structure operates on a "three-line defence" as outlined in Section B.. The Company ensures that all personnel, who effectively run the Company or have other key functions (including risk management, actuarial, compliance and internal audit functions), are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

Risk profile

The Company continues to fulfil its objective of maintaining the A rating from AM Best with the risk profile stable over the last number of years. Underwriting risk, NatCat and market risk determine the risk profile of HDI Re. All material risks are covered by the solvency capital requirement (SCR). The risks are quantified utilising full internal model (IM) which was approved by BaFin (major model change approval by the lead regulator for Talanx Group) and implemented during Q3 2019.

From 30 December 2016 until 31 August 2019, the SCR and the capital adequacy ratio (CAR) were calculated for regulatory purposes by a partial internal model, where the operational risk was calculated by the standard formula and aggregated with the internal model results excluding operational risk.

SCR calculated under full internal model, increases from Q4 2020 (€191.665Mio) to Q4 2021 €342.519 Mio mainly due to increased assets (market risk) and increased reserves (underwriting risk).

HDI Reinsurance (Ireland) SE applied for the use of the volatility adjustment (VA), pursuant to Art. 77d Directive 2009/138/EC and Article 88, to CBI on 16 May 2019. HDI Re received CBI's approval to use the VA within its internal model on 27 September 2019. The earnability of the VA must be proven on an annual basis

and HDI Re has set up the necessary processes to ensure full compliance of all supervisory and regulatory requirements are maintained at all times.

The retrocession is bought in line with the General Retrocession Guideline and adjusted to the premium risk portfolio annually.

Valuation for solvency purposes

The valuation for assets and liabilities are carried out according to the Section 3, Article 51 of Solvency II Directive 2009/138/EC, and covered in more detail under chapter D of this report.

Capital management

The Company's policy is to maintain a strong capital base and manages all its available resources as capital which includes the common stock, non-distributable capital contributions, a subordinated loans, retained earnings and fair value reserves. A capital management plan for the mid-term planning of the own funds is prepared over five years to ensure that the regulatory needs are fulfilled at all times. The capital management plan includes the development of the assumed business, the cash flow of technical provisions, planned dividends and an investment strategy. The mid-term plan is approved by the Board.

The Own funds, SCR and CAR under full internal model at end of 2021 were:

	2021	2020
Own Funds	€587.493 Mio	€359.504 Mio
SCR	€342.519 Mio	191.665 Mio
CAR	171.52%	188%

A. Business and performance

A.1 Business

A.1.1 Business objectives

HDI Re is part of the HDI Group. The Haftpflichtverband Der Deutschen Industrie V.a.G., Germany, (HDI V.a.G.) is the ultimate parent. HDI Re is wholly owned by HDI Global SE.

As HDI Group is virtually identical to the Talanx Group in terms of business activities, organisation and structure, the following report refers mainly to Talanx Group.

The Group structure contains five segments. The segments are each responsible for their own business processes. These tasks, which are shared by several organisational units, help to create value in the Group. HDI Re is part of the corporate operations of Talanx Group and is servicing as in-house reinsurance company.

The purpose of HDI Re as the Prime Reinsurer of the Industrial lines division of Talanx Primary Group (TPG) is to:

- Support the group insurance companies within the Industrial Lines division of TPG to decrease the risk based capital charge
- Act as a tool to manage the retention of group insurance companies within Industrial Lines division.

HDI Re cedants are solely engaged from Talanx Primary Insurance Group. HDI Re is a composite reinsurance company and licensed to write life and non-life business. However, since its' founding constitution in 2009, the Company has exclusively written only non-life business. The business is diversified worldwide.

HDI Re has established an organisational structure based on the principles of three lines of defence, the segregation of functions and the delegation of authorities.

Being a member of one of the leading European insurance groups, HDI Re utilizes the expertise and knowledge of specialized group entities via service level agreements. As at 31.12.2021, HDI Re had eight employees. (For an overview and details of the governance structure, key functions and outsourcing please refer to chapter B. System of governance.)

HDI Re is a registered company under Irish law. The Company is supervised by the CBI (Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1) and is assessed as "medium-low" according to the local PRISM¹ ranking. CBI's PRISM ranking structure is outlined in their February 2016 document 'PRISM Explained, How the Central Bank of Ireland is Implementing Risk Based Regulation'.

HDI Global SE is supervised by the German supervisory authority for insurance companies BaFin (Bundesanstalt fuer Finanzdienstleistungsaufsicht, Graurheindorfer Str. 108, 53117 Bonn).

PWC Ireland, 1 Spencer Dock, North Wall Quay, Dublin 1 is the Company's appointed statutory auditor for year-end 2019 including the Solvency II audit as per the regulations.

A.1.2 Significant events

Following the strategy of the company to focus on reinsurance business with industrial insurance companies of Talanx Group, HDI Re increased its risk position with HDI Global SE and HDI Global Specialty SE, by taking up direct proportional cessions. Going forward, HDI Re will concentrate on supporting these companies in the further optimisation of their risk base capital with individual reinsurance solutions.

Based on a 2019 interim reinsurance fronting arrangement with Talanx AG, HDI Re ceded a quota of 90% of all placements assumed via Talanx Reinsurance Broker in 2019 and prior years to Talanx AG. The share was increased to 100% in Q2/2020 with a novation agreement between the relevant parties the further run-off of the treaties was transferred to Talanx AG as at 01.01.2021

¹ Probability Risk and Impact System

The Company's application to apply a Static Volatility Adjustment, to the relevant risk-free interest rate term structure, was approved by CBI in September 2019. In September 2020, HDI Re also successfully filed an application to utilise a Dynamic Volatility Adjustment with BaFin.

The first half of 2020 was shaped by the adverse effects and challenges of the Corona crisis. Far-reaching restrictions of mobility in order to contain the virus, combined with a drop in oil prices in the first and second quarters, caused economic indicators to collapse. Shortly after the beginning of the year, the EU registered a sharp rise in SARS-CoV-2 infections and responded with severe restrictions at high economic costs. So far, the situation has stabilized but remains volatile. Despite the crisis, the solvency situation of HDI Re was stable throughout 2021, and its solvency ratio remained within the self-imposed limits all year long. The company has proven its resilience in this critical situation. Our operational processes have worked well during the Corona pandemic and our crisis handling has been successful. More details on the Covid-19 pandemic available on pages 50 and 51 of this report.

In our property and casualty business, we do not expect any significant impact as pandemic-related incidents are generally not covered by insurance. However, we are exposed to, for instance, event cancellations or business closings.

The Company continues to measure and improve where necessary the existing appropriate business continuity measures which enable us to maintain business operations. Although HDI Re offices are fully open, staff are encouraged and supported to work on a hybrid basis.

With regard to the war in Ukraine the Head of Underwriting (HoU) has undertaken an analysis, in particular of aviation business, which considers the portfolio situation before the start of the war in Ukraine. HoU expects this to could have a knock-on effect on the overall portfolio, which will not be limited to aviation risks. All cedants are currently working at full speed on statements of expected claims burdens, however, we see that the situation in relevant lines of business (LoBs) is highly dynamic and yet uncertain. Consequently, it is premature to provide even a rough estimate as to the potential overall impact at this stage. We will continue to closely monitor the situation and provide status updates as part of our regular reporting routines.

This report comprises of information on the solvency capital requirement (SCR) and own funds (OF) as of 31.12.2021. Between the reference data in the report and its publications, the macroeconomic indicators developed significantly adversely. The international equity markets have dropped across the board. At the same time, interest rates, for example German government bonds, have repeatedly decreased. Moreover, a clear widening of the spread curve can be observed. Induced by these adverse effects, we expect a reduction of eligible funds and an increase of the SCR. Ceteris paribus, the combination of these effects could lead to a material decrease in the ratios in this report.

A.2 Underwriting performance

HDI Re prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). The Company writes both proportional and non-proportional business exclusively within Talanx Group. The business written is a diversified mix, distributed across multiple business lines and geographical areas.

<i>Figures in € thousands</i>	2021 Actual	2020 Actual
Gross Written Premium	900,900	841,482
Ceded Written Premium	4,793	7,845
Net Written Premium	896,107	833,637
Net Earned Premium	972,825	714,960
Incurred Claims	656,496	517,764
Commission Expense	288,917	207,554
Administration Expenses	3,111	2,906
Net Underwriting	24,301	(13.264)

The net underwriting result, for the period ending 31 December 2021, is €24.301 Mio (2020: (€13.264) Mio).

The portfolio expanded and the gross written premium increased by 7.1% from €841.482 Mio in 2020 to €900.900 Mio in 2021, while Net earned premium grew by 36.0% year on year. The growth in the top line stems from the company's participation in specialty business, which saw our written line increase from 27.5% in 2020 to 32.5% 2021. In 2022 our share of Specialty business is expected to increase again to approximately 65%.

HDI Re's claims ratio improved from of 72.4% (2020) to 67.5% (2021), despite the impact of several Cat events in the USA, namely Texas Winter-freeze and Hurricane IDA. The loss ratio improvement in these years stems from improvement to the HGI Global casualty portfolio. Covid -19 related claims remained relatively unchanged year on year.

Commission expense percentage remained stable at 29% in 2021.

The 100% whole account quota share of non-industrial lines of business in place with Talanx AG as at 31/12/2020 was novated in Q1 2021. Ceded premium relates to HDI Re allocation of HDI Global's worldwide protection program.

Administration expenses are slightly up on the previous year, the increase in part relates to costs associated with project work been carried out during the year.

A.2.1 Material lines of business

2021

Figures in € thousand	All Classes	Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					accepted non- proportional reinsurance		
		Motor vehicle liability	Other motor insurance	Marine, aviation and transport	Fire and other damage to property insurance	General liability insurance	Casualty	Property	Other Classes
Gross Written Premium	900.900	12.804	53.409	156.321	195.431	460.609	0	1.562	20.765
Ceded Written Premium	4.793	0	0	0	4.793	0	0	0	0
Net Written Premium	896.107	12.804	53.409	156.321	190.638	460.609	0	1.562	20.765
Net Earned Premium	972.824	16.534	80.306	183.578	196.608	467.617	0.037	1.762	26.382
Incurred Claims	656.496	34.375	63.307	111.973	154.466	314.209	(34.791)	(3.505)	16.463
Commission Expense	288.916	6.132	23.793	44.533	67.324	135.099	0	0	12.034
Administration Expenses	3.111	0.053	0.257	0.587	0.629	1.495	0	.006	84
Net Underwriting	24.301	(24.026)	(7.051)	26.484	(25.811)	16.814	34.828	5.262	(2.200)

2020

Figures in € thousand	All Classes	non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)					accepted non-proportional reinsurance		Other Classes
		Motor vehicle liability	Other motor insurance	Marine, aviation and transport	Fire and other damage to property insurance	General liability insurance	Casualty	Property	
Gross Written Premium	841.482	-2.213	68.294	131.870	181.314	362.978	29.851	1.562	67.825
Ceded Written Premium	7.845	-2.627	2.660	605	4.480	253	-265	1.255	1.485
Net Written Premium	833.637	415	65.633	131.266	176.834	362.726	30.116	308	66.340
Net Earned Premium	714.960	6.864	43.223	112.479	137.500	325.427	30.117	311	59.039
Incurred Claims	517.764	367	29.182	74.946	95.896	261.954	7.470	3.639	44.309
Commission Expense	207.554	2.714	14.766	29.129	47.071	94.344	0	0	19.531
Administration Expenses	2.906	1	229	458	616	1.264	105	1	231
Net Underwriting	(13.264)	3.782	(954)	7.947	(6.084)	(32.134)	22.541	(3.329)	(5.033)

Administration expenses are allocated in proportion to the gross written premium

A.2.2 Regions

All the company's cedants are situated in Europe except for the Australian branch. A breakdown of underwriting performance by the five largest geographical areas by gross written premium is as follows:

2021

Figures in € thousand	All Regions	Germany	Spain	Netherlands	Italy	Bulgaria	Other Regions
Gross Written Premium	900.900	901.093	0	(97)	(96)	0	0
Ceded Written Premium	4.793	4.793	0	0	0	0	0
Net Written Premium	896.107	896.300	0	(97)	(96)	0	-1
Net Earned Premium	972.824	972.676	0	-97	246	0	0
Incurred Claims	656.496	664.472	(7.556)	(420)	0	0	0
Commission Expense	288.916	288.473	0	(283)	726	0	0
Administration Expenses	3.111	3.112	0	0	0	0	0
Net Underwriting	24.301	16.619	7.556	606	(480)	0	0

2020

Figures in € thousand	All Regions	Germany	Austria	Turkey	Italy	Poland	Other Regions
Gross Written Premium	841,482	835,564	96	2,784	1,592	1,002	444
Ceded Written Premium	7,845	2,754	96	2,783	1,148	986	78
Net Written Premium	833,637	832,810	0	1	445	16	365
Net Earned Premium	714,960	713,266	0	1	1,068	16	609
Incurred Claims	517,764	528,576	0	118	(2,695)	77	(8,312)
Commission Expense	207,554	207,325	119	1,462	743	132	(2,227)
Administration Expenses	2,906	2,886	0	10	5	3	2
Net Underwriting	(13,264)	(25,521)	(119)	(1,589)	3,015	(197)	11,147

Germany

Included in Germany is all business stemming from both HDI Global and HG Specialty.

A.3 Investment performance**A.3.1 Asset classes performance**

In 2021 (2020) the total investment income of the Company according to IFRS amounts to €15.040 Mio (€15.413 Mio). This corresponds to a net return of 1.06% (1.33%) and includes a management fee amounting to €1.420 Mio (€1.222 Mio).

Income, broken down to the different asset classes is shown in the table below. The management fee cannot be assigned to a specific asset class and will therefore not be further specified in the following annotation:

HDI RE		31.12.2021								
IFRS Bookvalues classified according to CI-Code										
in TEUR	IFRS value	Ordinary Income	Appreciation	Impairm./deprec.	Realized Gains	Realized Losses	Unreal. Gains	Unreal. losses	Expenses	Total Inv. Income
Government bonds	251.555	2.138	0	0	116	-3	0	0	0	2.252
Corporate bonds	1.114.112	11.104	0	0	866	-429	0	0	0	11.541
Equities - listed	0	0	0	0	0	0	0	0	0	-
Equities - unlisted	0	0	0	0	0	0	0	0	0	-
Holdings/Participations	0	0	0	0	0	0	0	0	0	-
Collective Inv. Undertakings	252.164	9.785	0	-10.022	688	0	0	0	0	451
Structured notes	0	0	0	0	0	0	0	0	0	-
Collateralised securities	96.994	1.703	0	0	0	0	0	0	0	1.703
Cash and cash equivalents*	0	0	0	0	0	0	0	0	0	-
Deposits other than cash eq.	0	0	0	0	0	0	0	0	0	0
Loans/mortgages (w/o policy loans)	15.716	514	0	0	0	0	0	0	0	514
Loans on policies	0	0	0	0	0	0	0	0	0	-
Property (other than own use)	0	0	0	0	0	0	0	0	0	-
Derivatives	0	0	0	0	0	0	0	0	0	-
Mgmt. Expenses (not assigned)	0	0	0	0	0	0	0	0	-1.420	-1.420
Total	1.730.541	25.244	0	-10.022	1.670	-431	0	0	-1.420	15.040

*w/o current accounts with banks

The ordinary income, resulting predominantly from coupon payments of corporate bonds, collateralized securities and government bonds, amounts to €25.244 Mio (€18.466 Mio) as opposed to ordinary expenses of €1.420 Mio (€1.222 Mio).

Other comprehensive income (OCI) amounts to €46.933 Mio (€45.955 Mio), mainly driven by Collective Investment Undertakings €27.409 Mio (€6.412 Mio) and fixed income securities €14.929 Mio (€38.849 Mio) such as corporate bonds and government bonds. Compared to year end 2020 the total OCI increased by €0.979 Mio (compared to an increase of €3.750 Mio in the previous year).

Impairments amount to €10.022 Mio (€1.087 Mio) in 2021. The significant increase is based on an extraordinary situation (termination) in one investment fund, for which the ordinary income from special distributions (€6.604 Mio) is offset by an equal extraordinary depreciation (impairment) in the income statement. The net result from gains and losses on disposals amounting to €1.239 Mio (€0.74 Mio) is based on effects from normal business activity.

The mentioned management fee of €1.420 Mio (€1.222 Mio) is the result of a basis point related remuneration model in the amount of 11.5 basis points, applied to the respective assets under management. The management fee shall be seen as mixed pricing which allocates the same fee to all asset classes from the least complex to very complex.

Under compliance of the given risk budget and duration from the liabilities side, an average reinvestment yield of 0.55% (1.13%) was generated in the fixed income segment in 2021.

A.4 Performance of other activities

A.4.1 Other activities

The Company entered into a new subordinated loan agreement with its parent company, HDI Global SE, on December 2021 for €188.000 Mio with a duration of twenty years (fully payable December 2041). The loan is classified as Tier 2 Basic own funds under in accordance with the provisions on solvency capital according to Directive 2009/138/EC (the "Solvency II Directive"), Regulation (EU) No. 35/2015. The interest is charged annually and the first payment is due on 9th December 2022 and thereafter annually up until 9th December 2031, where it becomes payable on a quarterly basis until 9th December 2041. The loan is placed on an arm's length basis with a fixed interest rate of 2.12%

The Company already has, since 2014, another Tier 2 Basic own funds loan of €30.000 Mio with a related group company, Targo Lebensversicherung. The subordinated loan is dated thirty years (up to 14th January 2045) and is non-cancellable for the first ten years (up to 14th January 2025). It is placed on an arm's length basis with a fixed interest rate of 4.08% for the period of ten years and thereafter with a market dependable rate. The interest amount applicable to 2020 was €1.224 Mio which was settled to Targo Lebensversicherung during January 2021.

The Company also received additional regulator approved capital increase of €50.000 Mio in December 2021 which will further strengthen its capital base and increase group retention.

