Solvency and Financial Condition Report (SFCR)

2022

HDI Global Specialty SE

Summary

Key figures

Values in EUR thousands	2022	2021
Solvency overview		
Assets	4,201,271	3,108,460
Technical provisions	3,251,935	2,601,416
Other liabilities	548,602	194,029
Excess of assets over liabilities	400,734	313,015
Eligible own funds		
Tier 1 basic own funds (unrestricted)	400,737	313,015
Tier 1 basic own funds (restricted)	-	-
Tier 2 basic own funds	65,973	81,754
Eligible own funds (SCR)	466,706	374,616
Eligible own funds (MCR)	411,609	323,600
Capital requirements		
Solvency Capital Requirement	149,401	123,202
Minimum Capital Requirement	54,379	52,925
Coverage ratios		
Ratio of eligible own funds to SCR (solvency ratio)	312%	304%
Ratio of eligible own funds to MCR	757%	611%

HDI Global Specialty meets the regulatory minimum and solvency capital requirements (hereinafter MCR and SCR) as at the reporting date of 31 December 2022 with a solvency ratio of 312% and fulfilled these requirements throughout the 2022 financial year. The business expansion of HDI Global Specialty is reflected in the key figures.

The principles for calculating the solvency ratio are explained in this document. Section D describes the valuation principles for determining eligible own funds and Section E describes the valuation principles for determining the SCR.

As required by law, the solvency overview has been audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

This report is a mandatory publication pursuant to Section 40 of the German Insurance Supervision Act (VAG).

Note: rounding differences of +/- one unit may occur in all tables.

A. Business Activities and Business Result

HDI Global Specialty conducts property and casualty insurance and reinsurance in the specialty segment. Through its global presence, the use of various distribution channels, the distribution to different customer segments and the activity in all lines of business, the company achieves an effective risk balance. HDI Global Specialty writes individual risk business, but also works with underwriting agencies (insurance brokers). We write our business in Hannover, where the company is headquartered, and in our branches in Brussels (Belgium), London (UK), Copenhagen (Denmark), Milan (Italy), Rotterdam (Netherlands), Stockholm (Sweden), Sydney (Australia) and Toronto (Canada).

Business operations were able to continue in all locations during the different phases of the Corona pandemic without any reduction in benefits.

The gross premium volume in the business year amounts to TEUR 3,135,943 and is with 26.6% significantly above the level of the previous year (TEUR 2,476,189). For the strong growth in premiums, which is in line with our strategy, both new business opportunities were seized and business with existing customers was further expanded. Rate increases also contributed to the premium growth. We consistently terminated business relationships with customers who did not meet our margins. The claims ratio (gross) fell to 63.6% in the financial year (previous year: 66.3%). The decrease in the loss ratio results from the lower burden of major claims and the improved quality of the business in the reporting year. In the past financial year, we achieved an underwriting result for own account of TEUR 64,456 (previous year EURk 46,120). We are satisfied with the development of our investments in the reporting period, also against the background of the effects of the outbreak of war, inflation and supply bottlenecks. The ordinary investment income developed as expected. The financial year ended with a net loss of TEUR 14,980 (previous year: surplus of TEUR 1,226).

Details on business activities and business results can be found in section A.

Apart from the developments listed, there were no significant changes in the business result.

B. Governance System

HDI Global Specialty's governance system is based on a monistic system. The management of the company is carried out by the Board of Directors and the executive directors appointed by it are charged with the day-to-day management of the company. HDI Global Specialty's effective governance system continues to be based on the principle of three lines of defence and continues to enable the company to achieve the objectives enshrined in its business and risk strategy. Written guidelines are available for all significant business transactions. The key functions according to § 26 and §§ 29-31 VAG have been set up, entrusted with the prescribed tasks and provided with the corresponding powers and adequate resources.

Both the internal control system and the risk management system are appropriate to the complexity of the business and the risk profile of the company. The remuneration system is based on the objective of sustainable value development of the company.

In addition to monitoring the internal risk management and control system, the governance system also includes the ORSA process (process of the company's own risk and solvency assessment). The Executive Directors have confirmed the ORSA process carried out for the reporting year and approved the corresponding ORSA report. The Executive Directors of HDI Global Specialty currently see no risks that could jeopardise the continued existence of the company in the short or medium term or have a material and sustained adverse effect on the net assets, financial position and results of operations.

The business model of HDI Global Specialty, cooperation with underwriters and claims representatives, provides for extensive outsourcing. In addition, activities are outsourced in order to achieve synergies within the HDI Group. In line with this, guidelines have been adopted and corresponding processes established. HGS outsources important functions in accordance with the corresponding guidelines. In the reporting period, the company carried out further important outsourcings in the context of the transfer of the German workforce to the Group-internal employee-carrying company HDI AG.

The Board of Directors has mandated the Actuarial, Risk and Compliance Committee and the key function holders to carry out the assessment of the governance system. With the addition of the outsourcing officers of the key functions, they concluded that HDI Global Specialty's governance system is appropriate to the inherent risks of its business activities in nature, scope and complexity.

Section B explains the individual elements of HDI Global Specialty's governance system. At the time of reporting, personnel and structural changes were announced. These are presented in chapter B.8.2. There were no other significant changes in the governance system of HDI Global Specialty.

C. Risk Profile

HDI Global Specialty assumes extensive risks in the course of its business activities. These risks are consciously assumed and actively managed. Specifically, these are underwriting risks in property and casualty insurance, capital market risks, liquidity risks and counterparty default risks. Operational, strategic and reputational risks also arise from business operations. In section C, we describe the cause of these risks and how we deal with them. We also explain how we deal with potential emerging risks.

HDI Global Specialty quantifies risks with the help of the Specialty Internal Model (SIM), which is used for managing the company and also for calculating the regulatory solvency capital requirements. As at 31 December 2022, the solvency capital requirement is shown in the following table.

Solvency Capital Requirement according to the Internal Capital Model – Breakdown according to Risk Categories
Values in EUR thousands

Solvency Capital Requirement	2022	2021
Underwriting risk	151,609	123,171
Underwriting risk - Premium risk	64,604	58,896
Underwriting Risk – Reserve Risk	104,193	87,950
Market risk	70,208	47,204
Counterparty Default risk	46,382	56,688
Operational risk	41,434	41,417
Diversification	**113,314**	109,860
Overall risk (before taxes)	**196,319**	**158,620**
Deferred tax	**46,401**	**35,418**
Overall risk (net of tax)	**149,401**	**123,202**

The business expansion of HDI Global Specialty SE affects all risk categories of the specialty internal model. In addition, higher interest rates increase the market risk and the improved rating of HDI Re has a risk-reducing effect on the counterparty default risk.

Section C explains the risk situation broken down into individual risk categories.

Apart from the developments listed, there were no significant changes in the risk profile..

D. Valuation for Solvency Purposes

For the calculation of the eligible capital, HDI Global Specialty values the assets and liabilities in accordance with the requirements of §§ 74 ff. VAG.

The valuation for solvency purposes is always carried out at fair value (market value). If IFRS values adequately reflect the fair value, these are applied.

Technical provisions under Solvency II differ significantly from the concept of provisions under the German Commercial Code (HGB), both in terms of structure and calculations, see section D.2.

HDI Global Specialty does not currently use any adjustments to the interest rate curves prescribed by EIOPA or any transitional measures pursuant to Sections 80, 82, 351 and 352 VAG.

There were no significant changes in the reporting period.

E. Capital Management

HDI Global Specialty aims to maintain a solvency ratio of at least 120% at all times and thus exceeds the regulatory requirements of 100%. In addition, a threshold value of 138% is defined. If the solvency ratio falls below the threshold, HDI Global Specialty will either consider measures to strengthen its own funds, reduce its risk exposure or both.

The solvency ratio is monitored continuously. Changes in the solvency ratio are taken into account in the planning process, and any changes in the solvency ratio that may be caused by major transactions are reviewed in advance. In the 2022 financial year, the solvency ratio was clearly above the threshold value of 138% at all times. Further information on the determination of the solvency ratio can be found in section E.

Own funds comprise basic own funds, which consist of the excess of assets over liabilities and subordinated loans. No supplementary own funds are used.

HDI Global Specialty's own funds increased in the reporting period. The majority of the total eligible capital is accounted for by the highest quality level (Tier 1). HDI Global Specialty holds the remaining own funds in subordinated loans, which are classified as Tier 2.

The total amount of the solvency capital requirement calculated using the Specialty Internal Model increased by 21.3% in the reporting period. Different effects can be observed in the individual risk categories, which are explained in section E.

HDI Global Specialty uses the internal model to calculate the regulatory solvency capital requirement and is used in a large number of corporate management and decision-making processes. The future development of the solvency and minimum capital requirements is forecast at regular intervals as part of the planning process.

Apart from the developments listed above, there were no significant changes in capital management.

Impact of the war in Ukraine and Corona

The Corona pandemic and the Ukraine-Russia conflict represent significant major loss events for HGS and have a corresponding impact on the technical result in 2022. With regard to the Corona pandemic, effects are to be mentioned in the Line of Business Film and Event Cancellation, and with regard to the Ukraine-Russia conflict, in the Lines of Business Aviation, Political Violence and Marine. The expected losses in Political Violence and Marine Hull are estimated to be rather low. However, there is uncertainty about potential damage exposures from the Ukraine-Russia conflict, especially in the Line of Business Aviation. HGS anticipates a prolonged period of uncertainty as the courts will have to decide whether coverage is available under the existing policies. The business operations of HGS and its internal and external outsourcing partners were able to continue virtually unchanged in the home office during the Corona pandemic and now under the "New Work" approach. Continuous automation and process optimisation at HGS facilitated the change in working practices at the beginning of the pandemic and accelerated it as it progressed.

Impact of inflation

During the past financial year, a particular inflationary environment was observed in the market. HGS countered this with adjusted assumptions in its pricing and reserving practices. Relevant inflation indices were determined for the actuarial analyses of the individual lines of business, which reflect the past inflation in the segments. Depending on requirements, a single index or a weighted average of different indices can be used. Furthermore, additional inflation effects that are sometimes not captured in economic indices can be included. Due to the annual renewal of the main business of HGS, inflationary developments are continuously taken into account in the pricing process. A continuous adjustment of the sums insured as well as premium agreements based on turnover or earnings are common practice, especially with commercial clients. In this way, inflation was countered even with unchanged rates.

The usual actuarial reserving methods based on claims triangles project inflation from the claims experience of previous years into the projected claims payments. In this respect, inflation is regularly implicitly taken into account in the loss reserves. Several analyses in the financial year showed that the projected increase in the reserves in all relevant scenarios is relatively low and could be more than offset by the current resilience in the reserves.