A.4.2 Leasing arrangements

The Company has licence commitments for its office space under an operating licence cancellable within one year of €0.093 Mio exclusive of VAT. There are no other significant leasing arrangements in place for HDI Re.

A.4.3 Off balance sheet commitments

Off balance sheet capital commitments of the company as at 31 December 2021 are €127.577 Mio (2020: €118.315 Mio). These commitments are in respect of investment projects with no set cash call dates.

A.5 Any other information

The 2021 net profit before taxes is €35,637 Mio (2020: €2.779 Mio) and the corporation tax charge for the year amounts to €4,455 Mio (2020: €0.347Mio).

B. System of governance

B.1 General information on the system of governance

HDI Re has established and maintains a strong system of governance which specifies the distribution of rights and responsibilities throughout the whole company.

The Company's organisational structure operates on a "three-line defence". The Company ensures that all personnel, who effectively run the Company or have other key functions (including risk management, actuarial, compliance and internal audit functions), are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

At the core of our corporate governance principles is integrity in HDI Re's dealings with our business partners, employees, shareholders and other stakeholders. HDI Re complies with all statutory and regulatory requirements and applies them in a proportionate way that's appropriate to its business model. HDI Re has established an organisational structure based on the principle of three lines of defence.

HDI Re's standard of business conduct and ethical behaviour guidelines

HDI Re is fully committed to uphold its Standard of Business Conduct and Ethical Behaviour Guidelines. Integrity guides HDI Re personnel's conduct towards our business partners, colleagues, shareholders and stakeholders and this concept is at the very heart of its corporate governance principles and forms the basis of HDI Re's corporate strategy. Both HDI Re's strategic considerations and its day-to-day business activities are based on high ethical and legal standards. The Business Conduct Guidelines are binding rules applicable to every employee within the Company and are intended to assist each individual confidentially handle all ethical and legal challenges that may arise in their daily business activities.

B.1.1 Roles and responsibilities

Board of Directors (BoD)

HDI Re's Company Charter sets out its approved principles of composition and role, delegation of authorities, possible conflicts of interest to consider, matters reserved for board decisions and its diversity policy. In addition, HDI Re's governance process is characterized by the segregation of function, which is achieved by assigning specific business review information/documentation to Board of Directors committees. The detailed responsibilities are outlined in the individual committee's charter and summarised below.

The Board of Directors meetings are held quarterly and the Board is responsible for:

- determining the overall business strategic objectives of the Company
- monitoring the performance of the Company and its management against the strategic objectives
- overseeing an adequate and effective internal control framework that includes well-functioning risk management, compliance and internal audit functions as well as an appropriate financial reporting and accounting framework
- ensuring that the risk management and internal controls reflect HDI Re's risk appetite and that there are adequate arrangements in place to ensure that there is regular reporting to the Board on compliance with the risk appetite
- overseeing the strategy for on-going management of material risks, including liquidity risk, and has established procedures to maintain an appropriate relationship with external auditors.

The Board of Directors as a whole is collectively responsible for promoting HDI Re's success by directing and supervising its business affairs. In addition to the responsibilities common to all Board of Directors, non-executive directors exercise their independence of judgement by:

- Challenging constructively and contributing to the development of HDI Re's strategy
- Scrutinising the performance of HDI Re's management in meeting agreed goals and objectives and monitoring the reporting of performance
- Satisfying themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible
- Reviewing the reports and recommendations of the delegated committees.

2021 HDI Re's BoD membership details:

- Dr Christian Hermelingmeier (Chairman) German
- Mr Michael Bast (Chief Operating Officer) German
- Mr Paul Donaldson (Independent Non-Executive Director)
- Mr Rainer Fischer (Non-Executive Director) German
- Ms Mary Fulton (Independent Non-Executive Director)
- Mr Matthias Schwarz (Managing Director) German
- Ms Asma Sahibzada (Chief Financial Officer) appointment as Executive Director 11 October 2021.

HDI Re's committees

Each Committee Chairman reports to the Board of Directors on its committee's meetings proceedings within its overall duties and responsibilities. The committee's chairman is responsible for determining the form and nature of the information delivered to the Board of Directors and also confirms that its committee members have carried out their duties as outlined above.

All committee's recommendation proposals, as outlined in the committee chairman's report, are discussed at the Board of Directors meeting to obtain their final approval.

HDI Re has five committees and the Board of Directors are responsible for the oversight of each committee:

- Risk (meetings held at least three times a year)
- Audit (meetings held quarterly)
- Underwriting (meetings held quarterly)
- Investment (meetings held at least three times a year)
- Human Resources (one annual meeting in Q4).

a) Risk Committee (RC):

HDI Re's RC currently has three members and is composed of non-executive and independent non-executive directors. Their charter is reviewed annually and the committee's 2020 responsibilities and duties include:

- CRO function: regular liaison to ensure the effectiveness of the current RC organisation and ensure the development and on-going maintenance of an effective risk management system within HDI Re that is effective and proportionate to the nature, scale and complexity of the risks inherent in the business;
- Quantitative and qualitative risk management requirements: monitoring of the risk management requirements including HDI Re's risk strategy, risk appetite, the current financial position;
- Risk framework: ensuring the framework is aligned with the Group's risk framework;
- Guidelines and policies: reviewing and approving all HDI Re's guidelines and policies updates as prepared by the Head of Compliance and/or CRO;
- Effectiveness of strategies and policies: by advising the BoDs with respect to maintaining, on an on-going basis, amounts, types and distribution of both internal capital and own funds adequate to cover its risks;
- Compliance function: ensuring that the department is adequately resourced and has the tools, rights and authorities required to carry out its work and also by reviewing the compliance function's annual report.

b) Audit Committee (AC):

HDI Re's AC currently has three members and is composed of non-executive and independent non-executive directors. Their charter is reviewed annually and the committee's 2021 responsibilities and the duties include:

- Financial reporting: monitoring the integrity of HDI Re's data for the financial statements, including any significant returns to be made to CBI and any financial results or any formal announcements relating to its results (either interim or final);
- Whistle blowing: reviewing HDI Re's arrangements for its employees to raise concerns in confidence about possible wrongdoing in financial reporting or other matters. The AC ensures that these arrangements allow investigation of such matters and appropriate follow up action;
- Internal audit: monitoring and reviewing the effectiveness of HDI Re's internal audit function in the context of its overall risk management system, assessing the proposed internal audit plan, reviewing all internal auditor reports on HDI Re to ensure management's responsiveness to the findings and recommendations are adequate;
- External audit: considering the external auditors recommendations and noting in the external auditors report in the Company's financial statements. recommendations to the Board of Directors.

c) Underwriting Committee (UC):

HDI Re's UC currently has five members and is composed of executive, non-executive and independent non-executive directors. Their charter is reviewed annually, and the committee's 2021 responsibilities and the duties include:

- Underwriting: overseeing and advising the board on all underwriting related matters. The UC monitors the integrity of the underwriting business data and ensures that appropriate underwriting standards, estimates and judgements are undertaken by the underwriting unit (UU), including external advisors' opinions. Regular UU reports are presented to ensure full transparency of the underwriting and reinsurance processes and the agreed underwriting limits and thresholds are being maintained;
- General Underwriting Guidelines and Retrocession Guidelines: reviewing, steering, controlling and approving HDI Re's UU in accordance with the documents authorized limits and approving any guidelines updates;
- Renewal/new business proposals: reviewing each new or renewal business proposal to ensure compliance with the aforementioned guidelines and including the treaty level authority requirements.

d) Investment Committee (IC):

HDI Re's IC currently has three members and is composed of executive, non-executive and independent non-executive directors. Their charter is reviewed annually, and the committee's 2021 responsibilities and the duties include:

- Investment strategy and risk exposure: advising the Board of Directors on the investment strategy, especially the strategic asset allocation and its implementation and informing the Board of Directors on the applied limits and thresholds for market risk. The IC monitor and review current risk exposure of market risk and ensure that the investment follows the HDI Re Investment Guidelines
- Governance and investment management: making recommendations on the appointment of the asset management provider, investment manager and investment advisors. The IC makes recommendations on the investment policy which includes giving appropriate consideration to the market risks, asset diversification risks, credit and liquidity risks faced by HDI Re. The committee reviews the investment managers' regular reports and their performance against the market benchmarks as well as the Company's Investment Guidelines and also reviews the asset management provider's compliance with legal requirements as well as the Company's Investment Guidelines
- Internal model - by reviewing the annual validation report especially with regard to market risk and sub-categories, the regular risk reporting on market risk and to advise the board on conclusions from the risk reporting (i.e. ORSA report, internal risk report, reports on the adherence to limits and thresholds). The IC advise on model changes with regard to investments and market risk (in accordance with the current Model Change Policy)
- Risk management culture - by reviewing and monitoring the executive management's responsiveness to the findings and recommendations of the IC.

e) Human Resources Committee (HRC):

Q4 2021, HDI Re's Compensation Committee changed its name to Human Resources Committee to better reflect its roles and responsibilities charter. The committee has three members and composed of executive, non-executive and independent non-executive directors.

The HRC meets annually to assess their current charter, review the adequacy of the succession plan for Board of Directors positions, PCF- and other key functions, review and evaluate activities and progress in promoting Diversity and Inclusion, approve proposals for employee performance related bonus and annual salary increases and also to ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled.

B.1.2 Remuneration and system of governance

Compensation principles

The compensation strategy of HDI Re is based on the objective of sustainable ongoing development of the company and group. HDI Re's compensation structure and the compensation rules are compliant with the Irish market and are competitive.

The compensation structure is directed towards attracting high-calibre employees to the management and senior personnel and to retaining their loyalty. The system is also intended to guarantee sustainable and value-based corporate governance.

The selection of target criteria for the variable compensation system and for restricting the upper limit of variable compensation elements is ensured such that no inappropriate performance incentives are offered which could persuade employees to enter into unnecessary risks.

Compensation components for the Board of Directors

The non-executive directors are reimbursed for their expenses only, while the independent non-executive directors also receive a fixed annual compensation. The executive directors are reimbursed in accordance with their individually agreed contracts of employment.

Compensation components for employees

The compensation for HDI Re's employees comprises of a range of different components. It guarantees an appropriate and balanced compensation package which takes account the level of responsibility and function inherent in the position, and the conditions prevailing within the Irish marketplace.

B.1.3 Material changes

Ms Asma Sahibzada (Chief Financial Officer) was appointed an Executive Director following CBI PCF-1 approval received 11 October 2021.

B.2 Fit and proper requirements

According to the requirements of the Solvency II framework directive, all senior management or individuals holding other key functions have to satisfy the requirements regarding:

- their technical and professional qualification (fitness) and
- their personal reliability (propriety).

B.2.1 Policies and processes

The Solvency II fit and proper requirements are currently outlined in the following CBI guidelines: 'Guidance on Fitness and Probity Standards 20186, Guidance for Reinsurance Undertakings on the Fitness and Probity Amendments 2015, Domestic Actuarial Regime and Related Governance Requirements under Solvency II 2015, Guidance for Reinsurance Undertakings on the Head of Actuarial Function Role 2015'. HDI Re adheres to the aforementioned guidelines and required reporting was upheld in 2021.

B.2.2 Persons in key functions

Persons with key functions can be distinguished as follows:

- Persons actually leading the company (Board of Directors members)
- Persons holding other key functions (key functions according to the Solvency II Directive, functions requiring pre-approval according to the local fitness and probity regime).

The following roles are classified by CBI (Guidance for Reinsurance Undertakings on the Fitness and Probity Amendments guidelines 2015) as the four key functions of the system of governance under Solvency II:

- PCF 12 - Head of Compliance
- PCF 13 – Head of Internal Audit
- PCF 14 – Chief Risk Officer
- PCF 48 – Head of Actuarial Function.

Under Solvency II where key functions are outsourced, the entity must designate an individual within the company with overall responsibility for the key function. The designed local individual must be a current CBI PCF holder within the company and possess sufficient knowledge and experience regarding the outsourced key function to enable change of the performance and results of the outsourced service provider.

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

B.3.1 Risk strategy

The main objective is to achieve an 'A' rating according to the standards of AM Best. This in turn implies an adequate capital adequacy ratio according to the internal model TERM. Furthermore, full compliance with the regulatory requirements under Solvency II is a prerequisite. HDI Re has a fully-fledged limit and threshold system in place that allows control of the risks taken, in order to achieve the profit targets. HDI Re outsourced many aspects of the risk management process, in particular the calculations under Pillar 1, parts of the reporting (e.g. ORSA) and the CRO function. These outsourcing activities allow at one hand to be cost-efficient and effective on the other hand, this approach allows HDI Re to interact with the holding (HDI Group) respectively the industrial lines division in a very smooth manner. Of course, the local management ensures that the interests of HDI Re are adequately represented in committees and considered appropriately. The Pillar 1 calculations are based on the internal model TERM which yields the row data for the various reporting formats.

B.3.2 Risk profile

The risk profile of HDI Re is stable over time since several years because the business model is unchanged and splits up to the following risk categories:

- Premium and reserve risk
- NatCat
- Market risk
- Operational Risk.

The contribution from other risk categories is of minor importance. Note that TERM is from Q3/ 2019 on a full internal model. With the use of the full internal model, there has been a significant reduction within the operational risk category.

B.3.3 Material risks not included in the SCR

There are no material risks that are not fully included in the calculated SCR.

B.3.4 Investment risk and Prudent Person Principle

The investment decisions are worked out by the investment committee. The execution of the related deals are realized by Ampega Asset Management, an asset manager which has approximately € 150bn assets under its management and keeps high standards in their processing both for internal and external clients as well. Within this environment a number of policies and related governance structures ensure that the requirements of the prudent person principles are fulfilled.

For HDI Re the feasible investment universe applies as for the whole Talanx group. Therefore, HDI Re has access to systems and knowledge that enable the identification, measurement, monitoring, controlling and reporting of all the risks related to their investments or investment strategies.

In that respect a number of additional risk management systems beyond TERM are in place and related reports are delivered. The most prominent ones are the Credit Value-at-Risk Report and the so-called Asset Liability Management Report. These reports are produced on a high frequency basis.

B.3.5 Appropriateness of credit assessments from external credit assessments institutions

This chapter is not applicable for the Company.

B.3.6 Extrapolation of the risk-free rate

According to the standards for internal models, the EIOPA curve is applied within very tight boundaries of few basis points and this curve is applied for the evaluation of HDI Re's assets and liabilities.

B.3.7 Own risk and solvency assessment

HDI Re's ORSA is provided by the CRO and is based on the quantitative output of our internal model TERM and the available qualitative information is also included as well as the main focus of a risk analysis and a risk assessment. In addition, according to the five-year-planning process the forward-looking perspective is considered.

The results of the ORSA process are discussed in-depth and challenged by means of workshops with the Managing Director, INEDs and senior management of the Company. Furthermore, the results of the ORSA are discussed at the risk committee and related board meetings.

The main application from the ORSA is the revision and updating of the limit and threshold system which include, of course, the general strategy of the company.

B.4 Internal control system

B.4.1 Key procedures

In line with Solvency II requirements (articles 46 and 47 of 2009/138/EC Directive), HDI Re has an Internal Control System (ICS) Policy. The policy sets minimum requirements for the design of the ICS within the company. The ICS is an aggregation of all integrated and process independent monitoring measures (internal controls and organisational measures) which ensure that HDI Re's organisation and processes function satisfactorily. It applies to all levels and focuses on process risk and the controls implemented for their monitoring.

The Internal Control System is an integral part of business administration. It serves to reach business goals efficiently, with regard to compliance with regulations and the avoidance of risks.

The processes and measures of the ICS have the following objectives:

- Compliance with legal requirements and with further regulation, contracts and internal rules
- Adequate execution of business activity
- Protection of assets
- Protection of an adequate and reliable accounting
- Prevention and exposure of asset misappropriation
- Focus and special regard on material risks
- Effectiveness and efficiency of risk monitoring and avoidance in business processes
- Correctness of the display of the assets, financial and earnings position and the risk situation.

The Three Lines of Defence concept, which characterises Solvency II, forms the organisational foundation for HDI Re's control and monitoring system:

- The first "line of defence" is the responsibility of the operative departments for ensuring risk identification, evaluation and monitoring of risks at operational levels. Thereby they bear the responsibility for an adequate design of ICS in the respective department
- The second "line of defence" consists of functions, which ensure an adequate design of ICS at a superior level and assist the operative departments. This includes the Risk Committee, the risk management, compliance and actuarial functions and the officers for data security, money laundering, outsourcing etc. The risk management function is also responsible especially for identification, evaluation, analysis, monitoring and reporting of risks at company level
- As independent and objective function and as third "line of defence" internal auditing observes the effectiveness and efficiency of the entire ICS, the risk management system and the risk management process, using the respective audit activities.

The ICS reporting contains the following reports of the second and third line of defence, which include the appropriateness and functionality of the ICS:

- Reports of the risk management function
- Reports of the actuarial function
- Reports of the compliance function
- Audit and activity reports of Internal Audit.

Roles and responsibilities within the Internal Control System

The most important roles and responsibilities in the ICS framework with relevant tasks are:

Role	Tasks & responsibilities
Board of Directors of HDI Re	Implementation and adequate design of an effective ICS Adoption of an ICS guideline Monitoring and ensuring of the effectiveness of the ICS
Process, risk and control responsible persons in HDI Re	Operative implementation of the ICS: ▪ Scoping phase: Identification of material processes, risks and controls considering the group-wide risk and control catalogue ▪ Documentation of processes, risks and process related controls ▪ Implementation and execution of controls and creation of a control record ▪ Ongoing evaluation of control activities regarding their adequacy and functionality ▪ Assessment of control weaknesses
Group Business Organization	Support with the documentation and design of processes and IT-systems regarded as material, their inherent process risks and belonging controls
Risk Committee, the risk management function, compliance function and actuarial function, officers for data security, money laundering, outsourcing etc.	Risk identification, evaluation, analysis, HDI Re, monitoring and reporting on overall corporate level.
Group Auditing	Evaluation of control activities regarding their adequacy and functionality during the regular audits Assessment of control weaknesses during the regular audits Reporting taking into account the results of the audits of adequacy and functionality of the ICS

B.4.2 Compliance function

As outlined in CBI's Corporate Governance Code for Insurance Undertakings 2015 (the Code), HDI Re's Board has the ultimate responsibility for ensuring that the risk and compliance functions are properly managed within the company.

HDI Re's compliance function has the responsibility for advising the Board on compliance with regard to the relevant laws, regulations and administrative provisions and includes an assessment of the possible compliance risk impact of any changes in the legal environment of HDI Re's operations.

Compliance function tasks, authorities & responsibilities

Role	Tasks and Responsibilities
Board	- Set HDI Re's business strategy and approve its corporate governance arrangements, including clear lines of responsibility, adequate internal control mechanisms and key control functions - Set the 'tone at the top' in terms of compliance and other responsibilities - Ensure that the compliance function has adequate resources required to effectively undertake the work involved - Delegate oversight of the compliance function and its work to the Risk Committee (including the review and recommendation to approve the annual compliance plan)
Risk Committee	- Review of annual compliance plan prepared by the compliance function and submit to the Board for final approval - Provide oversight of the compliance function, including ensuring that an adequate compliance framework is in place - Receive and approve compliance policies - Ensure the compliance function is adequately resourced and has the tools, rights and authorities required to do its work
Compliance Function	- Ensure a fit for purpose compliance framework is in place for the management of compliance risks - Act as the primary contact for financial regulators - Own board approved compliance policies and review regularly. Recommend to the Risk Committee and/or Board approval for any proposed recommended changes as may be necessary from time to time - Provides a Compliance Report to the Board annually in Q2
Management and Employees	- Provide any assistance and explanations as may be necessary to the compliance function - Ensure the business is run in compliance with relevant statutory and regulatory requirements, formalised policies and procedures - Report all compliance breaches promptly to the compliance function, proposing and implementing remedial action where agreed and required. Furthermore, compliance breaches can be reported anonymously via an electronic whistleblowing system accessible on HDI' internet website.

Compliance risk

Compliance risk is defined as the risk HDI Re may suffer as a result of its failure to comply with applicable law, regulation, codes of conduct and standards of good practice and includes:

- statutory and regulatory risk
- reputation risk
- litigation risk
- risk of regulatory sanction
- risk of financial loss.

HDI Re manages its compliance risks using three lines of defence (see chapter B4 Internal Control System).

The compliance function is part of the second line of defence and:

- translates laws into compliance obligations and assists management to identify its compliance risks
- assists management in identifying activities to mitigate risks, monitors control of compliance risks and advises Management on compliance risk management matters.

The compliance function works with other second lines of defence functions (risk management, actuarial function) to provide objective challenge and support. The function also serves in an advisory role as it implements and embeds procedures (via Risk Committee) and executes other compliance framework activities (internal audit reports). The work and performance of the compliance function is subject to periodic review by internal audit.

Independence of the compliance function

The Head of Compliance (HoC) is independent from any commercial, administrative or control function within HDI Re in order to allow the individual to carry out compliance tasks/reviews with absolute impartiality. The HoC has a formal regular reporting line to the Managing Director and the CRO and together with the CRO reports to the Risk Committee on a quarterly basis and to the Board as a whole as necessary.

Compliance framework

The compliance function maintains a fit for purpose compliance framework in order to meet its objectives. The HoC produces an annual Compliance Report which is reported to the Risk Committee in Q2.

The annual compliance report contains the following topics:

- Compliance management framework
- CBI Compliance reporting (annual and quarterly returns)
- Group Compliance reporting
- Compliance breaches and Group's BKMS whistleblower platform
- ICS Reports
- Group and Local Guidelines updates
- Outsourcing annual assessment
- Appropriateness of Business Organisation Report
- Annual Compliance Plan for following year.

B.5 Internal audit function

B.5.1 Policy

There was a internal audit conducted in 2021 on Corporate Planning and Control (audit ref. 20210094) and no significant audit findings were raised.

HDI Re's internal audit function is outsourced to the holding company Talanx AG and carried out by Group Auditing. HDI Re's internal audit function reports their findings and communicates updates directly with the management of HDI Re as well as the Chairman of the audit committee at least on a quarterly basis.

The basic standards upheld by Group Auditing are outlined in a document called Guidelines Group Auditing' and it has been approved by the Board of Directors of Talanx AG. The charter facilitates the evaluation of the structure and tasks of Group Auditing and describes the tasks, rights and responsibilities in respect of the supervisory authorities, the employees and any third parties transparently. HDI Re's senior management regulates the requirements of the internal audit function as part of the overall governance system via this policy. The charter is based on international best practice regulations that derive from the legal requirements, the Solvency II regulations as well as the professional auditing standards. It defines the general basics including tasks, standards, rights and obligations of Group Auditing and its integration into the organization. In addition the charter regulates the basic internal auditing processes, the reporting, the quality assurance and the document management. The charter is reviewed and adjusted as necessary (at least on an annual basis) by the Head of Group Auditing. Changes might be necessary due to changes of the internal and external requirements or because of relevant structural changes (e.g. changes of the Group or corporate structure). All changes of the charter are approved by the Board of Talanx AG.

B.5.2 Planning

The auditing activities are based on the internal audit plan prepared by Group Auditing and approved by the Board. Group Auditing's role is carried out autonomously and includes unscheduled audits being undertaken if a major weakness is discovered. In order to exercise its monitoring function systematically, effectively as well as target oriented and efficiently for all relevant corporate areas, a comprehensive risk-based internal audit plan is prepared.

The focus of internal audit is proactive and risk-driven. Accordingly, emerging risk topics will be taken into account going forward.

The audit universe is a basic tool which is reviewed at least annually with regard to its completeness or its representative status. All business processes as well as major participations are reviewed at least once within

a 3 year period. Particular external requirements in respect of the auditing frequency (e.g. compulsory audits based on the anti-money laundering law) are also taken into account.

The following risk influencing factors are reflected in the risk-based audit plan:

- Inherent risk of the audit field
- Results from the last audit
- Legal and organizational changes regarding the audit field and
- Insights from the participation in committees and regular internal meetings with other governance functions.

B.6 Actuarial Function

The Actuarial Function of HDI Re is outsourced, via service level agreement, to HDI Global SE. The Head of Actuarial Function (HoAF) has a supporting team of members from HDI Global SE's Risk Management department. Within HDI Re, the HoAF and his team are referred to as the Actuarial Function (AF).

In accordance with the Solvency II-Directive (Article 48, clause 2) and the implementation to national law via European Union (Insurance and Reinsurance) Regulations 2015 – hereafter called “the 2015 Regulations” – (Regulation 50, clause 2) the Actuarial Function shall be carried out by persons who:

- have knowledge of actuarial and financial mathematics, commensurate with the nature, scale and complexity of the risks inherent in the business of the insurance or reinsurance undertaking, and
- are able to demonstrate their relevant experience with applicable professional and other standards.

Segregation of existing actuarial functions

HDI Re's Chief Actuary (CA) is responsible for calculating the booked reserves and Technical Provisions with regard to Solvency II. The CA and the Actuarial Team perform and review the pricing of incoming business and are involved in the Solvency II Internal Model (IM) process.

The Actuarial Function reviews the appropriateness of the methods and models used for calculating the Technical Provisions according to Solvency II. The AF supports the CA by highlighting quality issues (data, processes, assumptions, methods).

The following topics are not tasks of the HoAF:

- Calculation of Technical Provisions regarding Solvency II or IFRS
- Validation of data quality, assumptions, methods and results regarding IFRS
- Implementation or operation of the Internal Model.

Additional actuarial roles with HDI Re are:

- Reviewing Actuary, who performs a peer review of the “Actuarial Opinion of Technical Provisions” and “Actuarial Report of Technical Provisions” every 5 years,
- the Service Centre Non-Life, who administer the IM and
- the Validation Team, who validate HDI Re's IM.

The responsibility for the risk management is with the Risk Committee and the Board of Directors. In particular, the Board of Directors decides about the composition of this function, ascertains the suitability of the respective qualifications of the person appointed, taking the Actuarial Function's reporting requirements into account.

Independence of the Actuarial Function

In accordance with regulatory requirements, the HoAF is independent of HDI Re's additional actuarial roles. The HoAF, the CA with the Actuarial Team and the Service Centre Non-Life are outsourced via service level agreements to HDI Global SE. As the HoAF and the CA are members of separate departments, there are no inter dependencies between these roles or reporting lines.

In order to highlight the HoAF's independence, the following measures are established:

- HDI Re's HoAF reports directly to its BoDs
- the HoAF has no participation with regard to underwriting or reinsurance arrangements within HDI Re.

Tasks of the Actuarial Function

The tasks of the AF are regulated and outlined in several supervisory requirements (e.g. Article 48 of Solvency II-Directive, Article 272 of Delegated Acts, Guidelines on the System of Governance, Guidelines on Valuation of Technical Provisions). CBI published two papers (“Guidance for (Re)Insurance Undertakings on the Head of Actuarial Function Role” and “Domestic Actuarial Regime and Related Governance Requirements under Solvency II”), which assist undertakings to comprehend certain tasks outlined in Regulations 50 of the 2015 regulations. The regulations outlined above are the basis for the HoAF to produce the Report of the Actuarial Function.

The core tasks according to Regulation 50 of the 2015 Regulations are listed below:

Insurance and reinsurance undertakings shall provide for an effective Actuarial Function to:

- a) coordinate the calculation of Technical Provisions;
- b) ensure the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of Technical Provisions;
- c) assess the sufficiency and quality of the data used in the calculation of Technical Provisions;
- d) compare best estimates against experience;
- e) inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of Technical Provisions;
- f) oversee the calculation of Technical Provisions in the case set out in Article 82 of Solvency II-Directive and Regulation 95 of the 2015 Regulations;
- g) express an opinion on the overall underwriting policy;
- h) express an opinion on the adequacy of reinsurance arrangements; and
- i) contribute to the effective implementation of the risk-management system referred to in Regulation 46 of the 2015 Regulations in particular with respect to the risk modelling underlying the calculation of the capital requirements set out in Regulations 113 to 140 of the 2015 Regulations, and with respect to the assessment referred to in Regulation 47 of the 2015 Regulations.

In Article 272 of Delegated Act task a) is explained in more detail. The term “coordinate” is an assessment of the calculation of Technical Provisions (including assumptions, methods and quality of data).

The Actuarial Function produces an annual Actuarial Function report for the HDI Re Board of Directors. The Actuarial Function report outlines the tasks, results and recommendations of the Actuarial Function. If significant weaknesses are ascertained in the Actuarial Function, the Board of HDI Re is to be informed directly.

Regarding his opinion on the calculation of Technical Provisions according to Solvency II the HoAF informs the Board of Directors via the Actuarial Report on Technical Provisions (ARTP) within two months after the submission date of the QRTs to which the report relates. The HoAF presents the ARTP to the Board of Directors. Within the scope of the aforementioned tasks, the HoAF is supported by the employees of HDI Re, and the Actuarial Function team.

B.7 Outsourcing

B.7.1 Outsourcing policy

HDI Re’s Outsourcing Policy ensures that the decision to outsource activities is taken in a rigorous, transparent and consultative manner serving the best interests of HDI Re. Robust and effective systems and controls over outsourced activities are an integral element of HDI Re’s control over the outsourced provider and the management of outsourcing risk, whilst also ensuring compliance with regulatory obligations.

Effective controls are also a key element in ensuring outsourced activities deliver the required level of service, at the agreed costs, and minimise any potential reputational damage whilst complying with all regulatory and legislative obligations.

The key to outsourcing is ensuring the Company's senior management team retains ultimate responsibility for the discharge of its obligations.

Any HDI Re company activity may be outsourced under Solvency II, including all activities in relation to the key functions. Any material development to an outsourcing arrangement (including commencement or change of any outsourcing arrangements of critical or important functions of outsourcing functions) must be reported to CBI giving at least 6 weeks' notice to the proposed change.

B.7.2 Outsourcing activities

The Outsourcing guidelines outline HDI Re's outsourcing processes and strategies throughout the lifecycle of the outsourced activity. These processes include:

- Selecting an outsourced provider
- Requirement content of a Service Level Agreements (SLA)
- Responsibilities of SLA owners
- Management and monitoring of SLAs
- Breaches reporting.

HDI Re conducts an annual audit of its major outsourcing agreements. Below is a list of HDI Re's most significant top five SLA's (all service providers are domiciled in Germany):

#	HDI Re Outsourced Service	HDI Group SLA Provider
1	Risk Management including CRO	HDI Global SE
2	Head of Actuarial Function	HDI Global SE
3	HDI Non-Life Actuarial Services	HDI Global SE
4	Investment	Ampega Asset Management GmbH
5	IT Services	HDI Systeme AG

Outsourcing reporting responsibilities

During 2021, HDI Re's outsourcing activities have upheld all solvency II requirements in line with 2009/138/EU Solvency II Directive and CBI's '2016 Notification Process for Re/insurance Undertakings when Outsourcing Critical or Important Functions or Activities under Solvency II'.

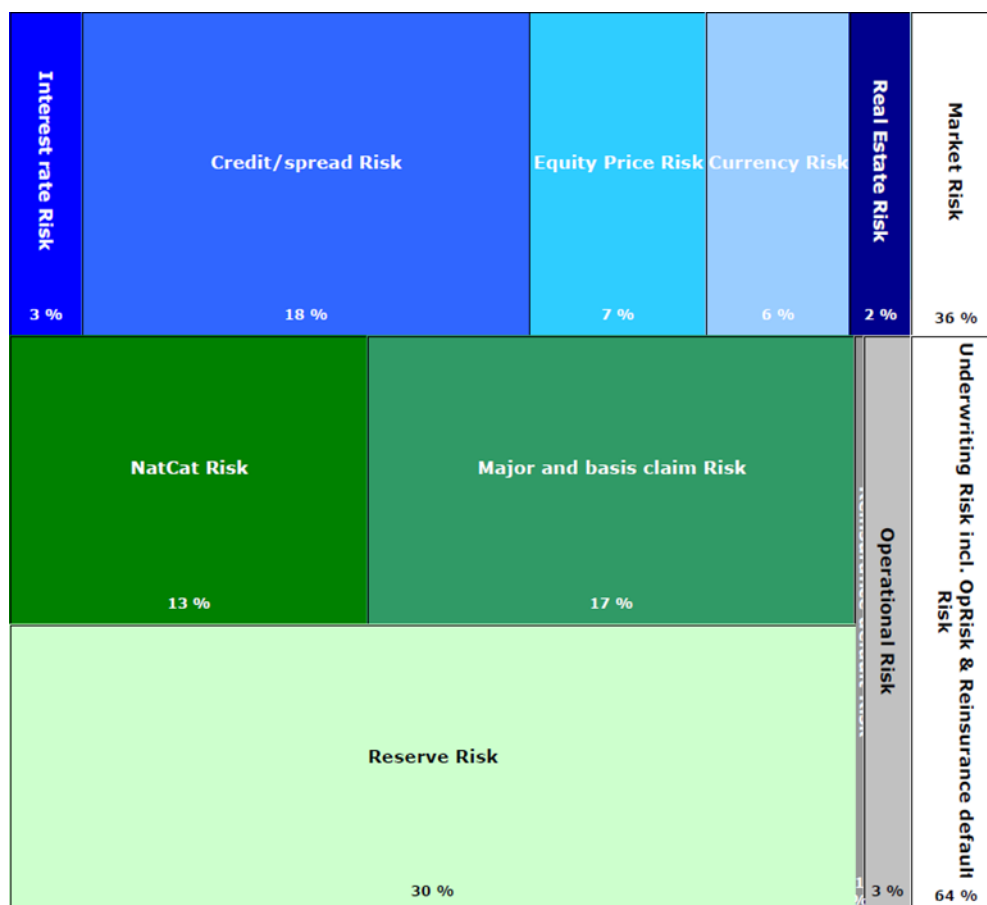
B.8 Any other information

None at this time.

C. Risk profile

HDI Re quantifies its risks with an internal model. The internal model was approved by the supervising authorities on 28 March 2017 as partial internal model and it quantifies the required risk capital according to the 99.5% Value at Risk (VaR) within a one year time horizon. The extension of the operational risk application was approved in September 2019, so HDI Re now has a full internal model.

For the SCR 2021, the risk profile by risk category is as follows:



HDI Reinsurance SE Risk Profile Q3 2021

The risk profile by risk category and the diversification effect between the risk categories are presented in absolute figures below. In addition, a comparison to the results of the internal model of the previous year is shown.

Figure in €'000	SCR 2021	SCR 2020	Delta
SCR	342,499	191,665	150,834
Underwriting Risk	383,782	185,648	198,134
Market Risk	149,930	119,168	30,762
Default Risk	2,825	4,746	-1,921
Operational Risk	12,271	12,206	65
Loss Absorbing Capacity of Deferred Taxes	-48,985	-27,401	-21,584
Diversification	-157,325	-102,702	-54,623

The SCR increases mainly due to increased assets (market risk) and increased reserves (underwriting risk).

C.1 Underwriting risk

Underwriting risk for property / casualty lines consist of premium risk and of reserve risk. It describes a change in value caused by ultimate loss costs for full contractual obligations varying from those assumed when these obligations were estimated.

The underwriting risk of HDI Re is subject to the 'General Underwriting Guideline' and the 'General Retrocession Guideline'. The framework for the HDI Re's underwriting risk is given by the risk strategy and the risk appetite statement.

HDI Re's underwriting risk originates almost exclusively from cedants being entities of Talanx group. Few exceptions exist, which were Talanx group entities at the time the respective reinsurance contracts were signed. The nominal technical provisions according to Solvency II of these entities are comparably small and are below 0.1% of the total amount.

No collateral in terms of Article 214 of the Commission Delegated Regulation (EU) 2015/35 has been given by or to HDI Re.