Effects of the rise in interest rates

As part of its risk management processes, HGS is monitoring the impact of the changed interest rate environment, particularly on counterparty default risk and underwriting risk. Apart from the increased volatility, HGS is currently not aware of any other consequences.

A. Business Activities and Business Result

A.1 Business Activities

A.1.1 Business Model

HDI Global Specialty generated a gross premium volume of around TEUR 3,135,943 in the 2022 calendar year, which is significantly above the previous year's level of TEUR 2,476,189. We conduct our business in the non-life insurance and reinsurance market segment.

We write individual risk business, but also work together with underwriting agencies (insurance companies). In addition to our head office in Hannover, we write our business in our branch offices in London (UK), Stockholm (Sweden), Sydney (Australia) and Toronto (Canada), Milan (Italy), Copenhagen (Denmark), Brussels (Belgium) and Rotterdam (Netherlands). Our strategy focuses on more short-tail business. In addition, we also offer special covers in the niche area. All our business activities are focused on being the best possible option for our business partners when choosing a primary insurance partner. Therefore, our focus is on the customer and his concerns.

For the benefit of our customers and our shareholders, we achieve competitive advantages by operating our insurance business with lower administrative costs than our competitors. On the one hand, this enables us to achieve above-average profitability and, on the other, to offer our customers primary insurance cover at competitive conditions.

By broadly diversifying our portfolio, we achieve an effective risk balance. In doing so, we make sure that the various risks are not fully correlated across countries.

Based on a clearly defined risk appetite, we manage HDI Global Specialty to seize business opportunities while safeguarding our risk-bearing capacity in the long term.

To complement our core business of primary insurance, we conduct reinsurance business in selected market segments and niches.

In the non-life insurance and reinsurance market segment, we see ourselves as a reliable, flexible and innovative partner. Effective cycle management and excellent risk management are key elements of our competitive positioning.

A.1.2 Results of Operations and Major Business Transactions

In the 2022 financial year, the markets continued to harden so that we were able to benefit from rising rates in some segments and take advantage of opportunities for profitable insurance business overall. Overall, we applied a risk-adequate and selective underwriting policy. Fortunately, we were able to significantly increase premium income compared to the previous year.

The gross premium volume in the business year amounts to TEUR 3,135,943 and is 26.6% above the level of the previous year (TEUR 2,476,189). The direct insurance business continues to account for the largest share with TEUR 2,705,610 (previous year TEUR 2,200,597). To supplement our business, we also assumed a moderate amount of reinsurance business. We wrote gross premiums of TEUR 430,333 (previous year: TEUR 275,593) for the reinsurance business assumed.

Due to strong growth in Germany, the share of business conducted by the international branches fell to 69.5% (previous year: 74.2%) compared to the previous year. The international branches achieved an absolute premium volume of TEUR 2,178,742 (previous year: TEUR 1,837,000), thus continuing to represent a significant share of gross premium income and reflecting the international orientation of the company.

We wrote premiums of TEUR 884,985 (previous year: TEUR 730,474) through our branch office in London in the reporting year. For the strong premium growth, which is in line with our strategy, new business opportunities were seized and business with existing clients was further expanded. Rate increases also contributed to the premium growth. We have consistently terminated business relationships with customers who did not meet our margins. The Stockholm branch wrote gross premiums of TEUR 525,028 (previous year: TEUR 469,275) in the 2022 financial year, thus further expanding its market position. At the Hanover branch, we were able to significantly expand our business in line with previous years and wrote gross premiums of TEUR 957,201 (previous year: TEUR 639,227). The pleasing development of the previous year continued for our Sydney location in the 2022 financial year, which is reflected in particular in an increase in gross premiums written from TEUR 280,374 to TEUR 323,521. Our Canadian branch office based in Toronto also recorded a dynamic increase in gross premiums written to TEUR 213,043 (previous year: TEUR 170,020). Our branch in Italy was able to significantly increase its premium volume. The premium volume increased by TEUR 5,594 to TEUR 36,203 (previous year TEUR 30,608) in the reporting year. The branches in the Netherlands, Belgium and Denmark also contributed to the premium growth in the reporting year. The branch in the Netherlands was able to significantly expand its business by TEUR 82,754 (previous year TEUR 64,867). The branch in Belgium was able to increase premiums by TEUR 3,195 to TEUR 38,139 (previous year TEUR 34,944). The branch in Denmark was able to significantly increase its premium volume by TEUR 55,609 (previous year TEUR 42,894).

Gross earned premiums amounted to TEUR 2,849,536 (previous year TEUR 2,238,102), earned premiums for own account to TEUR 239,755 (previous year TEUR 161,198).

The balance sheet loss ratio (gross) fell significantly in the financial year to 63.6% (previous year: 66.3%). The claims burden continues to be characterised in particular by major loss events, while the quality of the business was also improved in the reporting year.

The gross expenses for insurance claims amount to TEUR 1,813,475 (previous year: TEUR 1,483,797).

Gross operating expenses increased in line with expectations, roughly in proportion to the volume of business, and amounted to TEUR 830,448 (previous year TEUR 650,723) or 29.1% (previous year 29.1%).

The combined ratio (gross) is 92.7% (previous year 95.4%).

In accordance with legal regulations, we have allocated an amount of TEUR 23,809 (previous year TEUR 8,316) to the equalisation reserve and similar reserves. The balance sheet value of the equalisation reserve and similar provisions thus amounts to TEUR 86,157 (previous year TEUR 62,348). The observation period on which the calculation of the equalisation reserve is based has been filled with the loss ratios from the BaFin tables published for the insurance industry, as far as necessary in accordance with the legal regulations.

In the year under review we continued to cede a large portion of our business within the Talanx Group. In addition, we also use external reinsurance to a small extent to optimally manage our risks.

Taking reinsurance into account, we generated an underwriting result for own account of TEUR 64,456 (previous year: TEUR 46,120).

Current income from investments amounted to TEUR 8,240 (previous year TEUR 6,869) in the reporting year, of which TEUR 8,058 (previous year TEUR 6,868) was attributable to current interest income from other investments.

The result from the disposal of investments amounts to TEUR -1,333 (previous year TEUR 520) and consists of gains from the disposal of investments amounting to TEUR 547 (previous year TEUR 1,175) and losses from the disposal of investments amounting to TEUR 1,880 (previous year TEUR 655).

Depreciation on investments amount to TEUR 1,078 (previous year: TEUR 2,249) and relate to bearer bonds and other fixed-income securities valued strictly at the lower of cost or market. The depreciation on investments for which depreciations were made in the previous year amount to TEUR 0 (previous year TEUR 0).

In the financial year, the management of investments caused expenses of TEUR 1,148 (previous year: TEUR 1,259). In total, the investment result amounts to TEUR 4,850 (previous year TEUR 3,881).

The other result consists of other income of TEUR 33,723 (previous year TEUR 23,160) and other expenses of TEUR 110,258 (previous year TEUR 68,869), resulting in a net loss of TEUR 76,535 (previous year loss TEUR 45,709) as other result.

The financial year ended with a net loss of TEUR 14,980 (previous year: net profit of TEUR 1,226). An amount of TEUR 0 (previous year TEUR 61) was allocated to the legal reserve in accordance with § 150 AktG. An amount of TEUR 2,075 was withdrawn from the capital reserve in accordance with § 272 Para. 2 No. 4 HGB. The balance sheet profit amounts to TEUR 1,925 (previous year TEUR 14,831).

A.1.3 Registered office, supervisor and auditor

HDI Global Specialty is a European public limited company, Societas Europaea (SE), which has its registered office at HDI-Platz 1, 30659 Hanover, Germany, and is entered in the Commercial Register of the Hanover Local Court under the number HRB 211924. In the reporting period, 100% of the shares in HDI Global Specialty were held by HDI Global Specialty Holding GmbH, Hanover.

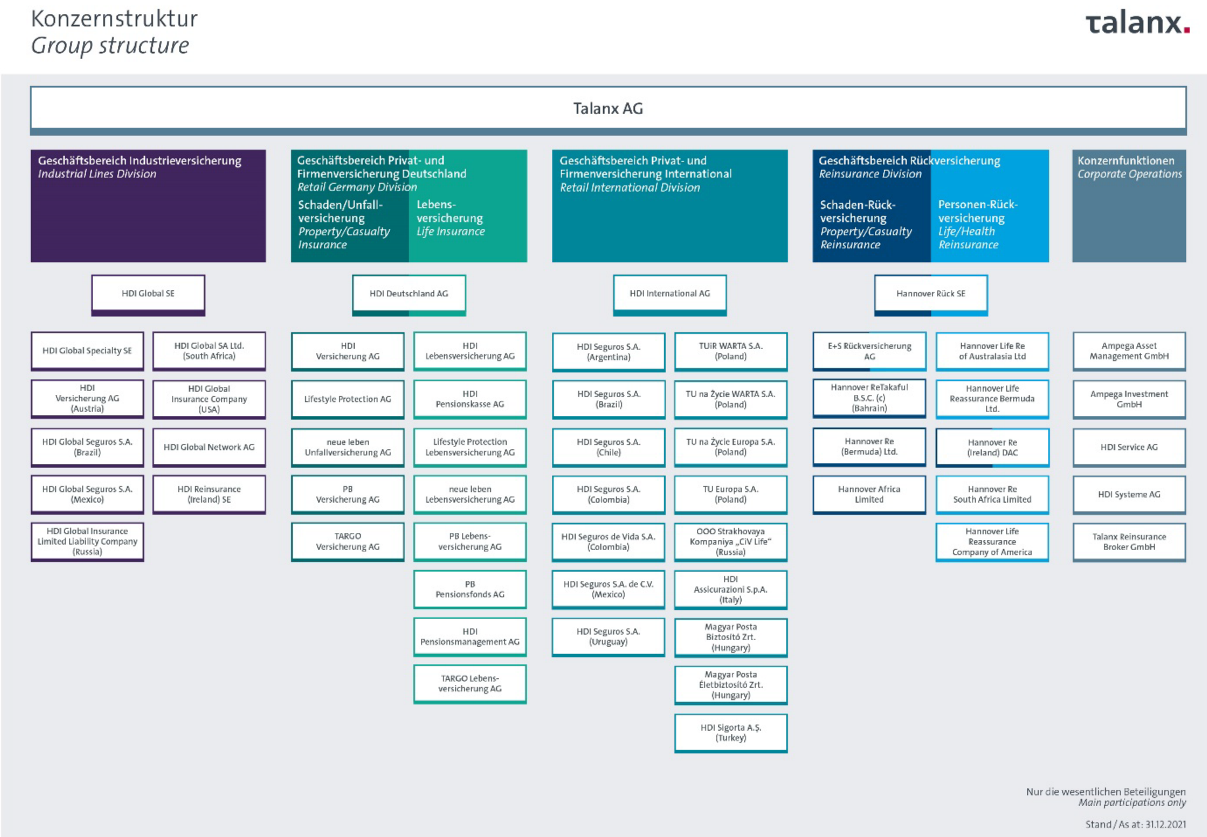
HDI Global Specialty is supervised by the Federal Financial Supervisory Authority (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany, as the competent supervisory authority.

The appointed auditor of HDI Global Specialty within the meaning of § 318 of the German Commercial Code (HGB) is Pricewater-houseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Fuhrberger Straße 5, 30625 Hanover, Germany.

A.1.4 Group structure

The present report refers to HDI Global Specialty as an individual company. Since HDI Global Specialty was integrated as a subsidiary in a group in the reporting period, we provide information on the group structure in this section.

Talanx Subsidiaries (Selection as of 31 December 2022)



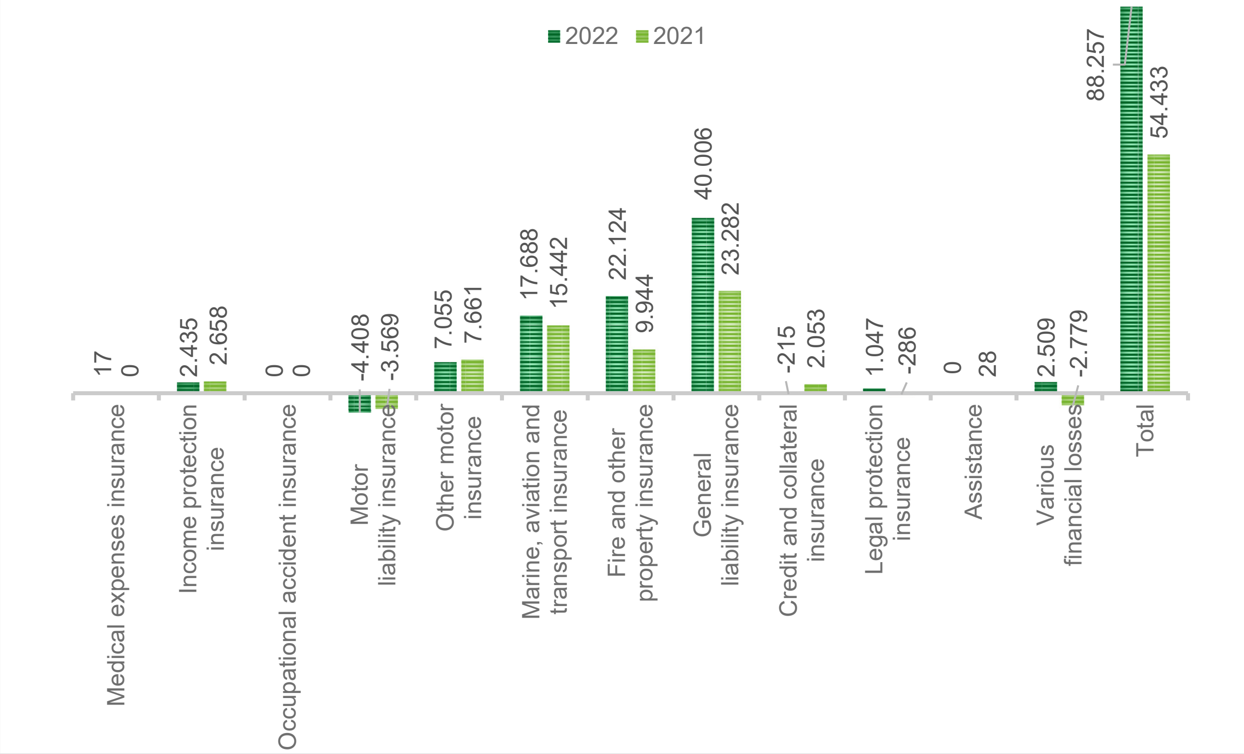
The Talanx Group is active in the business areas of industrial insurance, private and corporate insurance Germany, private and corporate insurance International, reinsurance and asset management. The Group, headquartered in Hannover, is active in more than 150 countries. The Group companies operate under various brands. These include HDI with insurance for private and corporate clients as well as industrial clients, Hannover Re, one of the world's leading reinsurers, neue leben, PB Versicherungen and TARGO Versicherungen, which specialise in bank sales, and Ampega as a fund provider and asset manager..

A.2 Underwriting Performance

In the 2022 financial year, HDI Global Specialty achieved an underwriting result before changes in the equalisation reserve and similar provisions of TEUR 88,257 with net premiums earned of TEUR 239,755 and underwriting expenses of TEUR 151,498.

The following breakdown of the technical result (net) as at 31 December 2022 is provided by Solvency II lines of business:

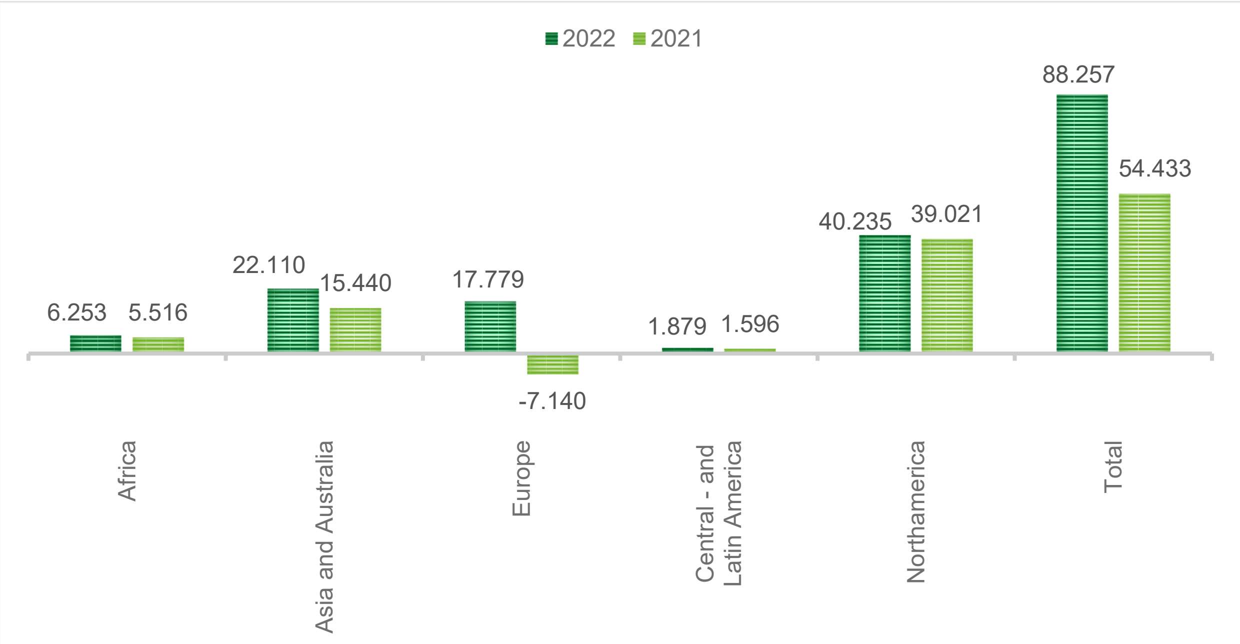
Underwriting result (net) – breakdown according to Solvency II lines of business in EUR thousands



The main value drivers of the underwriting result in 2022 were primarily the general liability (TEUR 40,006), fire and other property insurance (TEUR 22,124) and marine, aviation and transport insurance (TEUR 17,688) lines. Motor third party liability insurance (TEUR 4,408) contributed with a negative result.

Broken down by geographical region, the net underwriting result is as follows:

Underwriting Result (net) – Breakdown according to Geographical Region in EUR thousands



Measured in terms of the total underwriting result, the main value contributions of HDI Global Specialty in 2022 were generated in the regions of North America (TEUR 40,235), Asia and Australia (TEUR 22,110). After a negative result in the previous year, Europe (TEUR 17,779) also contributed a positive result in 2022.

A.3 Investment Performance

As an insurance company, we naturally focus primarily on maintaining the value of our investments and attach great importance to the stability of the returns generated from them. For this reason, we base our investment portfolio on the principles of a balanced risk/return ratio and broad diversification. With an overall low-risk mix, our investments reflect both the currency and maturity composition of our liabilities. Our portfolio is mainly composed of fixed-interest securities; there are no investments in securitisations. Consequently, our market risk consists mainly of credit, spread and currency risks.

The development of our investments in the reporting period was in line with our expectations. Although the year under review was again a challenging year in view of the continuing low interest rate level and a global economic development characterised by various uncertainties and risks, we were spared defaults in our fixed-interest portfolio. Ordinary investment income developed in line with our expectations. The result from the sale of investments is mainly due to our normal business activities.

The following overview shows how the investment result of HGS according to the German Commercial Code (HGB) is broken down into the individual asset classes according to Solvency II and what share income and expenses have in each case.

Investment Income

	2022			2021		
Values in EUR thousands	Ordinary income	Gains on disposal	Reversals of impairment losses	Ordinary income	Gains on disposal	Reversals of impairment losses
Government bonds	2,618	361	-	1,821	307	-
Corporate bonds	3,709	186	-	4,080	869	-
Collective investments undertakings	1,372	-	-	898	-	-
Deposits other than cash equivalents	108	-	-	12	-	-
Total	**7,807**	**547**	**-**	**6,811**	**1,176**	**-**

Investment Expenses

	2022		2021	
Values in EUR thousands	Depreciation	Losses on disposals	Depreciation	Losses on disposals
Government bonds	519	941	740	264
Corporate bonds	559	936	1,508	392
Total	**1,078**	**1,879**	**2,248**	**656**

HGS does not recognise any gains or losses directly in equity.

A.4 Development of other activities

A.4.1 Other income and expenses

The following tables depict the other income and expenses. They are disclosed under HGB.

Other Comprehensive Income

Values in EUR thousands	2022	2021
Other income	33,723	23,106
Other expenses	110,258	68,869
Other Comprehensive Income	**-76,535**	**-45,709**

Other income mainly includes income from exchange rate changes and income from service contracts.

Other expenses include expenses from exchange rate changes, which partially offset the income. Furthermore, other expenses are largely made up of IT expenses, personnel expenses and depreciation and amortisation.