Underwriting risks property / casualty

a) Premium risk

Premium risk describes the risk that future losses are larger than expected, either through higher than expected individual loss events or higher loss frequencies.

The premium risk within the internal model of HDI Re is estimated by a simulation approach at treaty level. The simulations per treaty are taken from the actuarial pricing process, carried out per treaty before writing any share in accordance with HDI Re's 'General Underwriting Guideline' and the 'Actuarial Pricing Guideline'. The simulations of the single treaties are combined using a copula with dedicated dependencies between the treaties.

The simulations are, subject to the underlying risk, split into attritional losses, large losses and natural perils losses. For a consistent view on natural perils, HDI Re applies external models (Applied Insurance Research, Risk Management Solutions, Impact Forecasting). The simulations, input data, output data and methodologies, are subject to a validation process which is independent of any risk taking activity.

The most material premium risk exposures currently held by HDI Re are:

- German industrial GTPL
- Worldwide Specialty business.

HDI Re does not place any direct retrocession.

Various inuring reinsurance is in place before the business is ceded to HDI Re. This inuring reinsurance is not shown at HDI Re level. In addition HDI Re is protected by the HDI Global SE worldwide Event XL program, as subsidiary of HDI Global SE.

Compared to previous years, the premium risk increased and this is mainly due to newly signed treaties and increasing shares.

The potential default of retrocession reinsurers for premium risk is captured within the counterparty default risk of the internal model (for details please refer to chapter C.3 of this document). The retrocession is bought in line with the 'General Retrocession Guideline' and adjusted to the premium risk portfolio annually.

From a cedant point of view, the highest concentration of assumed reinsurance treaties is with HDI Global Specialty SE. In terms of written premium, the following table shows the most material cedants by premium volume:

Share in volume, 2021	
HDI Global Specialty SE	79%
HDI Global SE	21%
All Remaining	0.00%
Total	100.00%

Table: Concentration by Cedant

To define the risk sensitivity of the premium risk stress tests are carried out. Stress tests are carried out by changing the input data of the internal model and performing a full model run.

Stress 1: The dependency structure between the individual treaties is stressed by stressing the underlying dependencies of the applied copula within reasonable limits. This results into a change in SCR between -8% and +8%.

Stress 2: The copula chosen to reflect the dependency structure is stressed within reasonable limits. This results into a change in SCR of up to +16 %.

Stress 3: For the largest premium risk segment the probability distribution parameters are stressed within reasonable limits. This results into an impact on the SCR of less than 1%.

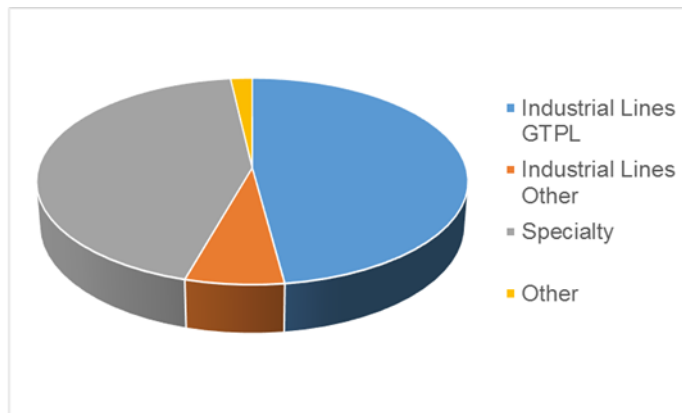
b) Reserve risk

Reserve risk relates to already incurred claims, i.e. existing claims including IBNR and IBNER and originates from claim sizes being greater than expected, differences in timing of claims payments from those expected and differences in claims frequency from those expected.

The reserve risk within the internal model of HDI Re is based on actuarial methods and on data, generally identical to the data applied in the actuarial reserving process of HDI Re.

The technical provisions are subject to an annual independent review by the actuarial function of HDI Re. The outcome of this review is presented to and discussed in the Board of Directors meeting. One outcome controlled by this review is the relation of booked IFRS claims reserves to actuarially calculated best estimate reserves according to ARTP. Within the context of the limit and threshold system the IFRS reserves have to be above 102% (threshold) respectively 100% (limit) of the best estimate reserves. Currently this reserve ratio is well above the threshold.

The following graph gives a split of the volumes, by nominal best estimate reserves, by segment:



Graph: Split of nominal reserves

The single reserve segments are combined within the internal model using a copula with dedicated dependencies among the segments.

A large part of the reserves are protected by inuring reinsurance of the cedants which limits the maximum single loss. The largest single reserve risk segment originates from industrial lines third party liability business. The counterparty default risk of the inuring reinsurance is part of HDI Re's risk for a large part of the portfolio. The technical provisions take account of these risks. For a discussion of the default of these inuring reinsurers please compare chapter C.3 of this document.

The nominal best estimate reinsurance recoverables of the retrocessions in place for past accident years are € 5.60 Mio. Of these more than 90% are ceded to one reinsurer, Talanx AG, the holding company for all Talanx entities.

Reserve volume and reserve risk concentrations are reviewed on a quarterly level and discussed in the Board of Directors meetings.

To define the risk sensitivity of the reserve risk stress tests are carried out. Stress tests are carried out by changing the input data of the internal model and performing a full model run.

Stress 1: The dependency structure between the individual segments is stressed by changing the underlying dependencies of the applied copula within reasonable limits. This results into a change in SCR between -3% and +3%.

Stress 2: The copula chosen to reflect the dependency structure is stressed within reasonable limits. This results into a change in SCR of up to +13 %.

Stress 3: The largest reserving segment is stressed in volume within reasonable limits. This results into an impact on the SCR of up to 3%.

C.2 Market risk

Market risk is the risk of loss or of adverse change in the financial position resulting directly or indirectly from fluctuations in the level and volatility of market prices of assets, liabilities and financial instruments.

The investment of capital is carried out within the framework of the principle of prudent business practice. This means that the necessary prudence is exercised in all processes by means of which the investment strategy is developed, adopted, implemented and monitored. The indispensable competence of the employees deployed for prudent asset management is fully guaranteed. In particular, the application of the principle of entrepreneurial prudence means that investments are only made in assets and instruments whose risks can be adequately identified, assessed, monitored, managed and controlled. Decisive criteria for investment decisions are the security, quality, liquidity and profitability of the entire portfolio as well as an appropriate mix and spread.

	SCR 2021	SCR 2020	Delta
Market Risk	149.9	119.2	30.7

The market risk is balanced by an investment volume of EUR 1,719 Mio per 31.12.2021 (EUR 1,224 Mio per 31.12.2020). The increase in market risk is mainly due to a significant increase in the investment volume.

²Sensitivities

The table with stress tests related to interest rate risk highlight HDI Re's sensitivity with respect to this risk factor:

Stress Test analyses of different assets:³

Stress Test analyses of different assets

Stress factor	AuM* (in TEUR)	Change in interest rate				Equity (without alternative investments)			
		-100bps	-50bps	+50bps	+100bps	-20%	-10%	+10%	+20%
Fixed Income	1,541,438	4.5%	2.2%	-2.1%	-4.1%				
Equity	36,371					-19.9%	-10.0%	10.0%	19.9%
Alternative Investments	67,433	-	-	-	-	-	-	-	-
Other	77,130	0.0%	0.0%	0.0%	0.0%				
Total	1,754,310	3.9%	1.9%	-1.8%	-3.6%	-0.4%	-0.2%	0.2%	0.4%

* incl. Cash

*AuM = Assets under management

The stress tests provide information on the sensitivity of the investments to different risk factors. If the interest rate changes by 100 basis points, the value of the total assets is recording a 3.9% to -3.9% move in either direction. And similarly if the value of equity prices changes by 20% the value of the total assets moves by 0.4% in either direction.

Conclusion: the symmetry of the table above indicates that the portfolio is dominated by so-called quasi linear instruments, i.e. the proportion of options and complex derivatives in HDI Re's portfolio is of minor importance.

C.3 Credit risk

Credit risk is the risk of a change in value due to actual credit losses deviating from expected credit losses due to the failure to meet contractual debt obligations.

Credit risk in terms of the internal model of HDI Re is limited to reinsurance counterparty default risk. The default risk of assets as bonds and other investments is part of the market risk, and here especially the credit and spread risk of investments and liabilities.

No collateral in terms of Article 214 of the Commission Delegated Regulation (EU) 2015/35 has been given by or to HDI Re in respect of credit risk.

The reinsurance default risk of HDI Re is comparably small with less than 5% of SCR before tax of the full internal model.

Besides the reinsurance recoverables, the reinsurance default risk stems from two additional sources. The first source is the default of reinsurers participating in cessions of the current underwriting year, out of premium risk. The other source stems from the default of inuring reinsurers. HDI Re carries the default risk from such constructions as part of the underwriting risk for parts of the portfolio

To model the default risk appropriately the default risk of the inuring reinsurance is modelled within the reinsurance default risk.

Credit risk in terms of failure of receivables from cedants is not reflected in the internal model. With almost all premiums being 12 month treaties this risk is assumed to be remote.

To define the risk sensitivity of the credit risk stress tests are carried out. Stress tests are carried out by changing the input data of the internal model and performing a full model run. When stressing the parameters within reasonable limits, the effect on the SCR is below 1%.

³ "Dirty" Value AuM (including mortgage loan). The total Assets under Management within the shown stress test differ from the shown AuM in chapter "Investment portfolio by asset class" e.g. due to the consideration of cash and the exclusion of intercompany transactions/ participations.

C.4 Liquidity risk

For HDI Re, liquidity risk is the risk that assets cannot be sold timely, at reasonable price levels, to fulfil HDI Re's financial obligations in time.

HDI Re's liquidity position is typically very good due to the fact that premiums are paid before claims payments or other obligations are due. At the same time, HDI Re has had a positive technical cash flow for the past years.

The liquidity risk is hedged at HDI Re through a high diversification and fungibility of the invested assets. By matching assets and liabilities with respect to currencies and expected terms and through cash flow planning, HDI Re ensures sufficient liquidity at all times.

To control the liquidity risk each asset class has a liquidity code which gives a rating towards the possibility to sell the asset at a reasonable (market) price at short notice. The liquidity codes are regularly verified by the risk control department of Ampega, the asset managers of HDI Re. Additionally HDI Re's Investment Guidelines define a minimum quota to be invested in highly liquid assets and a maximum quota to be invested in illiquid asset classes.

The liquidity, that is needed to balance the current accounts, is given for the following 12 months according to the liquidity planning. The aforementioned checks and controls do not show any liquidity issue.

The largest asset class, representing more than 85% of the invested assets are bonds, in particular government, corporate and covered bonds.

The invested assets are split into many 100 individual investments (including equity funds, which again split into hundreds of individual assets) creating a well-diversified portfolio.

Other risk concentrations are not anticipated over the business planning time period.

For liquidity risk, no risk mitigation technique other than asset liability matching is in place. The expected profit included in future premiums (EPIFP) is regularly not included in the liquidity planning. The EPIFP are calculated by applying the results from the actuarial pricing (basically mean loss ratio and mean commission) to the expected premium, then the expected retrocession losses are deducted, the expected retrocession premium are added and the expected administrative expenses are added. In the economic balance sheet the total net amount is shown at three different positions, including reinsurance recoverables.

The result is the EPIFP:

Figure in € thousand	
Gross Value	32,249
Expected Retrocession	-4,428
Net Value	27,821

HDI Re applies a volatility adjustment (VA). To ensure that the conditions for applying the volatility adjustment are fulfilled, HDI Re provides a proof of earnability for the spread and a liquidity plan. It has to be ensured that there is sufficient liquidity in stressed market conditions such that the spread can still be earned. The following table summarizes the impact of the volatility adjustment for year-end 2020 (figures in € thousand).

Risk Sensitivity	with VA	without VA	Difference
Eligible Own Funds	587,493	583,901	3,592
SCR	342,519	348,415	-5,896
CAR	171.5%	167.6%	3.9%

Table: Risk Sensitivity to Volatility Adjustment

C.5 Operational risk

Operational risk, by definition, is a risk of a change in value caused by the fact that actual losses, incurred for inadequate or failed internal processes, people and systems or from external events (including legal risk), differ from the expected losses. HDI Re calculates its operational risk within its financial regulators' approved internal model. HDI Re focuses on minimising operational risk as much as possible and the review are outlined in its Risk Report (produced in Q2 and Q4 annually). The risk report also monitors risk information scenarios from the quantitative and qualitative risk management databases. The coverage of own funds according to the current regulatory regime and the internal model is presented as well as breaches originating from the system of limits and thresholds and the risk appetite statement. In addition, results from further risk relevant analyses are provided in order to outline a holistic view of the risk situation.

The operational risk identification process is undertaken by a customised IT system / database (Alyne). Alyne risk identification reviews are undertaken by HDI Re's senior managers in Q2 and Q4 annually.

C.6 Other material risk

C.6.1 Further information regarding other material risk

Group transactions

HDI Re, being a reinsurer of the HDI group, underwrites only group internal reinsurance contracts and almost all of the technical provisions are stemming from group cedants. Only those cedants which are sold after the respective reinsurance contracts were signed do not belong to the HDI group (compare chapter C1 Underwriting Risk). In turn also almost all of the insurance receivables of HDI Re are from within the Talanx group.

All reinsurance contracts are signed with arm's length conditions. For most contracts, the arm's length conditions are proved via third party comparison (third parties participate on the original contract with relevant shares) and for a few treaties via a hypothetical third party comparison. The arm's length documentation is discussed within the Board of Directors meetings at least annually.

On retrocession, group participations are limited to Hannover Reinsurance group and to Talanx AG. Within HDI Re's asset portfolio one bond, market value of €11.232 Mio, is issued by Talanx group.

C.7 Any other information

Despite the Corona crisis, the solvency situation of HDI Group has been stable throughout 2021. The solvency ratio remained within the self-imposed limits all year long. HDI Group has proven its resilience in this critical situation.

This report contains information on the solvency capital requirement (SCR) and own funds (OF) as of 31.12.2021 and the Company has a steady capitalization of 171.52% in the regulatory view.

D. Valuation for solvency purposes

D.1 Assets

General Remarks

Generally assets and liabilities are measured at which they could be exchanged, transferred or settled between knowledgeable, willing parties in an arm's length transaction. The valuation of assets and liabilities requires an economic, market-based and risk-based approach. The risks arising from certain balance sheet items are considered and market assumptions are taken into account. For this reason, risk, uncertainty and discounting are adequately considered in all positions.

Due to the fact that the Solvency II regulations refer to the International Financial Accounting Standards, the IFRS balance sheet is used as a starting point for the revaluation. The entities that do not engage in business with significant financial options and guarantees use an existing balance sheet in accordance with IFRS or national accounting principles and re-assess each position in accordance with the Solvency II requirements.

Fair Value

Generally the fair value in IFRS is identical to the fair value in Solvency II. The fair value is defined as the price which is achievable when selling an asset or transferring a liability in an orderly transaction between market participants.

Active Market

Fair value measurement is based on observable market prices in an active market. A financial market is regarded as active market if quoted prices for traded items are readily and regularly made available by a stock exchange, trader, broker, industry group, pricing service or supervisor, and those prices represent actual and regularly occurring market transactions on an arm's length basis. An active market is a market where all the following requirements are met:

- The items traded within the market are homogeneous,
- Willing buyers and sellers can normally be found at any time and
- Prices are available to the public.

Inactive Market

The following circumstances can lead to an inactive market:

- There are few transactions
- Quotations are not based on current information or vary significantly across time or among market participants.
- There is a wide bid-ask-spread or a significant increase of the bid-ask-spread
- Indices, which were strongly correlated with the fair value of the underlying assets or liabilities are proven to be uncorrelated with the latest fair value data of these assets or liabilities
- There is a significant increase in the implicit liquidity risk premiums, yields or the performance indicators (e.g. default rates or Loss Given Defaults) for observable transactions or prices compared to the estimated cash flows of the reporting entity, taking into account all available market data on the credit and other non-performance risks to the asset or liability
- There is a significant decrease or absence of a market for new issues of the asset or liability or comparable assets or liabilities.
- Only limited information is publicly available (e.g. Principal-to-principal market).

Primary Market

A primary market is the market with the largest volume and level of activity for the asset or liability and is not necessarily the market with the lowest prices. The company must have access to the market. In the absence of evidence to the contrary, the market on which the company normally enters into a transaction to sell the asset or transfer a debt is the primary market.

Usually the primary market is the market the company normally uses, unless there are objective indications (e.g. a decline in market activity, higher access restrictions, etc.) that another market is the primary market. A revaluation of the primary market will be carried out at least once a year.

We take into account all information that is reasonably available. The determination of the primary market for non-standard OTC contracts could be based on the type of orders (e.g. interest rate swap) or on the basis of the individual contract (e.g. swap contract X). In the Talanx Group, the determination of the primary market for OTC derivatives generally depends on the nature of the contract.

Within Talanx Group markets are determined as follows, the primary market for stocks, futures and standard options consists of the local stock exchanges. For bearer bonds, registered bonds, ABS, MBS and OTC derivatives (e.g. interest rate swaps, credit default swaps, currency futures), the primary market consists of institutional brokers, which use banks as trading partners. These markets are the primary markets with the characteristics that the company has access to the market, typically uses the market for trading, and that these markets are the markets with the largest volume for each asset class. The measurement is usually based on information that exists in relation to these markets.

The most advantageous market

Unless there is a clear major market for assets and liabilities, the fair value measurement is based on the most advantageous market. In the most advantageous market, the company maximizes the value of selling an asset or minimizes the value of transferring a liability. The company must have access to the market.

Within several possible markets, the most advantageous market is the one where the company can achieve the highest net profit after deduction of transaction costs or transportation costs (for property, plant and equipment). This does not affect the fair value measurement, which is based on the purchase price without deduction of transaction costs. This leads to the fact that the market offering the highest net return on sales is not necessarily the market that provides the highest fair value.

Methods of Valuation

Generally assets and liabilities are valued under the going concern assumption.

The valuation methods used are in line with Article 75 of Directive 2009/138/EC. Assets and liabilities (other than technical provisions) are always valued in accordance with IAS/IFRS standards. Where the IAS/IFRS valuation methods, whether temporary or permanent, are inconsistent with the valuation approach set out in Article 75 of Directive 2009/138/EC, other valuation methods consistent with this article shall be applied.

When valuing assets and liabilities according to market valuation methods, the following valuation hierarchy is used:

Generally quoted prices in active markets for identical assets or liabilities are used as a standard valuation method. If the use of quoted market prices is not possible quoted prices in active markets for comparable assets or liabilities will be used and adjusted accordingly if necessary taking into account all observable and relevant market information.

For the valuation of liabilities no adjustment for taking into account the own credit-worthiness is made.

Assets are priced mark-to-model if there are no publicly available price quotations or the markets from which they are derived are not considered active.

The classification of market prices according to the explanatory text of guideline 7, EIOPA Guidelines SFCR BoS. 15/109, item 2.22 is defined as followed:

- a) „Quoted prices in active markets for identical assets“: Assets measured at (unadjusted) prices quoted directly in active markets
- b) “Quoted prices in active markets for similar assets“: None
- c) “Inputs other than quoted prices in active markets for identical or similar assets, that are observable for the asset directly (i.e. as prices) or indirectly (i.e. derived from prices)”: Assets which are measured using observable market data and are not allocable to Level a). Their Measurement is based, in particular, on prices for comparable assets that are traded on active markets, prices on markets that are not considered active as well as inputs derived from such prices or market data.
- d) „Inputs not based on observable market data“: Assets that cannot be measured or can only partially be measured using observable market inputs. The measurement of such instruments is principally based on valuation models and methods.

A significant input is defined as an input parameter or an adjustment to an input parameter that affects the fair value measurement of an instrument in its entirety by more than 10 percent (i.e., up or down by more than 10 %).

Changes in 2021 Calendar year

There haven't been made any changes in valuation methods or valuation proceedings in calendar year 2021 in comparison to calendar year 2020.

Goodwill

Goodwill from acquisitions is valued at zero in Solvency II balance sheet as this is not applicable.

Figures in € thousands	Solvency II value		Statutory Accounts	
			value	
	2021	2020	2021	2020
Goodwill	0	0	0	0

Deferred acquisition costs

The deferred acquisition costs (DAC) do not represent a recognisable asset, as acquisition costs are dealt with via the best estimate calculation of technical provisions.

Figures in € thousands	Solvency II value		Statutory Accounts	
			value	
	2021	2020	2021	2020
Deferred acquisition cost	0	0	59,680	76,611

Intangible assets

Intangible assets are valued in the Solvency II balance sheet with zero unless they can be sold separately and there is a quoted market price in an active market for the same or similar intangible assets. According to the Solvency II requirements the definitions in IAS 38 Intangible Assets, including the definition of active markets, are applicable in Solvency II.

The intangible assets shown under the statutory accounts represent bespoke software developmental and associated costs including licence fee etc. As no active quoted prices in an active market can be observed this amount is valued at zero in the solvency II balance sheet.

Figures in € thousands	Solvency II value		Statutory Accounts	
			value	
	2021	2020	2021	2020
Intangible assets	0	0	534	391

Deferred tax asset

IAS 12 Income Taxes applies for Solvency II. Deferred taxes are recognised for the revaluation differences between the local (tax) IFRS balance sheet and the Solvency II balance sheet. IAS 12 requires deferred tax assets be established if assets have to be recognised in a lower amount or liabilities in a higher amount in the balance sheet than in the tax balance sheet and if these temporary differences will lead to reduced tax burdens in the future.

Deferred tax assets are also recognised on tax loss carry-forwards and tax credits. Value adjustments are taken on deferred tax assets as soon as realisation of the net value of deferred tax assets and deferred tax liabilities no longer appears likely. Deferred taxes are measured at 12.5% according to the tax regulations in the Republic of Ireland adopted as at the closing date.

Deferred tax assets may only be netted with deferred tax liabilities if an enforceable right exists to net actual tax refund claims with actual taxes owing. A precondition here is that the deferred tax assets and deferred tax liabilities refer to income taxes that are levied by the tax authority.

Under IFRS deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the period in which an asset is realised or a liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax assets and liabilities reflect the tax consequences that would follow, as of the balance sheet date, from the expected manner of the reversal of temporary differences.

The balance of deferred tax assets (€8.223 Mio) and deferred tax liabilities (€22.673 Mio) results in a net deferred tax liability for Solvency II to IFRS in the amount of (€14.450 Mio) which is caused by valuations of assets and liabilities according to Solvency II framework compared to IFRS valuation.

Figures in € thousands	Solvency II value		Statutory Accounts value	
	2021	2020	2021	2020
Deferred tax assets	8,223	11,350	0	0

Pension benefit surplus

There was no pension benefit surplus to report as this is not applicable.

Figures in € thousands	Solvency II value		Statutory Accounts value	
	2021	2020	2021	2020
Pension benefit surplus	0	0	0	0

Property, plant & equipment held for own use

Assets under property, plant and equipment held for own use are measured at cost less accumulated depreciation in the statutory accounts under IFRS and comprising mainly of equipment.

In arriving at the Solvency II fair value the Company believes in the absence of an existing active market the fair value is close to book value:

Figures in € thousands	Solvency II value		Statutory Accounts value	
	2021	2020	2021	2020
Property, plant & equipment held for own use	15	17	15	17

Property (other than own use)

There are no valuation differences as this is not applicable:

Figures in € thousands	Solvency II value		Statutory Accounts value	
	2021	2020	2021	2020
Property (other than own use)	0	0	0	0

Holdings in related undertakings, including participations

The company has no holdings in related undertakings, including participations.

Figures in € thousands	Solvency II value	
	2021	2020
Holdings in related undertakings, including participations	0	0

Statutory Accounts	
value	
2021	2020
0	0

Equities – listed/unlisted

The company has no investments in any quoted or non-quoted stocks.

Figures in € thousands	Solvency II value	
	2021	2020
Equities- listed	0	0
Equities- unlisted	0	0

Statutory Accounts	
value	
2021	2020
0	0
0	0

Government Bonds and Corporate Bonds

This position includes investments such as bearer bonds and other fixed income securities, registered bonds, promissory notes and loans to affiliated companies.

Figures in € thousands	Solvency II value	
	2021	2020
Bonds	1,463,384	1,058,789
Government-Bonds	251,032	108,614
Corporate Bonds	1,115,359	868,166
Structure Notes	0	0
Collateralised Securities	96,994	82,009

Statutory Accounts	
value	
2021	2020
1,462,661	1,053,478
251,555	108,664
1,114,112	862,806
0	0
96.994	82,009

Government Bonds and Corporate Bonds:

This position includes investments such as bearer bonds and other fixed income securities, registered bonds, promissory notes and loans to affiliated companies.

Basis: Government and corporate bonds prices are mainly based on quoted prices from active markets. If there are no publicly available quoted prices or the respective markets are not classified as active as active markets, the positions are marked-to-model.

Methods: Market quotations come from selected pricing services, trade information systems or intermediaries (brokers) considered as reliable. The available potential pricing sources are placed in a ranking based on a hierarchy. In general prices of pricing services have the highest priority the ones from intermediaries is the lowest. Exceptions may be made e. g. for selected market segments-/ currency-combinations.

If there are no publicly available quoted prices or the respective markets are not classified as active as active markets, the Bonds are marked-to-model taking into account the creditworthiness of the issuer, using parameters derived from observable market data (yield and spread curves) and applying appropriate valuation models. For non-structured bonds the mark-to-model approach is the net present value method

which discounts the future payments of the instruments to the valuation date. The rate applied for discounting consists of a term-linked base component (derived from the risk-free rate) and an issuer-/ emission-specific risk premium covering spread, migration and default risks.

All methods and parameter-definitions applied are validated at least annually (for timeliness and/ or adequacy) and adjusted if necessary.

Changes in Calendar year: There haven't been made any changes in valuation methods or valuation proceedings in the reporting year compared to the previous year.

Main Assumptions: Applying a mark-to-model approach using parameters derived from observable market data for bonds without publicly available quotation the main assumption is that a difference in pricing for comparable listed bonds (transparent market) with the same risk, term and creditworthiness is mainly due to emissions specific features and less liquidity.

Difference: The difference of TEUR 1,247 in Corporate Bonds and TEUR -523 in Government Bonds is arising based on instruments that are valued at amortized costs for IFRS accounting purposes but at fair value for Solvency II.

Structured Notes

The Company has no investments in any structured products.

Collateralised bonds

This position contains various types of collateralised securities. These include Asset Backed Securities (ABS), Mortgage Backed Securities (MBS), Commercial Mortgage Backed Securities (CMBS), Collateralised Debt Obligations (CDOs), Collateralised Loan Obligations (CLOs) and Collateralised Mortgage Obligations (CMOs). It does not include "Pfandbriefe" and other legally secured bonds that are subject to special legal regulations. These are included in the category Corporate Bonds.

Basis: Generally quoted prices are not available for collateralised securities. Valuation of these positions is therefore performed theoretically using internal valuation models or prices provided by specialized service providers.

Methods: Collateralised bonds such as CLOs are priced internally or by specialized service providers using a mark-to-model approach. This is done using special databases that allow an evaluation of the underlying securities or receivables.

The collateral of the covered position is treated as a risk mitigating factor. However spread, migration and default risk are still accounted for when performing the mark-to-model calculation.

All methods and parameter-definitions applied are validated at least annually (for timeliness and/ or adequacy) and adjusted if necessary.

Main assumptions: For special forms of collateralised bonds like CLOs, assumptions are made concerning prepayment and loss rates.

Difference: No differences to report.

Collective Investment Undertakings

This position includes several types of funds, e.g. Indirect Real Estate Funds, Fixed Income Funds, Equity Funds, Funds of Funds.

Figures in € thousands	Solvency II value		Statutory Accounts	
	value		value	
	2021	2020	2021	2020
Collective Investment Undertakings	252,164	174,598	252,164	174,598

Basis: Mutual funds are priced with their official redemption price.

Methods: The redemption price is regularly calculated and published by the investment company (KVG) according to contractual and supervisory compliant aspects. Typically, these prices are automatically available via price service providers. Alternatively, the net asset value method is used. The net asset value is calculated from the sum of all assets (in-case, mainly the investments and bank balances and deposits) less potential obligations.

All methods and parameter-definitions applied are validated at least annually (for timeliness and/ or adequacy) and adjusted if necessary.

Main Assumptions: None.

Difference: No differences to report.

Derivatives

There are currently no investments in derivatives:

Figures in € thousands	Solvency II value		Statutory Accounts	
	value		value	
	2021	2020	2021	2020
Derivatives	0	0	0	0

Deposits (excluding cash equivalent item):

Figures in € thousands	Solvency II value		Statutory Accounts	
	value		value	
	2021	2020	2021	2020
Deposits other than cash equivalents	0	191	0	191

Basis: Deposits are priced at their redemption value.

Methods: none

Main assumptions: none

Difference: No differences to report.

Other investments

There are no valuation differences as this is not applicable.

Assets held for index-linked and unit-linked contracts

There are no valuation differences as this is not applicable.

Figures in € thousands	Solvency II value	
	2021	2020
Assets held for index-linked and unit linked contracts	0	0

Statutory Accounts	
value	
2021	2020
0	0

Loans and mortgages

Figures in € thousands	Solvency II value	
	2021	2020
Loans & Mortgages	15,961	0
<i>Loan & mortgages to individuals</i>	<i>0</i>	<i>0</i>
<i>Other loans & mortgages</i>	<i>15,961</i>	<i>0</i>

Statutory Accounts	
value	
2021	2020
15,716	0
<i>0</i>	<i>0</i>
<i>15,716</i>	<i>0</i>

Difference: The difference of TEUR 245 in Other Loans and mortgages is arising based on instruments that are valued at amortized costs for IFRS accounting purposes but at fair value for Solvency II.

Reinsurance recoverables

Under IFRS, the total recoverables reported stems from the whole account quota share ceded to Talanx AG inceptioned on January 1st 2019, as well as single retrocessions of selected Polish non-proportional and Turkish proportional business which were in force from January 2018. These contracts are ceded on a back-to-back basis. However, under Solvency II valuation the reinsurance recoverables are present value of future recoveries based on treaties in place as at end of December.

Figures in € thousands	Solvency II value	
	2021	2020
Reinsurance recoverables	(1,304)	54,882
<i>Non-Life excluding health</i>	<i>(1,304)</i>	<i>51,537</i>
<i>Health similar to non-life</i>	<i>0</i>	<i>3,345</i>

Statutory Accounts	
Value	
2021	2020
3,739	65,468
<i>3,739</i>	<i>61,802</i>
<i>0</i>	<i>3,666</i>

Deposits to cedants

These assets primarily consist of funds held on certain contracts representing the collateral contractually withheld by our cedants to cover the technical liabilities HDI Re has reinsured. The cedants invest these deposits within the criteria of the Talanx Group "Limit and Threshold" system of governance. These assets are initially recognised at cost under IFRS accounting and valued at face value. There are no differences between statutory accounts versus solvency II.

Figures in € thousands	Solvency II value	
	2021	2020
Deposits to cedants	42,926	78,354

Statutory Accounts	
Value	
2021	2020
42,926	78,354

Insurance and intermediaries receivables

The carrying amount of insurance and intermediary receivables is deemed to be a reasonable approximation of fair value. Balances receivable include actual account balances due plus an estimate of the amount due for the period for which accounts have not yet been received.

The receivable balance is diversified among a range of cedants. The risk of non-payment by cedants is mitigated by the use of offset clauses in the underlying contract. Following our review of the receivable balances, no impairment was necessary.

The amounts shown under Solvency II are the netted amounts with corresponding payables. Please refer to further details under section Insurance and intermediaries payables.

Figures in € thousands	Solvency II value	
	2021	2020
Insurance & Intermediaries receivables	57,361	26,724

Reinsurance receivables

There are no valuation differences as this is not applicable.

Statutory Accounts	
value	
2021	2020
57,361	26,724

Figures in € thousands	Solvency II value	
	2021	2020
Reinsurance receivables	0	0

Statutory Accounts	
value	
2021	2020
0	0

Receivables (trade, not insurance)

Receivables here represent mainly tax rebate on corporation tax over payment in respect of 2020 tax liability and are valued at the expected present value of future cash flows, i.e. discounted with the Solvency II valuation interest rate. In addition, receivables are adjusted for the expected counterparty default. The Solvency II value is held to be identical with the IFRS fair value. No revaluation is applied by HDI Re due to materiality reasons.

Figures in € thousands	Solvency II value	
	2021	2020
Receivables (trade, not insurance)	243	226

Statutory Accounts	
value	
2021	2020
243	226

Own shares (held directly)

There are no valuation differences as this is not applicable.

Figures in € thousands	Solvency II value	
	2021	2020
Own Share (held directly)	0	0

Statutory Accounts	
value	
2021	2020
0	0

Amounts due in respect of own fund items or initial fund called up but not yet paid in

There are no valuation differences as this is not applicable.

Figures in € thousands	Solvency II value	
	2021	2020
Amounts due in respect of own fund items or initial fund called up but not yet paid in	0	0

Statutory Accounts	
value	
2021	2020
0	0

Cash and cash equivalents

Cash and cash equivalents are carried at their face value.

Figures in € thousands	Solvency II value		Statutory Accounts value	
	2021	2020	2021	2020
Cash & cash equivalents	48,144	58,053	48,144	58,053

Any other assets, not elsewhere shown

The assets here represent a small balance of accrued interest adjustment accounted for at fair value under Solvency II. They are accounted for at amortised costs according to IFRS.

Figures in € thousands	Solvency II value		Statutory Accounts value	
	2021	2020	2021	2020
Any other assets, not elsewhere shown	0	0	0	0

The Solvency II values are held to be identical with the IFRS fair value and no revaluation is applied by HDI Re due to materiality reasons.

D.2 Technical Provisions**D.2.1 Non-life techniques**

The Technical Provisions (TP) of HDI Re are determined by revaluation of the IFRS underwriting provisions as disclosed in the financial statements of HDI Re. This is done in three main steps.

In the first step, the IFRS loss reserves are revalued. This includes the elimination of prudence and other valuation adjustments. Furthermore the discounting is adjusted. It results in the Best Estimate for Claims Provisions (BCEP).

In a second step the IFRS UPR are revaluated. Then the Present Value of Future Profits (PVFP) is added. It results in the Best Estimate for Premium Provisions(BEPP).

Lastly, a risk margin (RM) is calculated for the present loss portfolio in net terms due to the inherent uncertainty in this portfolio, and is added to the BCEP and BEPP. This results in the gross TP according to Solvency II.

Below the individual steps are discussed in more detail (details to determine the IFRS provisions are listed in chapter D.2.1.5). HDI Re's numbers for the TP under Solvency and the provisions under IFRS are shown in D.2.1.4.

D.2.1.1 Best Estimate for Claims Provisions

BCEP relate to claims events occurring before the valuation date. All future cash flows resulting from those losses which occurred up to the valuation date are taken into account. The BCEP shall not include any implicit or explicit redundancy or deficiency of calculated reserves.

In order to take the time value of these future cash flows into consideration, they are discounted. The currency-dependent yield curves included in the calculation take into account a static volatility adjustment and are conform to the corresponding yield curves specified by EIOPA. The pay-out pattern is derived from actuarial analyses.

The calculation methods for the BECP are analogous to these for the IFRS reserves (see chapter D.2.1.5).

D.2.1.2 Best estimate for premium provisions

The BEPP relates to claims events occurring after the valuation date and during the remaining in-force coverage period of policies.

Hence, the best estimate for premium provisions shall include the valuation of all recognised obligations within the boundary of (re)insurance contracts, for all exposure to future claims events, where:

- Cover has inception prior to the valuation date;
- Cover has not inception prior to the valuation date, but the insurance or reinsurance undertaking has become party to the insurance contract providing cover.