A.5 Other Disclosures

There are no other disclosures that have a material effect on the business activities and performance of HGS.

B. Governance system

B.1 General information on the governance system

B.1.1 Governance Structure

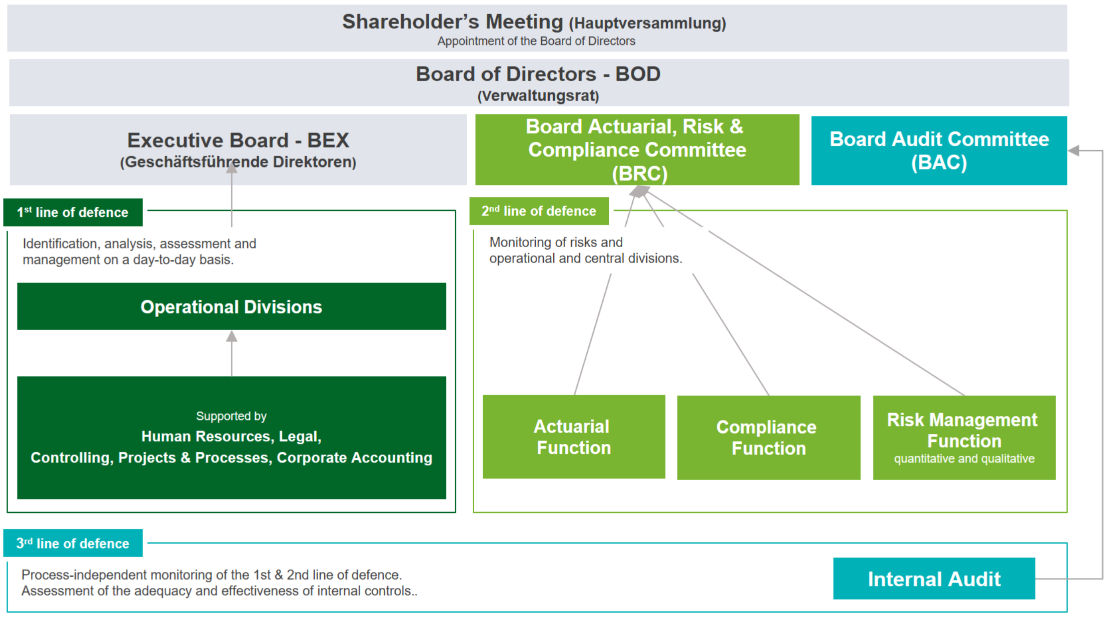
Since 2 March 2020[1], the governance system of HDI Global Specialty has been based on a modern or one-tier system. Accordingly, the administrative and supervisory body of HDI Global Specialty SE is composed of a Board of Directors. The Board of Directors manages the company and appoints the Executive Directors of HGS. The Board of Directors delegates the day-to-day management of HGS to the members of the Executive Board (BEX), on which the Executive Directors are represented.

The Executive Board is part of the company's governance system. The BEX supports the Board of Directors in fulfilling its responsibility for implementing the company's strategy and business plan and for managing its operations.

In HDI Global Specialty's business policy, the principle of "delegation of responsibility" exists to delegate decision-making opportunities to the lowest possible functional level. For the purpose of support and delegation of tasks and responsibilities, the Board of Directors has established the Board Actuarial, Risk & Compliance Committee (BRC). The three key functions - risk management, compliance and actuarial - report to the BRC and directly to the Board of Directors. In addition, the Board Audit Committee (BAC) was established on 01.01.2022 to focus on internal and external audit topics. BEX, BRC and BAC ensure detailed reporting by the individual departments.

The business organisation of HDI Global Specialty is appropriately structured according to the risk situation and the business model. The appropriateness of the governance system was reviewed and confirmed by the BRC in the reporting period with the involvement of the key functions and the outsourcing officers.

The following overview shows the interaction of the key elements of the business organisation:



[1] BaFin approval 9 January 2020

The organisation and interaction of the individual functions are decisive for the internal risk management and control system of HDI Global Specialty and appropriate to the risk profile.

The first line of defence assumes risk management and risk responsibility at the level of the specialist departments, whereas risk management in the second line of defence is performed by the Actuarial-, Compliance and Riskmanagement function. The difference between the two lines is that the specialist departments take the primary risks and the three key functions monitor risks across the divisions. In the third line of defence, Internal Audit performs process-independent monitoring as instructed by the Board of Directors.

All functions are closely interlinked and the roles, tasks and reporting channels are clearly defined in the sense of the so-called three lines of defence.

Board of Directors

The Board of Directors of HGS consists of four members, including the Chief Executive Officer of HGS. The other Executive Directors, i.e. the Chief Risk Officer (CRO; from 2023 Chief Operating Officer (COO)), Chief Financial Officer (CFO), Chief Marketing Officer (CMO) as well as the Chief Innovation Officer (CINO) attend the meetings of the Board of Directors as guests. In the past reporting period, the Board of Directors held four ordinary and one extraordinary Board meeting.

One of the main tasks of the Board of Directors is to manage the company, to set the basic principles for its operations and to oversee their implementation. The Board oversees the activities of the Executive Directors and works with the Executive Board to ensure long-term succession planning. The Board of Directors decides in its entirety, in particular on fundamental questions of organisation, business policy and corporate planning. It also decides on measures to establish and monitor an effective internal control system, risk management and the internal audit system. The supervisory tasks include the review of the accounting process. Another task of the Board of Directors is the supervision of the audit of the annual financial statements. The Board of Directors not only examines the annual financial statements, the management report and, if applicable, the proposal for the appropriation of profits, but also appoints the auditor and submits the audit proposal.

In addition, the Board of Directors has approval rights for certain measures and transactions of the Executive Directors, which must be approved exclusively by the Board of Directors. These include, for example, the change of strategic principles, the adoption of the annual profit plan or the conclusion or termination of inter-company agreements and major cooperation agreements..

Executive Board/Executive Directors

The Executive Board of HDI Global Specialty SE is composed of five members. The members of the Executive Board are the Executive Directors. As a rule, regular monthly meetings are held during the calendar year, which may be supplemented by extraordinary meetings or by resolutions passed by circulation procedure as required.

The Executive Directors are assigned to departments for which each director is responsible. This results in an obligation for each Director to inform the other Directors about important business transactions and developments in the respective area of responsibility. The distribution of tasks between the Executive Directors is laid down in the business distribution plan of HDI Global Specialty as at 31 December 2022 as follows:

Chief Executive Officer	Chief Financial Officer	Chief Risk Officer	Chief Marketing Officer	Chief Innovation Officer
Ralph Beutter	Thomas Stöckl	Andreas Bierschenk	Richard Taylor	Thomas Barenthein

(Member of the Board of Directors and Chairperson of the Executive Board) Underwriting (medium & long tail classes) Claims (claims processing) Human Resources Management (personnel) Internal Audit	Asset Management Facility Management Finance & Accounting, Technical Accounting Financial Planning & Analysis (Controlling) Information Technology Project & Process Management	Compliance Legal Risk Management & Actuarial Delegated Authority Control & Audit Reinsurance (ceded reinsurance)	Managing Director UK branch Underwriting (short tail classes) Marketing & Distribution (incl. HDI Global Specialty brand) Coordination and Integration of HDI Global Network Product Development	Managing Director Sweden branch Innovation

One of the main tasks of the Executive Directors is to report to the Board of Directors. The Board of Directors is informed in writing about the company's business development and risk situation. The BEX manages the day-to-day operations of the company, develops the company's strategy, business and financial plans and proposes the risk appetite to the Board. In addition, the BEX is responsible for implementing the effective and appropriate internal control framework to manage the risks of the Company and reviews the operational and financial performance of the Company. In its role, it also ensures that there are effective and clear structures and reporting arrangements within the Company in line with its corporate governance framework.

Board Audit, Risk & Compliance Committee

The Board Actuarial, Risk & Compliance Committee (formerly Board Audit, Risk & Compliance Committee) assists the Board of Directors by providing advice, making recommendations and conducting assessments in relation to the risk management, actuarial and compliance function of HGS. In addition to members of the Board of Directors, the key function holders & CFO may advise on individual items. In this context, the Board Actuarial, Risk & Compliance Committee advises the Board of Directors on the implementation of risk mitigating measures that are in line with HDI Global Specialty's business strategy and business plan. Furthermore, the BRC supports the Board of Directors in ensuring the effective implementation of the risk management system and in conducting the annual assessment of the business organisation. In addition, the BRC deals with risk aspects in guidelines and directives.

Board Audit Committee

As a result of the regulations of the Financial Market Integrity Strengthening Act (FISG), the Board of Directors established an audit committee, the Board Audit Committee (BAC), during the reporting period. The BAC supports the Board of Directors by advising in discussions, making recommendations or decisions where appropriate and making assessments in relation to internal and external audits. Previously, these issues were dealt with by the Board Audit, Risk & Compliance Committee. This committee remained in place but was renamed the Board Actuarial, Risk & Compliance Committee and deals with the topics of the actuarial function, risk management function and compliance function. Members of the BAC are appointed by the Board of Directors and is composed of three members of the Board of Directors, two of whom are not members of the Executive Board.

Key Functions

HDI Global Specialty has four key functions. These are the Compliance function, Risk Management function, Actuarial function and Internal Audit. The key functions have been appropriately resourced to effectively perform their duties. The key functions report directly to the Board of Directors and provide both regular and ad-hoc reports on their activities and internal assessments. Written guidelines assign tasks to the key functions and provide the necessary authority to fulfil the requirements. The operational independence of the key functions is ensured with the help of the three distribution lines within the business organisation.

In the reporting period, the transfer of operations of the employees of the German location of HDI Global Specialty to HDI AG was completed. This was accompanied by a further spin-off of the key functions. Their tasks are performed by the employee-carrying company HDI AG on the basis of service contracts. Outsourcing officers were appointed at the level of the Executive Directors to supervise the key functions. There were no changes in the persons responsible at the service provider during the reporting period.

The respective main tasks and responsibilities are described in more detail in chapters B.3.1.3, B.4.2, B.5 and B.6..

Important Changes

During the reporting period, personnel and structural changes were addressed with regard to the persons with key tasks who actually manage the company as well as with regard to the persons with other key tasks/functions. The changes coming into effect on 01.01.2023 and 01.03.2023 are described in chapter B.8.

B.1.2 Remuneration Policy

The remuneration strategy of HDI Global Specialty as a subsidiary of Talanx is geared to the goal of sustainable value development of the company and the Group. The remuneration structure and the remuneration regulations of HDI Global Specialty are integrated into the remuneration organization of the Talanx Group.