The calculation of the (gross) BEPP at HDI Re is based on an approximation as set out in the EIOPA “Guidelines on valuation of TP”.

HDI Re uses the following formula to determine the Best Estimate for Premium Provisions per SII segment:

$$BEPP_{seg} := \sum_{treaty \in seg} UPR_{treaty} \cdot LR_{treaty, UPR} + InvExpenses_{seg} + Receivables_{UPR} - (Premium - Loss - Commission - Expenses)_{seg}$$

- UPR_{treaty} = Unearned Premium Reserves according to IFRS per treaty. To be precise this UPR are not the ones from local financial statements but the ones delivered by cedants. Discounting effects are taken into consideration.
- $LR_{treaty, UPR}$ = expected Loss Ratio (claims/premium gross of acquisition expenses) per treaty derived from HDI Re's pricings
- $InvExpenses_{seg}$ = discounted Future investment expenses per SII segment resulting from the unearned premiums
- $(Premium - Loss - Commission - Expenses)_{seg}$ = expected Present value of future profits per SII segment, the expected Premium, the expected gross Loss and the commission is derived from HDI Re's input for the internal model, the Expenses are estimated to be 0.5% of the premium plus investment expenses, discounting effects are taken into consideration.
- $Receivables_{UPR} = Premium\ Accrual_{UPR} + Commission\ Accrual_{UPR}$
The Receivables not past due relating to UPR business consist of Premium Accrual (negative sign) and Commission Accrual (positive sign). The respective amounts are derived from HDI Re's accounting system.

The left hand part in the above formula describes the present value of future claims payments resulting from the unearned premiums (UPR). The Receivables not past due are considered within the Premium Provisions since 31.12.2019. The right hand part describes the present value of the future profit (<0) or loss (>0) (PVFP), which results from underwriting business already signed but not inception.

The latter summand is derived by mapping the respective values of the single treaties to the related Solvency II segments. This mapping is based on the renewal information provided by the cedant. For the expected values the averages from the pricing process are taken.

Expenses are included as future investment expenses, commissions to be paid to cedants and administration expenses for the renewal business. Based on the going concern principle the administration expenses as well as unallocated claims handling costs are covered by the renewal business in every financial year.

Most of HDI Re's HDI Global treaties cover accident year losses identical to the underwriting year, from 1st January to 31st December. Specialty contracts are underwriting year (or “risks attaching during”, contrary to “losses occurring during”) contracts where multiple accident years are covered by a single underwriting year. As of 31.12.2021 the UPR amount to €184 mio, whereby 91% relate to Specialty business.

D.2.1.3 Risk margin

The risk margin is calculated in a way that the value of the TP, including the risk margin, corresponds to the value which an insurance or reinsurance company would require being able to take over to meet the obligations of the entity. This is achieved by determining the costs of providing an amount of eligible own funds that meets the Solvency Capital Requirement, which in turn is necessary to cover the insurance and reinsurance liabilities during their term.

The risk margin is calculated by HDI Re's internal model.

Following the requirements of Delegated Acts, the risk margin (RM) for the entire portfolio of insurance and reinsurance liabilities is calculated as follows:

$$RM := CoC * \sum_{t \geq 0} \frac{SCR_t}{(1 + r_{t+1})^{t+1}}, \quad t \in \mathbb{N}_0$$

with

CoC = Cost of Capital

SCR_t = Solvency Capital Requirement for non-hedgeable risks after t years and

r_{t+1} = risk-free EURO interest rate for the term of t+1.

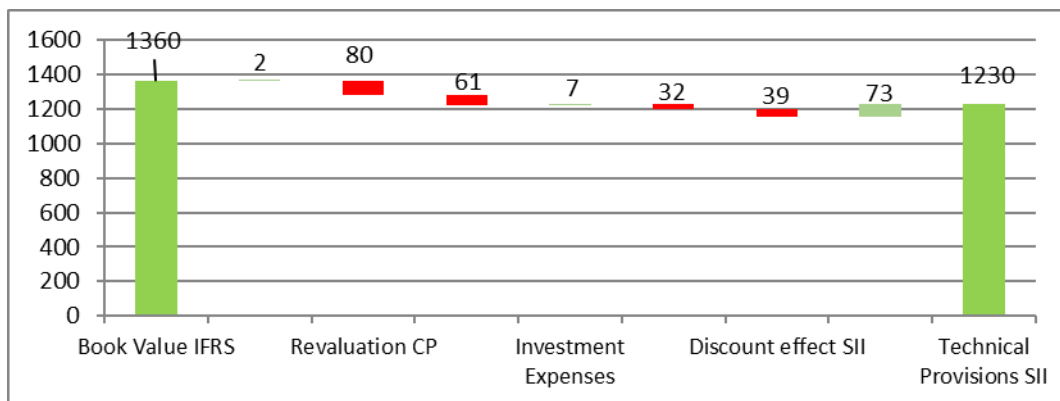
The risk margin calculation in HDI Re's IM follows the simplification method level (2) as presented in the EIOPA Guidelines on the valuation of TP. For the calculation of SCR₀, the Internal Model SCR (comprising of underwriting risk, reinsurance default risk and operational risk) is utilised. For the calculation of SCR_t, t > 0 the Internal Model SCR comprising reserve risk, reinsurance default risk and operational risk is utilised. Market risk is not considered in the above calculation. The future cash flows per IM segment are derived from current claim data. The Cost of Capital for the calculation of the risk margin amounts 6%. The Euro interest rate curve is used for discounting.

D.2.1.4 Comparison of TP with local reporting provisions

When comparing local balance sheet values and those from the solvency balance sheet regarding TP, three components - the BECP, the BEPP, and the RM - have to be taken into consideration.

Below a comparison between Technical Provisions according to IFRS and to Solvency II is shown:

Figure 1: Comparison between booked reserves and Solvency II TP (gross, in € Mio):



As shown in the above Figure, the transition of the TP from IFRS to Solvency II, can be described in five steps. Starting point are the TPs according to local accounting standards. These TPs according to local accounting standards (€1,360.9 mio) include receivables not overdue.

The first step of the above reconciliation includes the elimination of the effect of discounting under IFRS (€ 2.1 mio). Under IFRS the casualty part of LPT Spain is discounted. As a second step, the TPs are revaluated. In particular, this includes a revaluation of UPR (€-61.3 mio) and an elimination of prudence with respect to claims provisions (€ -80.4 mio) included in the IFRS amounts, but not in the calculation of best estimates. Furthermore, the Investment Management Expenses (€ 7.1 mio) are taken into account under Solvency II, but not under IFRS.

In a third step, the Present Value of Future Profits (PVFP) (€ -32.2 mio) is added. This value is discounted and includes Investment Expenses. The next step considers the effect of discounting under Solvency II (€ 39.6 mio). This discounting impact includes the discounting effect for the Investment Expenses. In the final step, the risk margin is added (€ 73.5 mio).

The following table shows the Solvency II values split in the Solvency II-Lines of Business. After the derivation of the Gross Technical Provisions, the Net Technical Provisions are calculated by subtracting the Reinsurance Recoverables (€ -1.3 mio). The future retrocession premium and receivables not past due are reflected in the Reinsurance Recoverables.

Table 1: Technical Provisions of HDI Re as at 31.12.2021 (in € 1,000)

Line of Business	Gross Best Estimate Liability	Risk Margin	Gross Technical Provisions (calculated as a whole)	Total Technical Provisions	Recoverables from Reinsurance contracts and SPVs	Total Technical Provisions net of Recoverables
Proportional medical expense reinsurance	0	0	0	0	0	0
Proportional income protection reinsurance	-4,206	418	0	-3,788	0	-3,788
Proportional workers' compensation reinsurance	0	0	0	0	0	0
Proportional motor vehicle liability reinsurance	11,341	718	0	12,059	0	12,059
Proportional other motor reinsurance	43,412	2,839	0	46,252	0	46,252
Proportional marine, aviation and transport reinsurance	87,172	8,065	0	95,237	0	95,237
Proportional fire and other damage to property reinsurance	168,622	11,143	0	179,765	-1,304	181,069
Proportional general liability reinsurance	820,529	47,327	0	867,856	0	867,856
Proportional credit and suretyship reinsurance	-9,571	135	0	-9,436	0	-9,436
Proportional legal expenses reinsurance	24,860	1,474	0	26,334	0	26,334
Proportional assistance reinsurance	0	0	0	0	0	0
Proportional miscellaneous financial loss reinsurance	12,980	1,203	0	14,183	0	14,183
Non-proportional health reinsurance	87	7	0	93	0	93
Non-proportional casualty reinsurance	887	71	0	958	0	958
Non-proportional marine, aviation and transport reinsurance	536	30	0	566	0	566
Non-proportional property reinsurance	-90	89	0	0	0	0
TOTAL	1,156,559	73,519	0	1,230,078	-1,304	1,231,382

D.2.1.5 Claims provision IFRS

General information on the business

HDI Re writes only business of Talanx Group companies and up to now has only written non-life business. The most material sectors in terms of reserving volume are general liability, property (non-catastrophe) and Marine.

Lines of business

As the number of HDI Re's programmes is small, the reserves are calculated separately for each programme or per segment in case of specialty business. This is an appropriate way to ensure that the Technical Provisions are calculated with a homogenous risk group segmentation. For reporting purposes these programmes are allocated to the different Solvency II lines of business.

Estimation of claims reserves

Decisions result from the application of appropriate methods and assumptions, therefore the conclusions seem realistic based on the available information. However, it should be kept in mind that the future settlement of claims - also materially - may differ from these estimates. Estimates are always connected to uncertainties. In addition new relevant facts, which were not or insufficiently known at the time of analysis, can arise and lead to changes.

The loss reserves are estimated by applying a wide range of methods. As a general principle, the result for each treaty and each underwriting/accident year is a loss ratio which, by multiplying with HDI Re's accounted earned premium and deducting the accounted paid to date losses gives the reserve estimate by treaty and underwriting/accident year.

If reliable loss triangles, fulfilling necessary data quality standards are available, the reserving actuary applies generally accepted actuarial reserving techniques. Any such analysis is carried out in Willis Towers Watson's software tool ResQ. The underlying triangles usually represent 100% of the cedants gross business.

The result per treaty and underwriting/accident year is always reviewed in the light of the respective pricing loss ratio, reported losses to date and the development over time. The finally applied loss ratio, taking into account all aspects, is documented and the methodology used is briefly described. The resulting loss reserves include loadings for events not in data.

Assessment approaches for gross claims reserves

The paid and incurred triangles in ResQ are analysed applying using generally accepted standard actuarial methods (e.g. Chain Ladder, incremental loss ratio). This includes estimations for the tail-factors for long-term business. The final decision regarding the expected loss ratio is made per treaty and accident/underwriting year taking into account all available information. These include not only the general character of the treaty, but also the individual claim information, the usable length of the triangle and the level of development of the respective accident/underwriting years.

Available data

Considering the available own data of HDI Re, the exclusive use of own data of HDI Re is not sufficient for reliable actuarial analyses. The usage of third party data is necessary; besides, it is common for reinsurance companies.

HDI Re uses third party data from cedants. The third party data consists of paid and incurred loss triangles as well as respective premium information which are provided by the cedant during renewal of the programme and on request. Besides further information from the renewal package, which is required for the pricing process, can be the basis for the reserving.

Quality of data

There are several plausibility checks which are performed with the data of the cedant (e.g. comparison to the own accounted data, consistency checks over years). Any inconsistencies are directly approached and

openly discussed between accounting and actuarial staff. If necessary the cedant is approached to clarify any anomaly detection which cannot be explained.

Inflation

Currently, inflation impacting claims settlement has been considered implicitly. By utilising a Chain Ladder, the historically observed inflation is taken into account. The inflation is taken into account in the pricing process and thus in the priced loss ratios which are used in case no reliable loss triangles are available.

An explicit treatment of inflation indices would only be reasonable for very small subsections of the analysis segments, and even so a pure index analysis is not sufficient, since opposing effects because of possible cappings should be analysed individually due to existing coverage levels.

Currency

Currency exchange rates were provided by Ampega Asset Management and correspond to the ones used for the Talanx financial statement.

Valuation approach reinsurance

The reinsurance recoverables include the expected relief through retrocession and receivables not past due.

Details notes per line of business

a) Income protection insurance

The uncertainty of this segment is mainly attributable to changes in the jurisdiction that could have an impact on loss adjustments. Uncertainties from biometric risks in the area of pensions are adequately represented. For the non-material sub-segments, the provisions according to local accounting are adopted for reasons of simplification. In our opinion this approach is appropriate due to the lack of materiality.

b) Motor vehicle liability insurance

The uncertainty of the segment is mainly attributable to the development of personal injuries, which are heavily influenced by medical advances and the associated increase in costs. For the non-material sub-segments, provisions according to local accounting are adopted for reasons of simplification. In our opinion, this approach is appropriate due to the lack of materiality.

c) Other motor insurance

The uncertainty of this segment is mainly attributable to the assessment of the processing status of the current accident year. For the non-material sub-segments, provisions according to local accounting standards are adopted for reasons of simplification. In our opinion, this approach is appropriate due to the lack of materiality.

d) Marine, aviation and transport insurance

The uncertainty of this segment is mainly attributable to changes in loss adjustments and the volatility of long-term losses. For the non-material sub-segments, provisions according to local accounting standards are adopted for reasons of simplification. In our opinion, this approach is appropriate due to the lack of materiality. Aviation is also included in this Solvency II - Line of business. The uncertainty of this segment is mainly attributable to the very heterogeneous portfolio structure over various accident years. For the non-material sub-segments, provisions according to local accounting standards are adopted for reasons of simplification. In our opinion, this approach is appropriate due to the lack of materiality.

e) Fire and other damage to property insurance

The uncertainty of this segment is mainly attributable to the assessment of future settlement gains on already known losses, i.e. to the assessment of the current processing status. For the non-material sub-segments, provisions according to local accounting standards are adopted for reasons of simplification. In our opinion, this approach is appropriate due to the lack of materiality.

f) General liability insurance

The uncertainty of this segment is mainly attributable to changes in jurisdiction, partly specific litigation risks in the United States and the large share of major long-term losses. For the non-material sub-segments, provisions according to local accounting standards are adopted for reasons of simplification. In our opinion, this approach is appropriate due to the lack of materiality.

g) Legal expenses insurance

The uncertainty of this segment is mainly attributable to losses, where the accident date has to be adjusted retrospectively. Due to the rather small portfolio, this turns out to be the crucial driver of volatility. For the non-material sub-segments, provisions according to local accounting are adopted for reasons of simplification. In our opinion, this approach is appropriate due to the lack of materiality.

D.2.1.6 Life techniques (with MCEV)

The chapter is not applicable as HDI Re writes only non-life business.

D.3 Other liabilities**D.3.1 Valuation of other liabilities****Contingent liabilities**

There are no valuation differences as this is not applicable

Figures in € thousands	Solvency II value	
	2021	2020
Contingent liabilities	0	0

Statutory Accounts	
value	
2021	2020
0	0

Provisions other than Technical Provisions

The following liabilities are included in “Provisions other than technical provisions” in the Solvency II balance sheet:

- partial retirement
- holiday and overtime pay
- bonuses and anniversary benefits
- interest for tax payment delay
- outstanding invoices
- remuneration of administrative, management and supervisory body
- anticipated losses
- integration costs or restructuring.

Generally, the miscellaneous other provisions include all provisions which:

- are not underwriting provisions (insurance technical provisions)
- are not provisions for pensions and similar obligations
- are not tax provisions
- fulfil the general requirements for the creation of provisions under IAS 37.
- Provisions have to satisfy the definition of liabilities and can therefore only be recognised for potential uncertain obligations towards third parties.

The IFRS recognition and measurement principles in IAS 37 are considered to be consistent with Article 75 of Directive 2009/138/EC (Solvency II). The Solvency II value of the other provisions is held to be identical with the IFRS value.

Figures in € thousands	Solvency II value	
	2021	2020
Provisions other than technical provisions	395	282

Statutory Accounts	
value	
2021	2020
395	282

Pension benefit obligations

There are no valuation differences as this is not applicable.

Figures in € thousands	Solvency II value	
	2021	2020
Pension benefit obligations	0	0

Statutory Accounts	
value	
2021	2020
0	0

Deposits from reinsurers

These Liabilities consist of funds held from Reinsurers as per terms of the reinsurance treaties. There are no differences between statutory accounts versus solvency II.

Figures in € thousands	Solvency II value	
	2021	2020
Deposits from reinsurers	0	57,828

Statutory Accounts	
value	
2021	2020
0	57,828

Derivatives

There are no valuation differences as this is not applicable.

Figures in € thousands	Solvency II value	
	2021	2020
Derivatives	0	0

Statutory Accounts	
value	
2021	2020
0	0

Financial liabilities other than debts owed to credit institutions

There are no valuation differences as this is not applicable.

Figures in € thousands	Solvency II value	
	2021	2020
Financial liabilities other than debts owed to credit institutions	0	0

Statutory Accounts	
value	
2021	2020
0	0

Insurance and intermediaries payable

These are amounts due to cedants but not yet settled as at year end. The amounts so outstanding are netted off against any corresponding receivables and the net amount shown under Insurance and intermediaries receivables. There are no valuation differences between IFRS and Solvency II amounts.

Figures in € thousands	Solvency II value	
	2021	2020
Insurance and intermediaries payable	747	0

Statutory Accounts	
value	
2021	2020
747	0

Reinsurance payables

These are present value of future cash outflows in respect of reinsurance contracts in place as at end of December. No such recognition is made under IFRS.

Figures in € thousands	Solvency II value	
	2021	2020
Reinsurance payables	0	0

Statutory Accounts	
value	
2021	2020
0	0

Payables (trade, not insurance)

There are no valuation differences as such except under SII any dividend payments which are certain but not declared as at year end can be recognised in the balance sheet, whereas under IAS 10 such recognition is not allowed.