B.1.2.1 Remuneration of the Executive Directors & Members of the Board of Directors

The amount and structure of the remuneration of the Executive Directors and members of the Board of Directors of HDI Global Specialty are based on the size and activity of the company, its economic and financial situation, its success and its future prospects as well as the customary level of remuneration, taking into account the peer environment (horizontal) and the remuneration structure that otherwise applies in the company and the Group (vertical). The remuneration is also based on the tasks of the respective Executive Director or Board member, his personal performance and the performance of the Board as a whole.

Aligned with these objectives, the remuneration system for the executive directors has two components: Fixed salary/benefits in kind and variable remuneration. The variable remuneration takes into account both positive and negative developments. Overall, the remuneration is calculated in such a way that it takes into account the sustainable development of the company and is in line with the market and competitive. The remuneration model provides for a percentage split between fixed and variable remuneration in the event of target achievement. The remuneration for the members of the Board of Directors (who are not executive directors) consists of a fixed remuneration.

The performance-related remuneration (variable remuneration) depends on certain defined results and the achievement of certain targets. The targets vary depending on the function of the Executive Director or Board member concerned. The variable remuneration consists of a short-term variable remuneration, the annual cash bonus and a long-term share-based remuneration, the so-called Share Award Programme. The remuneration is determined by the Board of Directors..

B.1.2.2 Remuneration of the Board of Directors

The members of the Board of Directors are reimbursed for expenses incurred in the performance of their duties. The Chairman of the Board of Directors (currently Ulrich Wallin) also receives a fixed annual remuneration from the company. The other members of the Board of Directors are remunerated through their remuneration at other Talanx Group companies.

B.1.2.3 Remuneration of employees and executives

The remuneration system for managers below the Board of Directors and the Executive Directors consists of a fixed annual salary and variable remuneration. This consists of a short-term variable remuneration, the annual cash bonus, and a long-term share-based remuneration, the so-called Share Award Programme.

Employees at the Chief Manager, Senior Manager and Manager levels also have the opportunity to participate in a variable remuneration system through the Special Performance Bonus (SPB). The SPB is a remuneration model linked to the performance of HDI Global Specialty SE, which was introduced in 2021 and is based on the previous Group Performance Bonus (GBP) system, which was taken over from Hannover Re at the time.

For employees of the HDI Global Specialty branch in London below management levels 2 and 3, the remuneration system consists of a short-term variable remuneration in addition to the fixed annual salary. The bonus payment depends on the branch's results and the employee's individual target achievement. Depending on the employee's classification, the bonus payment amounts to a maximum of 20% to 60% of the base salary.

Employees of the HDI Global Specialty branch in Stockholm below management levels 2 and 3 receive a fixed annual salary and have the opportunity to participate in a variable remuneration system through the "Profit Sharing Scheme". The bonus payment depends 40% on the economic result of the Scandinavian branch as a whole and 60% on the result of the division for which the employee works.

B.1.3 Major Transactions with Affiliated Companies and Individuals in the Reporting Period

HGS has not entered into any material transactions with persons exercising significant influence over the company and members of the Board of Directors or the executive directors.

HDI Global Specialty increased its stake in Svedea AB (Sweden) from 76.5% to 100% during the period under review and is now the sole owner of the company.

In order to exploit synergies within the Talanx Group, HDI Global Specialty procures services from Group companies, e.g. in the areas of information technology and asset investment and management. A large part of the gross business is ceded within the Group to companies in Germany and abroad...

B.2 Requirements for Professional Qualification and Personal Reliability

On 28 October 2020, the framework guideline of HDI Global Specialty for satisfying the Fit & Proper requirements was adopted by the Executive Board.

B.2.1 Description of requirements

The professional qualification (fitness) of the individuals with key tasks is measured by an occupational qualification that is appropriate for the respective position as well as the knowledge and experience required for sound and prudent management and the fulfilment of the position. The appropriateness is assessed on the basis of the principle of proportionality and takes into account the risks specific to the company as well as the type and scope of the business operations. Specific "fitness" requirements need to be complied with, which result from the existing supervisory practice for individuals who actually run the company and for members of the Board of Directors. Collective "fitness" requirements are defined for mutual control. The requirements for the professional qualifications of holders of key functions are closely linked to the specific nature of the respective governance task.

Regarding their personal reliability (propriety), individuals with key tasks must be responsible and behave with integrity and carry out their activities in a conscientious manner and with due diligence. There must be no conflicts of interest and, prior to the appointment, the person must not have proven unreliable through criminal acts. There is no need to positively prove personal reliability. It will be assumed as long as no facts are discernible that give rise to assume unreliability. Unreliability will only be assumed if personal circumstances based on general life experience justify the assumption that they may impair the careful and proper performance of the function.

For HDI Global Specialty, regarding the group of individuals with key tasks, a distinction is made between persons who

- actually manage the company (Board of Directors; Executive Directors; Branch Managers), including chief representatives of a EU/EEA branch and loss adjustment representatives);
- have other key tasks (holders of one of the Compliance, Internal Audit, Risk Controlling or Actuarial key functions, individuals who have a significant influence on corporate decisions).

These persons are required to demonstrate their professional qualifications in various fields under due consideration of their different roles:

- Training
- Practical knowledge
- Leadership experience
- Language skills
- Knowledge with reference to the respective
- Key function task
- Collective requirements
- Necessary expertise

If key tasks are outsourced, general requirements for them are defined in the Outsourcing Guideline. HDI Global Specialty ensures that those persons of the service provider that are responsible for the key task are sufficiently qualified and personally reliable. To this end, HDI Global Specialty appointed an Outsourcing Officer in compliance with the supervisory requirements, who is obliged to notify the supervisory authority as the person responsible for the respective key function in the company. The supervising Outsourcing Officer is responsible for the proper performance of the tasks connected with the outsourcing of the key task.

B.2.2 Assessment Procedures

The requirements and reporting processes vis-à-vis the supervisory authority correspond to the current standard processes based on the *BaFin* bulletins on professional suitability and reliability.

According to the framework guideline for fulfilling the Fit & Proper requirements, persons who actually run the company or have other key tasks are requested before their appointment for relevant positions to submit a detailed curriculum vitae, and a requirements profile is compiled which lists and describes the proof to be furnished of necessary qualifications. The framework guideline includes a checklist in its note for reviewing the Fit & Proper requirements of these persons.

The requirement profile comprises proof of the following minimum requirements:

Description of the position with key tasks:

- Service catalogue (job description)
- Decision-making and instruction powers
- Extent of personnel responsibility

Professional qualification (general):

- Level of education (commercial or job-specific training,
- university degree or professional standards. e.g. for auditors or actuaries)
- Knowledge and understanding of the corporate strategy
- Knowledge of the governance system
- Knowledge of foreign languages, at least English and, if possible, another foreign language

Professional qualification (depending on position):

- Industry expertise
- Knowledge and understanding of the business model
- Ability to interpret accounting and underwriting figures
- Knowledge and understanding of the regulatory framework conditions affecting the company
- Expertise in personnel management, employee selection, succession planning

To assess the qualification for the allocation of tasks, a detailed curriculum vitae is requested before a position is filled and a requirements profile is specified, which contains proof of defined minimum requirements. If parts of the requirement profile are not fulfilled when making a new appointment, a substantiation will be documented in writing. To ensure ongoing compliance with the relevant requirements, the requirements profile is reviewed every five years by the responsible organisational unit.

In case of major changes in the underlying input parameters, compliance with the catalogue of requirements is checked within the framework of the assessment that is carried out as and when required. A distinction is made between characteristics associated with the person and those associated with the position.

The audit and control processes are summarised in an overview, which contains the interval of the review of the requirements profile and the responsibility for auditing and reporting obligation regarding the individuals who actually run the company and the persons who have other key tasks. Responsibility for the Fit and Proper process lies with the staff of the Board of Directors Member Ralph Beutter.

B.3 Risk management system, including the company's own risk and solvency assessment

B.3.1 Risk management system, including Risk Controlling function

B.3.1.1 Strategy implementation

Our corporate strategy defines the principles that enable us to realise our vision of being a top provider of special insurance recognised for its expertise. HGS should be characterised by solution-oriented and excellent service for its business partners. High-performing employees should find an attractive workplace with the necessary freedom to act. With efficient processes and a responsible and transparent organization, HGS aims to achieve a sustainable competitive position for the Talanx Group in the top quartile of the most profitable specialty insurers. Within the Talanx Group, HGS finds its preferred reinsurance partners in the following areas.

We derive our risk strategy from the corporate strategy. The main strategic points of reference for our risk management are the following principles of the corporate strategy:

- We actively manage risks.
- We provide adequate capital resources.
- We focus on risk culture, corporate governance and compliance.

The risk strategy further specifies the objectives of risk management and documents our understanding of risk. We have defined ten overriding principles in the risk strategy:

1. We comply with the risk appetite set by the Board of Directors.
2. We incorporate risk management into the decision-making processes of the company.
3. We promote an open risk culture and the transparency of the Risk Management System.
4. We support HDI Global SE in meeting the requirements of the rating agencies.
5. We fulfil the regulatory requirements.
6. We act under due consideration of materiality and proportionality.
7. We apply appropriate quantitative and qualitative methods.
8. Through our organisational structure we ensure that the individual functions are separated from each other.
9. We use appropriate methods to manage our risks.
10. We continuously develop ourselves in order to adequately address changes in our risk profile.

Our risk strategy identifies our core risks, risk-bearing capacity and risk tolerance. It is the central element for our handling of risks. We review the risk strategy, the risk register, the guidelines for managing operational and reputational risks, the underwriting guidelines, the capital investment guideline as well as the limit and threshold system and the risk and capital management guideline at least once a year. In this way, we ensure that our risk management system is up to date.

B.3.1.2 Risk capital

HGS ensures an appropriate balance between risks and equity in the interest of its policyholders and the shareholder. Our quantitative risk management, based on our internal capital model, provides a uniform framework for assessing and managing all risks affecting the company and our capital position.

The Specialty Internal Model (SIM) of HDI Global Specialty is a stochastic business model covering all business segments of HGS. The SIM calculates the required regulatory and economic risk capital as the value at risk (VaR) of the change in value over a period of one year at the 99.5% confidence level. It takes into account all significant risks that influence the development of equity. For the risk categories of Underwriting Risks, Market Risks, Counterparty Default Risks and Operational Risks, we have identified a number of risk factors for which we determine probability distributions. Risk factors are, for example, economic indicators, such as interest rates, exchange rates and inflation indices, but also insurance-specific indicators, such as the number of natural catastrophes in a certain region and the insured loss amount per catastrophe. In determining the probability distributions for the risk factors, we draw on historical and publicly available data as well as on our internal data pool. Furthermore, the knowledge of internal and external experts complements the process.

As part of the risk management of HGS, compliance with regulatory solvency requirements is regularly monitored, which stipulates that the one-year probability of ruin of 0.5% is not exceeded. The capitalisation of HDI Global Specialty is always to be above 120% of the regulatory requirements.

B.3.1.3 Organisation of risk management and tasks of the Risk Controlling function

To ensure an efficient risk management system, HGS has anchored the position of Chief Risk Officer at management level, established a risk management function and an actuarial, compliance and risk committee. The organisation and interaction of the individual functions in risk management are crucial for our internal risk management and control system. In our system, the central functions of risk management are closely interlinked and the roles, tasks and reporting channels are clearly defined and documented in terms of the so-called three lines of defence. The first line of defence consists of risk management and the original risk responsibility. The second line of defence consists of the key functions risk management, actuarial function and the compliance function. These units are responsible for monitoring. The third line of defence consists of the internal audit function.

The risk management function consists of three main components: the Actuarial, Risk and Compliance Committee, the Chief Risk Officer and the independent risk monitoring function..

Board Audit, Risk and Compliance Committee

The tasks of the BRC are derived from the corresponding rules of procedure. One of the core activities is to support the Board of Directors in all matters relating to risk management. The BRC's decision-making area lies within the risk appetite defined by the Board of Directors. Changes, and in all cases increases, in the risk appetite require the approval of the Board of Directors. The BRC monitors the risk situation of HDI Global Specialty. Other tasks include assessing the adequacy of the governance system, developing recommendations and monitoring the implementation of risk-related measures..

Chief Risk Officer

The Chief Risk Officer leads the independent risk monitoring function and is the Executive Director. The tasks of the Chief Risk Officer include ensuring the framework conditions of an effective risk management system. In addition, the Chief Risk Officer is involved in the main decision-making processes of HDI Global Specialty and informs the BRC and the risk monitoring function about relevant projects.

Risk monitoring function

The risk monitoring function coordinates and is responsible for the monitoring (identification, assessment, monitoring and reporting) of all material risks and the regular coordination and implementation of the ORSA process (Own Risk and Solvency Assessment, see B.3.2). It also develops and implements methods, standards and processes for risk assessment and monitoring.

The risk monitoring function performs its tasks for HDI Global Specialty objectively and independently.

B.3.1.4 Key Elements of our Risk Management System

Our risk strategy, the guidelines on risk and capital management, operational and reputational risks, and the limit and threshold system for the material risks of HDI Global Specialty describe the elements of our risk management system. The risk management system is subject to a permanent cycle of planning, activity, control and improvement. Systematic risk identification, analysis, assessment, control and monitoring as well as risk reporting are of particular importance for the effectiveness of the overall system.

The guidelines describe, among other things, the tasks, rights and responsibilities, the organisational framework and the risk control process. The regulations are derived from the corporate and risk strategy and also take into account the regulatory requirements for risk management.

Risk-bearing Capacity Concept

The determination of the risk-bearing capacity includes the determination of the total available risk coverage potential and the calculation of the funds required to cover all risks. This is done in accordance with the specifications of the risk strategy and the determination of the risk appetite by the Board of Directors. Our internal capital model is used to evaluate the individual risks that can be quantitatively assessed as well as the overall risk position. A central limit and threshold value system is in place to monitor the main risks. The limits and threshold values derived from the corporate strategy flow into this system. Compliance is monitored on an ongoing basis.

Risk Identification – also prospectively

An essential information basis for monitoring risks is the regular risk identification. The documentation of identified and significant risks takes place in the risk register, but also within the framework of regular risk reports. Risk identification takes place, for example, in the form of assessments, scenario analyses or as part of the new product process. External findings, such as recognised industry know-how from relevant committees or working groups, flow into the process. Risk identification is important for the permanent up-to-dateness of our risk management..

Risk Analysis and Assessment

In principle, every identified risk that is considered material is assessed quantitatively and qualitatively. Risk types for which quantitative risk measurement is currently not possible or difficult are only assessed qualitatively, e.g. strategic risks, reputational risks or emerging risks. The quantitative assessment of the main risks and the overall risk dosage is carried out by the internal capital model of HGS, the Specialty Internal Model, which takes risk concentration and risk diversification into account.

Risk Management

The management of all significant risks, individually and at portfolio level, is the task of the operating units. In doing so, the identified and analysed individual risks are either consciously accepted, avoided or reduced. Decisions made by the operational units in the first line of defence always take into account the risk-reward ratio. Risk management is supported, among other things, by the specifications of the underwriting and capital investment guidelines and by defined limit and threshold values..

Risk Monitoring

The risk management function is responsible for monitoring all identified material risks. This includes, among other things, monitoring the implementation of the risk strategy, compliance with the defined limit and threshold values and the permanent application of risk-relevant methods and processes. Another important task of risk monitoring is to determine whether the risk management measures have been implemented and whether the planned effect of the measures is sufficient.

Risk Communication and Risk Culture

Risk management is firmly integrated into our operational processes. This is supported by transparent risk communication and an open approach to risks as part of our risk culture. Risk communication takes place, for example, through internal and external risk reports and training opportunities for employees. The regular exchange of information between risk-controlling and risk-monitoring units is also elementary for the functioning of risk management.

Risk Reporting

Our risk reporting provides structured and timely information on all major risks and their potential effects. The risk reporting system consists of regular risk reports, e.g. on the overall risk situation, compliance with the parameters defined in the risk strategy or the capacity utilisation of the natural disaster scenarios. Risk reporting focuses not only on the current risk situation, but also on the expected risk situation. In addition to the regular reporting, an internal immediate reporting on significant and short-term risks is carried out if necessary.

We fulfilled the regulatory reporting requirements for HGS with, among other things, the quarterly risk report, quantitative reporting, the report on the solvency and financial position (SFCR), the regular supervisory report (RSR) and a report on the company's own risk and solvency assessment.

B.3.2 Own Risk and Solvency Assessment (ORSA)

The continuous ORSA process consists of ongoing analyses to monitor risk-bearing capacity, own funds and current and future risks that could threaten the continued existence of HDI Global Specialty.

HDI Global Specialty determines its regulatory solvency requirements with the Specialty Internal Model, which is also used in particular for internal management purposes. Capital management is closely linked to the risk management system in that the SIM solvency ratios are included in the limit and threshold system. The solvency ratios of the branch in Canada and Australia, which are calculated according to local supervisory law, and the solvency ratio of the branch in the UK, based on the standard formula, are also equipped with limits and thresholds. The values are included in the quarterly risk report and thus also presented to the Actuarial, Risk and Compliance Committee.

Business strategy, medium-term planning including scenario analysis and capital development plan, underwriting guidelines, investment guidelines and reinsurance purchasing are evaluated by the Executive Directors and approved or brought to the attention of the Board of Directors. Furthermore, the risk strategy, the limit and threshold system, the risk report including sensitivity and stress tests and the SIM report, for example, are evaluated by the Actuarial, Risk & Compliance Committee and also approved by the Board of Directors. This ensures that the operational ORSA process steps are appropriately integrated into the organisational and decision-making structure of HDI Global Specialty.

The ORSA comprises the following exemplary process steps, whereby the chronological order can vary from year to year:

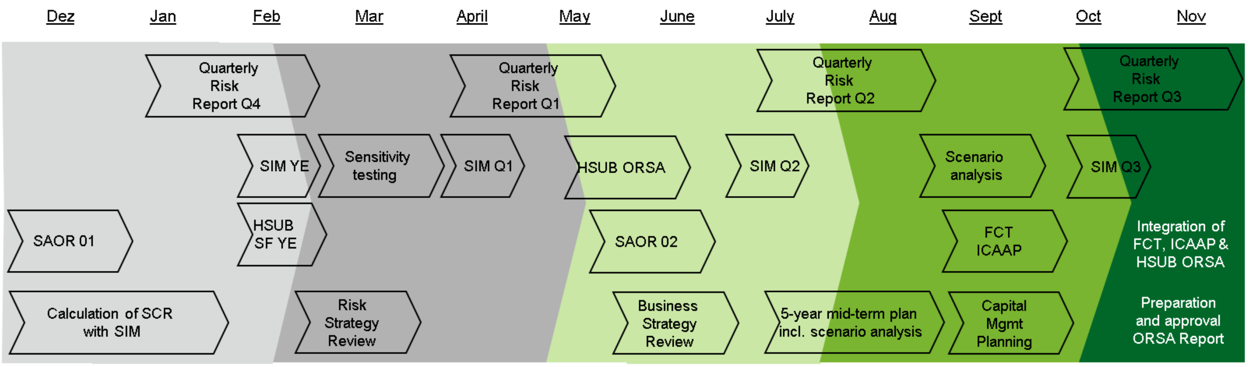


Figure 1: annual ORSA process

The results of these processes are documented by the operational departments and key functions in the form of reports and submitted to the corresponding bodies and committees. All work results from the aforementioned processes form the basis for the annual ORSA report, which is supervised and coordinated by Risk Management. In the past reporting year, the results of the risk and solvency assessment from the period from December 2021 to November 2022 were evaluated in the ORSA report. The report was approved by the Executive Directors in November 2022 and also communicated to the key functions of actuarial and compliance.

B.4 Internal Control System

B.4.1 Components of the internal control system

We conduct our business activities such that they always comply with all legal requirements. The internal control system (ICS) is an important element that serves, among other things, to secure and protect existing assets, prevent and detect errors and irregularities and comply with laws and regulations. The core elements of the HGS ICS are documented in a guideline which creates a common understanding for a differentiated implementation of the necessary controls. Its ultimate goal is to consistently control and monitor the implementation of our corporate strategy. This guideline defines terms, regulates responsibilities and provides guidance on the description of controls. In addition, it forms the basis for the implementation of internal goals and the fulfilment of external requirements placed on HGS. The ICS consists of organisational and technical measures and controls within the Company. They include, for example:

- the four-eyes principle,
- the separation of functions,
- the documentation of the controls within the processes as well as
- technical plausibility checks and access authorisations in the IT systems.

For the ICS to function, it is important that the management, executives and employees participate at all levels.

In the area of accounting and financial reporting, processes with integrated controls ensure that the financial statements are prepared completely and correctly. This ensures that we can identify at an early stage and reduce the risk of material errors in the financial statements. As our financial reporting is highly dependent on IT systems, it is also necessary to control these applications. Authorisation concepts regulate system access, with content and system checks being implemented for each step to facilitate the analysis and elimination of errors.