Figures in € thousands	Solvency II value	
	2021	2020
Payables (trade, not insurance)	432	(1,189)

Statutory Accounts	
value	
2021	2020
432	(1,172)

Deferred tax liabilities

Figures in € thousands	Solvency II value	
	2021	2020
Deferred tax liabilities	22,673	24,627

Statutory Accounts	
value	
2021	2020
5,867	5,744

The difference between the Solvency II value and the statutory accounts value to the amount of €20.297 Mio resulting from hidden reserves which were discovered when measuring the assets and liabilities at fair value.

Debts owed to credit institutions

The position "debts owed to credit institutions" contains mortgages and loans. Excluded are bonds being held by credit institutions and subordinated liabilities as they are shown in separate positions in the Solvency II balance sheet.

Under IFRS mortgage and loans are measured at amortised costs using the effective interest rate method for amortisation. Accrued interests are presented within the investment value using the dirty price method.

The economic valuation of financial liabilities in the Solvency II balance sheet should follow the fair value measurement approach in IAS 39. However, in some cases no revaluation is applied by HDI Re during the Preparatory Phase due to materiality reasons. Adjustments, if any, to identify the own credit standing under IFRS had been reversed for Solvency II purposes.

The amount as stated in the Statutory accounts represent accrued interest in respect of subordinate loan agreement with Targo Lebensversicherung, a HDI group entity. Under the Solvency II balance sheet accrued interest is shown within position Subordinated liabilities in BOF. Details of the loan in chapter E 1.

Subordinated liabilities in / not in basic own funds

Subordinated liabilities are loans which are reimbursed in the event of insolvency or liquidation only after serving the claims of other creditors; they have various characteristics of equity (IFRS) in economic terms. Subordinated liabilities, where these are included as own funds, are reported under the solvency position "Subordinated liabilities included in the basic liabilities". "Subordinated liabilities not included in the basic assets" cannot be considered as own funds. Under Solvency II, subordinated liabilities may be classified as equity if the conditions set out in Article 69 (b), 72 (b) or 76 (b) of the Delegated Regulation (EU) 2015/35 are met.

The subordinate liability in basic own funds (BOF) so shown is a subordinate loan with another group entity, Targo Lebensversicherung, issued in December 2014 for a term of 30 years.

For the economic valuation, the economic value of the instrument determined at the time of the issue is adjusted by means of the solvency balance of the instrument by changes in value which are exclusively attributable to a changed market situation. In contrast to the fair value approach pursuant to IAS 39, value changes resulting from changes in own credit spread (OCS) are not adjusted after issuance. The OCS is therefore kept constant for subsequent evaluations. The subordinate loan is valued with the assumption that the maturity equals the 1st call date. The valuation under Solvency II is uniformly applied to the first due date ("1st call") in HDI Group.

A difference between the Solvency II value and the IFRS value of the amount of € 0,695 Mio is a result of the valuation of the subordinate bonds and loans at market value.

Figures in € thousands	Solvency II value	
	2021	2020
Subordinated liabilities in / not in basic own funds	217,305	32,663

Statutory Accounts	
value	
2021	2020
218,000	30,000

Any other liabilities not elsewhere shown

There are no valuation differences as this is not applicable.

Figures in € thousands	Solvency II value	
	2021	2020
other liabilities not elsewhere shown	0	0

Statutory Accounts value	
2021	2020
0	0

D.4 Alternative methods for valuation

The positions of the balance sheet, for which an alternative valuation method according to article 236 and article 10 (5) of the Delegated Regulation is applied, have been described in chapter D.1 to D.3.

D.5 Any other information

The directors have a reasonable expectation that the company will continue in operational existence for twelve months from the date of approval of the financial statements ('the period of assessment') and have prepared the financial statements on a going concern basis.

The Company has cancelled the dividend declared during January 2020, of €10.000 Mio to the parent HDI Global SE, as a result of the EIOPA / Central Bank of Ireland ("CBI") statement on dividend distribution to the insurance industry in Ireland as a whole and not as a result of any liquidity concerns.

In addition, the 'Financial statements' includes notes on its contingent liabilities and other risk factors (note 27); its capital management (note 12) and management of its risks including market, credit and liquidity risk (note 3).

The going concern assessment included consideration of the Company's current and forecast solvency and liquidity positions over a three-year period through management's [2021-2023] business plan and evaluates the results of stress and scenario testing.

Based on the COVID-19 claims reported to date, by the main cedant affected the financial impact on the company's business, is not material and taking account of current laws and regulations, the directors do not expect any impact to the company's ability to satisfy regulatory solvency requirements over the period of assessment.

E. Capital management**E.1 Own funds**

HDI Re is integrated in the strategic and operational steering and planning processes of the Talanx Group. As part of the regular process HDI Re prepares a capital management plan for a mid-term period of five years. The Company projects the own funds and the SCR to ensure that the regulatory needs are fulfilled at all times.

HDI Re has a Capital Management Guideline in place, which governs the roles and responsibilities in the planning process, the tiering of capital and the Company's SCR requirements within the limit and threshold system. The capital management plan takes account of the development of the assumed business, the cash flow of technical provisions, planned dividends and an investment strategy.

If the mid-term planning process shows capital need, there are basically four management options:

- Revise the dividend policy and retain more profits
- A capital increase by the owner
- Implement alternative capital measures (e.g. issuance of a subordinated loan), which fulfil the requirements to become own funds
- Ultimately, revise the mid-term business plan to reduce the capital need.

Besides the fulfilment of regulatory requirements, HDI Re aims to show an adequate capitalisation according to the following requirements:

- Strategic risk appetite given through the limits and threshold for the overall SCR
- Required rating capital to achieve the Company's rating objective
- Sufficient buffer for movements of capital markets and / or insurance market
- Strategic goals
- Capital costs.

The results of the capital management plan include feedback from risk management and feeds in to the ORSA process and report.

E.1.1 Terms and conditions of the main items in the own funds

Figures in € thousand	Tier 1	Tier 2	Total
Paid in	181,000		181,000
Dated subordinated liabilities		217,305	217,305
Reconciliation reserve	235,234		235,234
Total	416,234	217,305	633,539

Table: basic own funds as at 31 December 2021

The basic own funds shown above can be used to support the SCR and the MCR. The “paid in” is equal to the paid in capital according to HDI Re's IFRS financial statement as of 31 December 2021. For more information regarding “dated subordinated liabilities” reference is made to the detailed description in chapter D.3. The reconciliation reserve consists of the “retained earnings” comprised of the cumulative profit for the year and brought forward, which have not been distributed to the shareholders and the “difference in valuation”, representing the cumulative difference between the local Irish balance sheet (IFRS) value and the economic fair value according to Solvency II for all balance sheet positions of HDI Re.

“Paid in” capital increased by EUR 50 million and the subordinated liabilities increased by EUR 186 million due to a new subordinated loan issued. Both increases were carried out in the light of an increase of new business as of 1 January 2022.

The difference to the equity in the local Irish balance sheet mainly arise from:

- balance sheet items not recognised in the Solvency II balance sheet, but in the local Irish balance sheet (deferred acquisition costs)
- valuation differences on investments (market vs. book value)
- valuation and recognition differences in the technical provisions and reinsurance recoverables (contracts underwritten, but not yet inception; risk margin)
- subordinated liabilities included in the Solvency II basic own funds, but not in the equity of the local Irish balance sheet
- deferred taxes on these differences.

A reconciliation of the equity in the local Irish balance sheet and the Solvency II basic own funds according to these differences is provided in the table below:

Figures in € thousand	
Local Irish equity	356,150
Deferred Acquisition Costs	-59,680
Investments (incl. Loans and Mortgages)	723
Reinsurance Recoverables	-5,043
Technical Provisions	130,854
Dividends to be paid	0
Subordinated Liabilities	217,305
Deferred Taxes	-8,583
Others	1,813
Solvency II basic own funds	633,539

Table: Reconciliation of local Irish equity and Solvency II basic own funds

For details on the valuation according to Solvency II and valuation differences compared to IFRS please refer to chapter D of this report.

E.1.2 Basic own funds due to transitional arrangements

HDI Re does not have transitional arrangements in place according to Article 308b(9) and (10) of Directive 2009/138/EC.

E.1.3 Distribution to shareholders

In 2021, the Company paid no dividend in respect of financial year 2020.

E.2. Solvency capital requirement and minimum capital requirement

E.2.1 Solvency capital requirement

HDI Re calculated the SCR as well as the CAR for regulatory purposes from the year 2022 by the approved internal model. The business strategy is fully included into the SCR.

For premium risk the SCR is estimated using the planned assumed business of HDI Re for the full year 2022. This includes the assumed business of underwriting year 2021 that has already been signed, all assumed treaties of prior underwriting years that may produce premium risk in 2022 as well as all assumed treaties that are likely to be signed during the year 2022. For reserve risk the business strategy is to carry the run-off of the existing technical provisions.

Risk mitigation techniques are included on the premium risk side at treaty and peril level by taking into account the retrocession contracts in force for the underwriting year 2022. At the same time this retrocession as well as the inuring reinsurance of the business from Spain (compare chapter C.3) are subject to default risk.

For market risk the internal model assumes a stable asset allocation, in line with the business strategy. No future management actions are included in the internal model.

Current solvency capital requirement

The SCR and the MCR according to regulatory requirements and the capital adequacy ratios as relation of the basic own funds to SCR and MCR are:

	Figures in € thousand
Available and eligible own funds	
Total available own funds to meet the SCR	633,539
Total available own funds to meet the MCR	633,539
Total eligible own funds to meet the SCR	587,493
Total eligible own funds to meet the MCR	447,059
SCR	342,519
MCR	154,133
Ratio of Eligible own funds to SCR	171.5%
Ratio of Eligible own funds to MCR	290.1%

Table: SCR MCR

Solvency capital requirements using standard formula due to requirement of the supervisory authority
According to the standard formula the SCR as of 31 December 2021 would have had been as follows:

Figures in €'000	
SCR according to Standard Formula	1,073,548

Table: SCR Standard Formula and this calculation has been carried out without simplifications

E.2.2 Minimum capital requirement

The MCR is calculated as the minimum of a linear function of earned premiums and technical provisions and a percentage of the SCR. For HDI Re the calculation gives a MCR of 45% of the regulatory view SCR and MCR. Please refer to the table under E.2.1 for details.

E.3 Duration-based equity risk sub-module in the calculation of the SCR

This sub-module is not used by HDI Re.

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

E.4.1 Specification of the internal model

HDI Re uses an internal model for the calculation of the regulatory SCR. The internal model covers underwriting risk, market risk, reinsurance default risk and operational risk. The internal model quantifies the required risk capital according to the 99.5% Value at Risk (VaR) within a one year time horizon in an economic view. This is in line with the respective regulation.

HDI Re is part of the internal model of HDI V.A.G., embedded in the processes and standards at group level. It is ensured that HDI Re is included in the decision making process with respect to the internal model at group level via committees. Roles and responsibilities of HDI Re's internal model are set in accordance with group wide guidelines.

The internal model of HDI Re measures the value of the Solvency II own funds on the basis of economic market values per cut-off date as well as the development of these own funds over a one year time horizon. The prognosis of the own funds is carried out using Monte Carlo simulation techniques with a sufficient number of simulations.

From the distribution of the prognosis of the own funds the solvency capital required is calculated as the difference between the value at risk at the regulatory given probability (0.5%) and the mean of all simulations. In other words, the SCR estimates the loss of own funds, relative to the mean, that will not be exceeded with a likelihood of 0.5%.

To arrive at the internal model results, all risk categories are combined within the internal model of HDI Re and the loss absorbing capacity of deferred taxes is calculated and deducted from the SCR.

The risk profile of HDI Re is in line with the assumptions underlying the internal model.

No future management actions are included in the internal model.

Not taken into account in the internal model is non-life lapse risk. As none of the treaties signed by HDI Re gives the cedant the right to terminate the contract before 12 months, this risk is immaterial to HDI Re.

Risk categories, assumptions and used data for the internal model

The risk modules examined in the internal model of HDI Re are underwriting risk, market risk, and reinsurance default risk.

The main assumption of the internal models of the Talanx group is that the major risk categories are given by negative developments of the capital market, by the occurrence of large natural perils losses and by the default of counterparties which are possibly linked to the first two assumptions. Based on this assumption the risk scenarios for the risk categories natural perils events, economic scenarios and reinsurance default are group wide identical and pre-defined. This assumption especially defines the dependencies between these three risk categories: that natural perils events have no substantial impact on the world wide economy and that reinsurance default is induced through very large natural perils losses and negative developments in the economy.

Thus, the internal model of HDI Re uses the group wide identical scenarios for a real world economy (including a volatility adjustment), for natural perils losses and for reinsurance default. All of these scenarios are calibrated to fit HDI Re's underlying risk profile. Underwriting risk is estimated individually, making use of the regular actuarial pricing of assumed business - each treaty undergoes such a pricing before it is signed – as well as the quarterly actuarial reserving process. The simulation of the risks is carried out modularly at a reasonable granular and adequate level. Within each risk module, the granularity is reduced step by step until the prognosis at a risk module level is available. For underwriting risk, firstly a gross view is integrated before retrocession reduces the gross risk to net risk.

The internal model of HDI Re is based on a high number of internal data, especially the individual assets, past and current retrocession contracts and contract partners and past loss developments. Wherever beneficial in terms of data quality and data quantity HDI Re also implements external data sources. External data sources are regularly assessed and validated for its appropriateness for HDI Re.

Underwriting risk

Underwriting risk is split into premium risk and reserve risk, with premium risk being further split into natural perils risk and manmade (or other) risk.

The premium risk measures deviations from the final losses to be settled from contracts currently in force to the estimated loss potential when pricing the contracts. The premium risk is estimated by looking at loss frequency and severity distributions, for natural catastrophes by applying the group wide defined scenarios whenever possible. The premium risk is assessed at treaty level before being aggregated to segments and includes all relevant programme conditions, i.e. loss influencing clauses and treaty details.

The natural perils risk is simulated overwhelmingly in licensed software models like AIR Touchstone based on the input data provided by the cedants. As a result these licensed models provide gross event losses from the cedants point of view which after application of the reinsurance treaty parameters and the signed share of HDI Re represent the gross loss for HDI Re.

The reserve risk measures deviations of future loss increases from the estimated best estimate claims provisions. The starting point of the reserve risk calculation are loss triangles and current best estimate claims provisions. The loss triangles are stochastically expanded for one year, resulting in scenarios for the one year reserve development.

Based on the underwriting segments a defined dependency structure is applied to the simulated values, resulting into correlated values across the premium and the reserve risk which are also subject to a dependency structure between premium and reserve risk.

Market risk

The market risk captures developments of the assets but also impacts the risk of liabilities through discounting and currency exchange rates of technical provisions. To simulate the assets, the invested individual assets are compressed to homogenous groups (type of asset, rating, currency). The market values of these groups are then mapped to indices stemming from the economic scenario generator respectively asset portfolio individual fixed income indices.

Reinsurance default risk

Reinsurance default risk is estimated through scenarios of the reinsurance default model based on rating migration of the reinsurers. The rating migration is dependent on very large natural perils loss events and the

economic environment as both effects possibly reduce the available excess funds of the reinsurance counterparties.

Explanation of significant differences between standard formula and internal model risk modules

Both calculation methods, internal model and standard formula, aim to calculate negative developments from the mean of the own funds on a one-year horizon at a security level of 0.5%. Nevertheless, there are substantial differences between the two methods.

The standard formula and internal model both follow a modular approach where each risk module is firstly calculated on a standalone basis, eventually by sub-modules, and then aggregated assuming a dependency structure. The main difference between the two approaches is that the standard formula calculates the risk of each module based on Europe-wide factors and is ultimately volume driven. In contrast, the internal model is calibrated to the individual risks within HDI Re's balance sheet.

The largest difference is within the premium risk, where the standard formula bases its results on volume, and the internal model bases its results on an individual assessment of the single treaties and its contractual obligations. This difference in premium risk automatically impacts the own funds through the risk margin, as premium risk (together with reserve risk and reinsurance default risk) is one important part of the risk margin calculation.

The reserve risk calculation differs, as again the standard formula calculation is purely volume based while the internal model estimates the risk within homogenous risk groups based on individual loss triangles.

The underwriting risk of the standard formula is calculated for premium and reserve risk together, only at a later stage catastrophe risk is added. In the internal model catastrophe risk is part of the premium risk which is calculated separately from the reserve risk and later aggregated. Treaties with natural perils risk are separated from the remaining treaties and form – as part of the premium risk – the catastrophe risk.

In the market risk's internal model one main difference is that European government bonds are not subject to default in the standard formula, contrary to the internal model. Another major difference is that within the standard formula the interest rate risk is based solely on changes of the risk free yield curve, while the internal model also takes into account the interest rate volatility.

Contrary to the standard formula, the internal model includes dependencies and thus diversification effects between risk categories through advanced Copula simulations. The standard formula aggregates risk through the "square-root-formula".

E.4.2 Implementation of the internal model

HDI Re's internal model is embedded in a significant number of management processes, such as risk monitoring and reporting, capital allocation and investment and underwriting decisions. There is no explicit decision to exclude internal model results from a particular management process where the results could be relevant. Consistency across processes is also ensured via direct involvement of the risk management function.

E.5 Non-compliance with the MCR & non-compliance with the SCR

HDI Re's capital adequacy ratio is 171% as of 31 December 2021. The Company is sufficiently capitalized.

E.6 Any other information

There are no further material topics to be disclose under this chapter.

GLOSSARY:

Abbreviation	Description
AAM	Ampega Asset Management GmbH
ABS	Asset backed securities
AC	Audit committee
AF	Actuarial function
AIR	Air Worldwide Catastrophe Modelling
ALM	Asset liability management
AM Best	AM Best Company
AOTP	Actuarial Opinion on Technical Provisions
ARTP	Actuarial Report on Technical Provisions
AuM	Assets under management
BaFin	Bundesanstalt fuer Finanzdienstleistungsaufsicht
BECP	Best estimate for claims provisions
BEPP	Best estimate for premium provisions
BoD	Board of Directors
BOF	Basic own funds
BPS	Basis Points
CAR	Capital adequacy ratio
CBI	Central Bank of Ireland
CC	Compensation committee
CDO	Collateralized debt obligation
CFO	Chief Financial Officer
CLO	Collateralized loan obligation
CR	Combined ratio
CRO	Chief Risk Officer
DAC	Deferred acquisition costs
EBIT	Operating profit
EIOPA	European insurance and occupational pension authority
EPIFP	Expected profit included in future premium
EUR	Euro
FWH	Funds withheld
FX	Foreign Exchange
GTPL	General third party liability
GUG	General Underwriting Guidelines
GWP	Gross written premium
HDI Global	HDI Global SE
HDI V.A.G.	Haftpflichtverband Der Deutschen Industrie V.a.G
HoAF	Head of Actuarial Function
HoC	Head of Compliance
IAS / IFRS	International Accounting Standards / International Financial Reporting Standards
IBNER	Incurred but not enough reported
IBNR	Incurred but not reported

IC	Investment committee
ICS	Internal control system
IM	Internal Model
LoD	Line of defence
LPT	Loss portfolio transfer
LR	Loss ratio
MBS	Market backed securities
MCR	Minimum capital requirement
Mio	Million
MTPL	Motor third party liability
NatCat	Natural Catastrophe
Non Prop	Non-proportional
OCI	Other comprehensive income
OCS	Own credit spread
ORSA	Own risk and solvency assessment
OTC	Over the counter
P&L	Profit and loss
PCF	Pre-approved controlled function
PRISM	Probability Risk and Impact System
Prop	Proportional
PVFP	Present value of future premium
QRT	Quantitative Reporting Template
QS	Quota share
RC	Risk committee
ResQ	ResQ reserving software
RM	Risk margin
RMS	Risk Management System
RSR	Regular supervisory report
RUG	Retrocession Underwriting Guidelines
SCR	Solvency capital requirement
SF	Standard formula
SLA	Service level agreement
SLT	System of limits and thresholds
SNA	Shareholder net assets
TERM	HDI Enterprise Risk Model
TINT	HDI Retail International
TP	Technical provisions
TRB	HDI Reinsurance Broker GmbH
TXD	HDI Retail Germany
TXI	HDI Industrial segment
UC	Underwriting committee
UPR	Unearned premium reserves
VaR	Value at Risk
XL	Excess of loss

Appendix: Annual QRTs

The following listed QRTs are attached as a reference to this report and as per Article 4 (*Templates for the solvency and financial condition report of individual undertakings*) of the Regulation “....laying down implementing technical standards with regards to procedures, formats and templates of the SFCR in accordance with Directive 2009/138/EC”.

Number	Name	Detail
S.02.01.02	BS-C1	Balance Sheet
S.05.01.01	Cover - Geo	P&L per geographical split, top 5 regions
S.05.02.01	Cover - LOB	P&L per LOB split, total basis
S.17.01.02	TP-E1	Technical provisions
S.19.01.21	Triangles	Claims development triangles
S.22.01	Volatility adjustments	Impact of long term guarantees and transitional measures
S.23.01.01	OF	Own Funds
S.25.02.01	SCR	SCR under PIM
S.28.01.01	MCR	MCR

S.02.01.02:BS –C1

Solvency II value

C0010

Assets

Intangible assets	R0030	0.00
Deferred tax assets	R0040	8,222,524.17
Pension benefit surplus	R0050	0.00
Property, plant & equipment held for own use	R0060	15,070.12
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	1,715,547,796.67
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	R0100	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	1,463,384,277.34
Government Bonds	R0140	251,031,744.66
Corporate Bonds	R0150	1,115,358,838.43
Structured notes	R0160	
Collateralised securities	R0170	96,993,694.25
Collective Investments Undertakings	R0180	252,163,519.33
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	15,961,204.27
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	15,961,204.27
Reinsurance recoverables from:	R0270	-1,304,080.31
Non-life and health similar to non-life	R0280	-1,304,080.31
Non-life excluding health	R0290	-1,304,080.31
Health similar to non-life	R0300	0.00
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	0.00

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S.02.01.02:BS –C1.....continued	R0350	42,925,840.00
Deposits to cedants		
Insurance and intermediaries receivables	R0360	57,360,534.06
Reinsurance receivables	R0370	747,109.86
Receivables (trade, not insurance)	R0380	242,733.55
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	48,144,319.52
Any other assets, not elsewhere shown	R0420	0.00
Total assets	R0500	1,887,863,051.92
Liabilities		
Technical provisions - non-life	R0510	1,230,077,751.50
Technical provisions - non-life (excluding health)	R0520	1,233,772,358.23
TP calculated as a whole	R0530	0.00
Best estimate	R0540	1,160,678,537.58
Risk margin	R0550	73,093,820.65
Technical provisions - health (similar to non-life)	R0560	-3,694,606.73
TP calculated as a whole	R0570	
Best estimate	R0580	-4,119,801.66
Risk margin	R0590	425,194.93
TP - life (excluding index-linked and unit-linked)	R0600	
Technical provisions - health (similar to life)	R0610	
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP - life (excluding health and index-linked and unit-linked)	R0650	
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP - index-linked and unit-linked	R0690	
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	

S.02.01.02:BS –C1.....continued

Provisions other than technical provisions	R0750	395,336.99
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	22,672,717.52
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	747,109.86
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	431,517.66
Subordinated liabilities	R0850	217,304,739.85
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	217,304,739.85
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	R0900	1,471,629,173.39
Excess of assets over liabilities	R1000	416,233,878.53 2

S.05.01.01: Cover per LOB splits, Non-life obligations

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)									Line of Business for: accepted non-proportional reinsurance				
		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	Legal expenses insurance	Miscellaneous Financial Loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0020	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C120	C0130	C0140	C0150	C0160	C0200
Premiums Written															
Gross - Direct Business	R0110														
Gross - Proportional reinsurance	0120	-2,895	12,804	53,409	156,321	195,431	460,609	6,506	-2,555	19,284	0	0	0	0	898,912
Gross - Non-proportional Reinsurance	0130	0	0	0	0	0	0	0	0	0	59	0	0	1,928	1,987
Reinsurers' share	R0140	0	0	0	0	4,793	0	0	0	0	0	0	0	0	4,793
Net	R0200	-2,895	12,804	53,409	156,321	190,638	460,609	6,506	-2,555	19,284	59	0	0	1,928	896,106
Premiums earned															
Gross - Direct Business	R0210														
Gross - Proportional reinsurance	R0220	15,995	16,534	80,306	183,602	201,356	467,626	5,208	-8,079	14,555	0	0	0	0	977,103
Gross - Non-proportional reinsurance	R0230	0	0	0	0	0	0	0	0	0	95	37	93	1,762	1,987
Reinsurers' share	R0240	12	0	0	24	4,748	10	1,473	0	0	0	0	0	0	6,266
Net	R0300	15,983	16,534	80,306	183,578	196,608	467,617	3,736	-8,079	14,555	95	37	93	1,762	972,824

S.05.01.01: Cover per LOB splits, Non-life obligations continued

Claims incurred															
Gross - Direct Business	0310														
Gross - Proportional reinsurance	R0320	3,620	2,835	61,595	110,266	156,309	302,629	374	-8,962	18,356					647,023
Gross - Non-proportional	R0330										-264	-34,791	-985	-10,102	-46,142
Reinsurers' share	R0340	-3,181	-31,540	-1,712	-1,707	1,843	-11,580	-784					-359	-6,596	-55,616
Net	R0400	6,801	34,375	63,307	111,973	154,466	314,209	1,159	-8,962	18,356	-264	-34,791	-626	-3,505	656,496
Changes in other technical provisions															
Gross - Direct Business	R0410														
Gross - Proportional reinsurance	R0420														
Gross - Non-proportional reinsurance	R0430														
Reinsurers' share	R0440														
Net	R0500														
Expenses incurred	R0550	6,179	6,205	24,095	45,417	68,402	137,703	1,387	-958	5,533	0	0	0	19	293,982

5.02.01: Geographical, Top 5 regions

	R0010	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premium written								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120		899,106	0	0	0	-96	899,010
Gross - Non-proportional reinsurance accepted	R0130		1,987	0	0	0	0	1,987
Reinsurers' share	R0140		4,793	0	0	0	0	4,793
Net	R0200		896,300	0	0	0	-96	896,204
Premium earned								
Gross - Direct Business	R0210		0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0220		975,482	0	0	0	1,719	977,201
Gross - Non-proportional reinsurance accepted	R0230		1,987	0	0	0	0	1,987
Reinsurers' share	R0240		4,793	0	0	0	1,473	6,266
Net	R0300		972,676	0	0	0	246	972,922
Claims incurred								
Gross - Direct Business	R0310		0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0320		669,217	-7,909	-488	-4,108	-516	656,196
Gross - Non-proportional reinsurance accepted	R0330		-18,698	-1,134	-16,057	-434	-6,213	-42,536
Reinsurers' share	R0340		-14,005	-9,043	-16,545	-4,542	-6,729	-50,864
Net	R0400		664,525	0	0	0	0	664,525
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	3,316	287,884				726	291,926
Other expenses	R1200							
Total expenses	R1300			0	0	0	-96	291,926

S.17.01.02 Non-Life Technical Provisions

		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	Legal expenses insurance	Miscellaneous financial loss
		C0030	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0130
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 as a whole	R0050									
Technical Provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross - Total	R0060	-7,145	-446	2,970	-6,344	-12,915	6,718	-8,663	-2,483	-6,474
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140					-6,615				
Net Best Estimate of Premium Provisions	R0150	-7,145	-446	2,970	-6,344	-6,255	6,718	-8,663	-2,483	-6,474
Claims provisions										
Gross - Total	R0160	2,939	11,788	40,433	93,516	181,538	813,811	-908	27,343	19,454
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240									
Net Best Estimate of Claims Provisions	R0250	2,939	11,788	40,433	93,516	176,181	813,811	-908	27,343	19,454
Total Best estimate - gross	R0260	-4206	11,341	43,412	87,172	168,622	820,529	-9571	24,860	12,980
Total Best estimate - net	R0270	-4,206	11,341	43,412	87,172	169,927	820,529	-9571	24,860	12,980
Risk margin	R0280	418	718	2,839	8,065	11,423	47,237	135	1,474	1,203
TP as a whole	R0290									
Best estimate	R0300									
Risk margin	R0310									
Technical provisions - total										
Technical provisions - total	R0320	-3,788	12,059	46,252	95,237	179,765	867,856	-9,436	26,334	14,183
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330					-1,304				
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	-3,788	12,059	46,252	95,237	181,069	867,856	-9,436	26,334	14,183

S.17.01.02 Non-Life Technical Provisions.....continued

		Accepted non-proportional reinsurance:				Total Non-Life obligations
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	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 as a whole	R0050					
Technical Provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross - Total	R0060	-22	-255	-28	-719	-35,808
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140					-6,661
Net Best Estimate of Premium Provisions	R0150	-22	-255	-28	-719	-29,147
Claims provisions						
Gross - Total	R0160	109	1,142	564	629	1,192,397
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240					5,357
Net Best Estimate of Claims Provisions	R0250	109	1,142	564	629	1,187,010
Total Best estimate - gross	R0260	87	887	536	-90	1,156,559
Total Best estimate - net	R0270	87	887	536	-90	1,157,863
Risk margin	R0280	7	71	30	89	73,519
TP as a whole	R0290					
Best estimate	R0300					
Risk margin	R0310					
Technical provisions – total						
Technical provisions - total	R0320	93	958	566	0	1,230,078
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330					-1,304
Technical provisions minus recoverables from reinsurance/SPV and Finite Re-total	R0340	93	958	566	0	1,231,382

Development year (absolute amount)										
0	1	2	3	4	5	6	7	8	9	10 & +

**Gross Claims Paid
(non-cumulative)**

Development year (absolute amount)										
0	1	2	3	4	5	6	7	8	9	10 & +

**Gross undiscounted
Best Estimate
Claims Provisions**

Year end (discounted data)

S.22.01 Impact of long term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Without transitional on technical provisions	Impact of transitional on technical provisions	Without transitional on interest rate	Impact of transitional on interest rate	Without volatility adjustment and without other transitional measures	Impact of volatility adjustment set to zero	Without matching adjustment and without all the others	Impact of matching adjustment set to zero	Impact of all LTG measures and transitionals
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions	R0010	1,230,078	1,230,078		1,230,078		1,237,567	7,489	1,237,567		7,489
Basic own funds	R0020	633,539	633,539		633,539		626,999	-6,540	626,999		-6,540
Excess of assets over liabilities	R0030	416,234	416,234		416,234		409,694	-6,540	409,694		-6,540
Restricted own funds due to ring-fencing and matching portfolio	R0040										
Eligible own funds to meet Solvency Capital Requirement	R0050	587,493	587,493		587,493		583,902	-3,591	583,902		-3,591
Tier I	R0060	416,234	416,234		416,234		409,694	-6,540	409,694		-6,540
Tier II	R0070	171,260	171,260		171,260		174,208	2,948	174,208		2,948
Tier III	R0080										
Solvency Capital Requirement	R0090	342,519	342,519		342,519		348,415	5,896	348,415		5,896
Eligible own funds to meet Minimum Capital Requirement	R0100	447,061	447,061		447,061		441,052	-6,009	441,052		-6,009
Minimum Capital Requirement	R0110	154,134	154,134		154,134		156,787	2,653	156,787		2,653

S23.01.01: 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 (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	5,000		5,000		
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	235,234		235,234		
Subordinated liabilities	R0140	217,305			217,305	
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	176,000		176,000		
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	633,539		416,234	217,305	
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
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					

S23.01.01: Own Funds continued

Available and eligible own funds						
Total available own funds to meet the SCR	R0500	633,539		416,234		217,305
Total available own funds to meet the MCR	R0510	633,539		416,234		217,305
Total eligible own funds to meet the SCR	R0540	587,493		416,234		171,260
Total eligible own funds to meet the MCR	R0550	447,061		416,234		30,827
SCR	R0580	342,519				
MCR	R0600	154,134				
Ratio of Eligible own funds to SCR	R0620	171.52%				
Ratio of Eligible own funds to MCR	R0640	290.05%				

		C0060		
Reconciliation reserve				
Excess of assets over liabilities	R0700	416,234		
Own shares (held directly and indirectly)	R0710			
Foreseeable dividends, distributions and charges	R0720			
Other basic own fund items	R0730	181,000		
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740			
Reconciliation reserve	R0760	235,234		
Expected profits				
Expected profits included in future premiums (EPIFP) - Life Business	R0770			
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	27,779		
Total Expected profits included in future premiums (EPIFP)	R0790	27,779		

Solvency Capital Requirement - for undertakings using on Full Internal Models

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0090	C0120
1	Market Risk	149,930	0		- None
2	Counterparty default risk	2,825	0		- None
3	Life underwriting risk	0.00	0		- None
5	Non-Life underwriting risk	383,782	0		- None
7	Operational risk (Standard Formula approach)	12,271	0		- None
9	LAC Deferred Taxes	-48,965	0		- None
Calculation of Solvency Capital Requirement				C0100	
Total undiversified components			R0110	499,844	
Diversification			R0060	-157,325	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC			R0160		
Solvency Capital Requirement excluding capital add-on			R0200	342,519	
Capital add-on already set			R0210		
Solvency capital requirement			R0220	342,519	
Other information on SCR					
Amount/estimate of the overall loss-absorbing capacity of technical provisions			R0300		
Amount/estimate of the overall loss-absorbing capacity of deferred taxes			R0310	-48,965	
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 SCR aggregation for article 304			R0440		
				Before the shock	After the shock
Calculation of loss absorbing capacity of deferred taxes				C0110	
DTA			R0600	8,222	
DTA carry forward			R0610		
DTA due to deductible temporary differences			R0620	8,222	
DTL			R0630	-22,673	
LAC DT			R0640		
LAC DT justified by reversion of deferred tax liabilities			R0650		
LAC DT justified by reference to probable future taxable economic profit			R0660		
LAC DT justified by carry back, current year			R0670		
LAC DT justified by carry back, future years			R0680		
Maximum LAC DT			R0690		
				LAC DT C0130	
Calculation of loss absorbing capacity of deferred taxes					
Amount/estimate of LAC DT			R0640	48,965	
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities			R0650	48,965	
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit			R0660		
Amount/estimate of LAC DT justified by carry back, current year			R0670		
Amount/estimate of LAC DT justified by carry back, future years			R0680		
Amount/estimate of Maximum LAC DT			R0690		

S28.01.01: Minimum Capital Requirement (MCR)**Linear formula component for non-life insurance and reinsurance obligations**

MCR calculation Non Life		Non-life activities	
		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		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050	11,341	12,804
Other motor insurance and proportional reinsurance	R0060	43,412	53,409
Marine, aviation and transport insurance and proportional reinsurance	R0070	87,172	156,321
Fire and other damage to property insurance and proportional reinsurance	R0080	169,927	190,638
General liability insurance and proportional reinsurance	R0090	820,529	460,609
Credit and suretyship insurance and proportional reinsurance	R0100	0	6,506
Legal expenses insurance and proportional reinsurance	R0110	24,860	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	12,980	19,284
Non-proportional health reinsurance	R0140	87	59
Non-proportional casualty reinsurance	R0150	887	0
Non-proportional marine, aviation and transport reinsurance	R0160	536	0
Non-proportional property reinsurance	R0170	0	1,928

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Life activities	
		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		
Total capital at risk for all life (re)insurance obligations	R0250		
		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010	224,236	
MCRL Result	R0200		

Linear MCR	R0300
SCR	R0310
MCR cap	R0320
MCR floor	R0330
Combined MCR	R0340
Absolute floor of the MCR	R0350
Minimum Capital Requirement	R0400

C0070
224,325.91
342,519.07
154,133.58
85,629.77
154,133.58
3,200
C0070
154,134