B.4.2 Compliance Function

Implementation of the Compliance function

HDI Global Specialty has opted for a decentralised approach to implementing the compliance function, which means that the tasks of the compliance function are not only performed by the compliance department, but by various departments. The compliance function is thus located in different divisions and branches.

The compliance function is free from influences that could impair the objective, fair and independent performance of its tasks. The Compliance function is authorised to request relevant information at any time and to approach employees directly on compliance-related issues.

The Chief Compliance Officer is the holder of the key compliance function and reports directly to the Board of Directors.

HDI Global Specialty has set down its compliance policy in a manual entitled "Compliance Framework". This manual is reviewed by the Chief Compliance Officer on a regular basis, at least once a year, and in the event of new developments, and updated if necessary. During the reporting period, the Compliance Framework was adapted to the effect that the Chief Compliance Officer must first report quality deficiencies in the compliance management of the branches to the branch manager and, if this does not lead to an improvement, to the Board of Directors. In addition, the cooperation with the Compliance group function was described in a separate section. Based on a risk-based assessment, HDI Global Specialty has identified the following topics as particularly relevant to compliance and defined them as compliance focal points::

- Compliance with supervisory requirements
- Compliance with foreign trade regulations and sanction regulations
- Compliance with underwriting regulations
- Compliance with company law
- Compliance with antitrust and competition regulations
- Compliance with the code of conduct
- Combating corruption/embezzlement/fraud
- Compliance with data protection standards
- Compliance with employment law regulations
- Compliance with tax laws
- Implementation of proper financial reporting

Tasks

The Compliance function is designed to ensure HDI Global Specialty's compliance with key external regulations.

These compliance focal points are monitored by the Compliance function of HDI Global Specialty. The Compliance Department is not responsible for dealing with all of the particularly compliance-relevant issues outlined above. Responsibility for labour law has been outsourced and lies with the Human Resources department of HDI Service AG, while the Tax department is responsible for tax law. Data protection is the responsibility of the company's data protection officer. Furthermore, compliance with financial reporting requirements is the responsibility of the Finance and Accounting Department. The legal department is responsible for corporate law. The departments that together form the compliance function and deal with the topics particularly relevant to compliance include at least the following activities:

- Identifying and assessing the risks associated with non-compliance with legal and regulatory requirements (risk control).
- Assessing the possible consequences of changes in the legal framework on the company's activities (risk in the event of changes in the law/early warning)
- Advising on compliance with the legal requirements applicable to the activity

- Reviewing the appropriateness of the measures implemented with regard to compliance with legal requirements (monitoring function).

The Chief Compliance Officer regularly (at least once a year) obtains a risk overview from the other departments dealing with compliance-relevant issues, showing which risks of non-compliance have been identified and which measures are being taken in these departments to minimise these risks. This ensures that all issues handled within the compliance function are monitored and dealt with.

The Chief Compliance Officer appointed for HDI Global Specialty is responsible in particular for the following:

The Chief Compliance Officer monitors changes to legal provisions and standards enacted by the legislator and in case law. He assesses these new developments for their relevance and communicates relevant innovations or changes to the respective departments, the Executive Directors and the Board of Directors. Through ongoing monitoring, the Chief Compliance Officer and the employees of the other departments that make up the compliance function contribute to the compliance of the members of the governing bodies (members of the Board of Directors), executive directors and employees of HDI Global Specialty with the legal and regulatory framework.

The Chief Compliance Officer advises members of the Board of Directors, executive directors and employees of HDI Global Specialty on compliance issues upon request.

Each year, the Chief Compliance Officer prepares a compliance plan for the following year. This is based on a risk analysis of the identified material compliance risks. The Chief Compliance Officer has also prepared a compliance plan for 2022 together with the other departments that make up the compliance function. This plan defines the focus of compliance activities for the following year.

The Chief Compliance Officer reviews the compliance reports of the branches and prepares quarterly compliance reports for the management of HDI Global Specialty as well as an annual compliance report for Talanx. The report contains information on compliance-relevant topics, such as details of any material compliance violations that have come to light and proposed or implemented measures to remedy them, current assessments of compliance and legal change risks, proposals for measures to mitigate compliance risks, etc., as well as information on the compliance situation in the Group.

Reporting Channels

As the person responsible for the key function of compliance at the service provider, the Chief Compliance Officer reports to the Executive Director responsible for compliance. Any serious compliance violations are reported directly to the Board of Directors.

Significant compliance incidents are reported in written, verbal or electronic form, whereby verbal reports are usually confirmed in writing afterwards.

Reporting can take place in the quarterly reports or ad-hoc, depending on the severity of the incident.

B.5 Internal Audit Function

Implementation of the Internal Audit Function

The performance of the internal auditing tasks was transferred by the holder of the key function to HDI AG, Group Auditing Division (TX GA) and to Hannover Rück SE, Group Auditing Division

(HR GA) by means of outsourcing agreements. Group Auditing performs the auditing function for the company by carrying out auditing, assessing and advisory activities on behalf of the Board of Directors. In individual cases, an external service provider may also be commissioned to support the internal audit function. HR GA provides auditing services to the Board of Directors of HGS for the functions outsourced by HGS to HR (in particular IT, business continuity management, sanction screening and facility management).

The focus of Group Auditing's monitoring is on the sustainable protection of the company's assets against losses of all kinds, the promotion of business and operating policies and the safeguarding of the company's continued existence. To this end, Group Auditing independently and objectively audits all major business areas, processes, procedures and systems in a risk-oriented manner in accordance with the principles of safety, regularity and profitability.

The audit activities are based on the audit plan drawn up by the internal auditors and approved by the Board of Directors of HGS. Within the framework of this audit plan, the audit function carries out its activities free of professional instructions and reports its audit findings and recommendations directly to the Board of Directors of HDI Global Specialty. Its independence and objectivity from the activities it is responsible for auditing is ensured, as the outsourcing partners TX GA and HR GA are exclusively assigned auditing tasks. TX GA and HR GA are not involved in first or second line of defence tasks and responsibilities under the 3 lines of defence concept.

Another measure to ensure objectivity at auditor level is the observance of waiting periods when employees move from operational areas to Internal Audit. Besides the key function of Internal Audit, the owner does not exercise any other key function.

Task

The audit function has a complete, unrestricted, active and passive right to information for the performance of its duties. The active right to information includes access to all business areas, documents, assets and interlocutors. The passive right to information ensures that Group Auditing is integrated into the company's relevant information flows.

Unscheduled special audits that become necessary at short notice due to deficiencies that have become apparent can be carried out at any time. In order to be able to perform the monitoring function for all relevant corporate divisions in a systematic, targeted and efficient manner, the audit planning is prepared comprehensively and from a risk perspective. For this purpose, a planning universe (audit universe) is used as a basis, which is checked at least annually for completeness and representativeness. All operational and business processes as well as majority shareholdings are audited in an appropriate period of time, at least once within 5 years. Special external requirements regarding audit frequency (e.g. mandatory audits such as the Money Laundering Act) are taken into account. The following factors, among others, are taken into account as risk-influencing factors:

- Inherent risk of the audit fields
- Results of the last audit checks
- Legal and organisational changes regarding the audit fields and
- Knowledge gained from participation in committee meetings and regular jour fixes with other governance functions

HR Group Auditing consults with the Executive Directors of HGS on the functions / tasks outsourced to Hannover Re as part of the annual audit planning process. This is done on the basis of a draft GA, which can be specified or supplemented by the Executive Directors of HGS as required.

Reporting Channels

An audit report is prepared for each audit, which provides the Board of Directors and the audited area with the essential information. The report also defines and agrees on measures for improvement with the corresponding implementation dates and persons responsible for implementation. Implementation is monitored, with the Board of Directors delegating this operationally to the audit function.

The audit function's reporting system also includes quarterly and annual reports that provide their recipients (including management, board of directors, risk management and auditors) with information on the effectiveness of the audit function and audit results. In the event of a particularly serious finding, there is an immediate reporting obligation to the executive director concerned. Depending on the level of risk, the Board of Directors, the other Executive Directors, the Risk management function, the Actuarial function and/or the Compliance function will also be informed.

To ensure the effectiveness of Group Auditing, internal quality assurance measures and assessments by external auditors take place. As part of the continuous improvement process and in implementation of the professional guidelines, TX-GA conducted an internal quality review in November 2022. The objective was to determine the current maturity level of the audit function and to derive additional potential for improvement from the results. The effectiveness and efficiency of TX-GA was recorded and evaluated on the basis of the internationally recognised IIA standard (The Institute of Internal Auditors). In addition, compliance with the standard audit process was verified. There were no indications of limitations in the quality of the audit performance.

B.6 Actuarial Function

Implementation of the Actuarial Function

The tasks of the actuarial function (AF) are implemented centrally at HDI Global Specialty and its tasks are performed by an organisational unit. This structure guarantees appropriate actuarial knowledge in all affected processes as well as independent monitoring. The calculation of Solvency II technical provisions (hereinafter referred to as TP) is carried out centrally for all branches at HDI Global Specialty.

The tasks to be assigned to the AF are coordinated by the person internally responsible for the AF at the service provider HDI AG. He acts independently and on his own responsibility with regard to the performance of tasks within the framework of the AF guidelines and has a direct reporting line to the Board of Directors. In the exercise of his function, the person responsible for the AF is supported by various activities and persons within the areas of risk management, reserving, pricing and analytics.

In addition, there is a common understanding between the two key functions AF and Risk Management that a broad exchange of information and expert support of the other function is useful in order to fulfil their respective individual tasks and additionally to support HDI Global Specialty's goal of an efficient structure.

The AF undertakes the assessment of underwriting and acceptance policies using internal guidelines, data and processes to measure underwriting risk. For the assessment of reinsurance and the associated risks assumed, there is a close exchange with the reinsurance unit.

Tasks

The tasks of the AF include, without limitation:

- Coordination and validation of the calculation of the TP

- Ensuring the appropriateness of the methods and underlying models used as well as of assumptions made
  - in calculating the TP both for the solvency overview and for accounting process purposes, and
  - in considering the risks associated with these methods, models and assumptions in the internal model
- Evaluation of the uncertainties inherent in the estimates made when evaluating the TP
- Regular review and assessment of the underlying data in terms of sufficiency and quality
- Regular comparison of the best estimated values with empirical values
- Reconciliation of TP from local financial reporting standards to Solvency II
- Communication with the auditor as part of the solvency overview audit
- Recommendations for the improvement of the processes and models for calculating the TP including data collection, if deficiencies are observable, as well as monitoring of appropriate measures to be implemented
- as part of the contribution towards the Risk Controlling function, including, among others
  - Assistance for the internal model, in particular regarding underwriting risks (provision and/or review of models, data, input parameters)
  - Monitoring the reserve level within the framework of the limit and threshold value system with regard to reserves (IFRS or German Commercial Code (HGB))
  - Valuation/risk analysis of large-volume transactions and new business fields
- Preparation of a report of AF, for instance, on
  - tasks of the AF,
  - measures performed in the reporting period,
  - methods, results and sensitivity analyses regarding the TP,
  - Comment on the underwriting and acceptance policy as well as
  - Assessment of reinsurance
- Involvement of expertise in the branches
  - Request and evaluation of additional information concerning the tasks of the AF, such as data quality and assumptions regarding the calculation of the TP.

Reporting Channels

The responsible owner of the AF regularly reports directly to the Board of Directors through the annual AF report. If necessary, ad hoc reports are also made to the Board of Directors or requests are made by the Board of Directors to the responsible owner of the AF. These direct reporting lines ensure independence from other key functions and operational management.

B.7 Outsourcing

Description of the Outsourcing Policy

HDI Global Specialty's business model provides for the outsourcing of activities to internal and external service providers. On the one hand, outsourcing extends to the outsourcing of insurance activities to underwriting agencies, underwriters and claims administrators with whom HDI Global Specialty enters into a close partnership. On the other hand, HDI Global Specialty strives to exploit synergies within the Talanx Group.

In the period under review the company initiates further important spin-offs in the context of the transfer of the German workforce to the intra-Group employee-carrying company HDI AG. This leads to an expansion of the outsourcings of major insurance activities and key functions to HDI AG, in addition to the already existing outsourcings to Hannover Re and Ampega Asset Management. In addition to high-quality execution of the work, the Group-internal outsourcing will achieve a positive cost effect as well as an improvement in Group-internal processes. The same applies to the external outsourcing partners, who, however, generate insurance business for HDI Global

Specialty in addition to the aspects listed and meet the legal requirements in legal protection insurance.

Description of important outsourcings

As a result, HDI Global Specialty has concluded a large number of outsourcing agreements, with only a few of these agreements being classified as "important". For the "important" outsourcing agreements, special requirements apply to the management of the outsourcing partner. The following important outsourcing agreements were in place during the reporting period:

- asset investment and asset management outsourced within the Group to Ampega Asset Management GmbH, Germany
- the internal audit function partially outsourced intragroup to HDI AG, Germany (primary) and to Hannover Re, Germany (supplementary)
- the compliance function and the actuarial function to HDI AG, Germany (from 01.03.2022)
- the risk management function to HDI AG, Germany (from 01.01.2023)
- other important functions to HDI AG, Germany (from 01.03.2022)
- claims handling in legal expenses insurance in Sweden outsourced to Svedea Skadeservice AB, Sweden
- the portfolio management system as a pilot project in the Dutch branch to sum.cumo Sapiens GmbH, Germany (from 12.08.2022).

B.8 Other Disclosures

B.8.1 Evaluation of the Appropriateness of the Governance System

The Board of Directors has mandated the BRC to assess the adequacy of the governance system. The members of the BRC, the owners and the outsourcing representative of the key functions as well as the CFO participate in conducting the assessment of the adequacy of the governance system. The assessment of HDI Global Specialty's governance system is carried out at least once a year. The implementation status of the agreed improvement measures is reviewed as part of a subsequent follow-up.

On 27 February 2023, the Board Actuarial, Risk & Compliance Committee carried out the assessment of the system of governance. The assessments discussed in advance by the key functions and the branches were taken into account and the results report was submitted to the Board of Directors.

Based on the assessment, the Board Actuarial, Risk & Compliance Committee concludes that HDI Global Specialty's governance system is appropriate to the nature, scale and complexity of the risks inherent in its business activities.

B.8.2 Other Disclosures

At the time of reporting, personnel and structural changes were announced. These are shown in the following schedule of responsibilities with effect from 28 February 2023.

Chief Executive Officer	Chief Financial Officer	Chief Operating Officer	Chief Marketing Officer	Chief Innovation Officer
Ralph Beutter	Christian Hermelingmeier	Andreas Bierschenk	Richard Taylor	Thomas Barenthein

(Member of the Board of Directors and Chairperson of the Executive Board) Underwriting (medium & long tail classes) Claims (claims processing) Human Resources Management (personnel)	Asset Management Facility Management Finance & Accounting, Technical Accounting Financial Planning & Analysis (Controlling)	Compliance Legal Risk Management & Actuarial Delegated Authority Control & Audit Reinsurance (ceded reinsurance) Internal Audit Information Technology Project & Process Management	Managing Director UK branch Underwriting (short tail classes) Marketing & Distribution (incl. HDI Global Specialty brand) Coordination and Integration of HDI Global Network Product Development	Managing Director Sweden branch Innovation

There were no other significant changes in the governance system of HDI Global Specialty.

C. Risk profile

HDI Global Specialty assumes a variety of risks in the course of its business activities. These risks are consciously entered into, managed and monitored in order to take advantage of the associated opportunities. Currently, the largest risk exposure of HDI Global Specialty is the reserving risk within the underwriting risk. The specifications and decisions of the Board of Directors on HDI Global Specialty's risk appetite are fundamental to the assumption of risks. These are based on the calculations of the risk-bearing capacity.

Within the framework of medium-term planning, we consider the development of the business over a planning horizon of five years. In addition to the base scenario, we also consider alternative scenarios that take into account, among other things, an increase in operational risks or possible major claims burdens and subsequent changes in premiums. Under the assumptions of the medium-term business planning, the risk profile develops in accordance with the expected business expansion. Due to the intended expansion of business activities, the capital requirement usually grows more strongly than the available capital. If necessary, the shareholders strengthen the equity capital through suitable measures. It should be noted that the forecast for capital requirements is based on a number of assumptions regarding future economic and business development.

Large transactions are examined with regard to the impact on the risk profile, the capitalisation and the defined thresholds for the various risk categories. This ensures that risks develop in line with our risk appetite.

External reinsurance, which is used specifically to hedge high or volatile exposures, is of particular importance within the risk appetite and risk mitigation. The extensive intra-group reinsurance protects the capital of HDI Global Specialty. This also ensures that HDI Global Specialty can benefit from rising prices after a market-changing event. The reinsurance strategy of HDI Global Specialty and its branches is determined by the Executive Directors and submitted to the Board of Directors.

If a new business opportunity is to be implemented in concrete terms, the so-called new product process is usually run through - provided that the criteria defined for this by the risk management are applicable. This process is accompanied by the risk management of HGS. The process is always carried out if a contractual commitment is to be entered into that has not yet been used by HGS in this form, or if the operational risk is significantly changed, or if the risk to be insured is new, or if the liability is substantially higher than the previous scope of cover. If this is the case, all significant internal and external influencing factors are examined in advance and an assessment is made by Risk Management. Furthermore, it is ensured that approval is given by the Executive Directors before the new insurance product is used or sold..

C.1 Underwriting Risk

C.1.1 Underwriting risk of Non-life insurance and Reinsurance

Risk management has defined various overarching guidelines for efficient risk management. It is essential that the assumption of risk is systematically controlled by means of the existing underwriting guidelines on the one hand and, on the other hand, is largely mitigated by intra-Group reinsurance in accordance with the business model of HGS.

HDI Global Specialty achieves a reduction in volatility and protection of capital through the use of reinsurance. Our conservative reserving level is a key parameter for risk management. We generally distinguish between risks resulting from the business operations of previous years (reserve risk) and those resulting from the business operations of the current year or future years (price/premium risk).

Diversification within non-life insurance and reinsurance is actively managed through the allocation of capital costs depending on the diversification contribution. A high diversification effect is achieved by writing business in different lines and different regions with different business partners through various distribution channels. In addition, the active limitation of concentration risks, such as natural catastrophes, strengthens the diversification effect. The degree of diversification is measured in our internal capital model. The risk capital at the 99.5% safety level for the underwriting risks of non-life insurance and reinsurance is as follows:

Required Risk Capital for Underwriting Risks – Non-life Insurance and Reinsurance according to the Internal Capital Model

Values in EUR thousands	2022	2021
Underwriting risk - Premium risk	64,604	58,896
Underwriting Risk – Reserve Risk	104,193	87,950
Overall Underwriting Risk	**151,609**	**123,171**

The increase in risk capital follows the planned expansion of HDI Global Specialty in its target lines. Due to the broad positioning in terms of customers, lines of business, distribution channels and regions, there is no particular concentration of price and reserve risk. The reserve risk also increases due to volume effects.

Man-made disaster risk

The risk associated with man-made catastrophes is the risk that losses from a single man-made event or a series of man-made events of large magnitude - usually in a short period of time - will deviate from the expected losses from such events. In line with the other underwriting risks, the risk burden here also increases as the volume of business expands. The individual underwriting units manage the individual risks in their respective portfolios in such a way that individual loss events fall within the risk appetite, but also that the loss burden is not higher than the expected loss based on the market share. In the area of man-made catastrophes, the company underwrites peak risks in the energy and aviation sectors, among others..

C.1.1.1 Risks from Natural Catastrophes

A large share of the risk capital required for the premium risk (incl. catastrophe risk) is accounted for by risks from natural catastrophes.

Allocation of the required risk capital for the premium risk according to the internal capital model to risks from natural catastrophes and the remaining premium risk

Values in EUR thousands	2022	2021
Risks from Natural Catastrophes	45,316	50,538
Premium risk excl. natural catastrophes	55,312	41,674
Premium risk	**64,604**	**58,896**

Natural Catastrophe Risk decreases due to a reduction in exposure to storm hazards in the US.

Licensed scientific simulation models are used to assess the catastrophe risks from natural hazards (especially earthquakes, storms and floods) that are significant for us. Furthermore, we determine the risk for our portfolio through various scenarios in the form of probability distributions. The monitoring of risks resulting from natural catastrophes is completed by realistic extreme loss scenarios. As part of this process, the Board of Directors determines the risk appetite for natural catastrophes once a year on the basis of the risk strategy. For this purpose, it determines the part of the risk budget that is available to cover the risks from natural catastrophes. This is an essential basis for our underwriting behaviour in this segment. Within the framework of our holistic risk management, we take into account a large number of scenarios and extreme scenarios, determine their impact on the portfolio and profit figures, assess them in comparison to the planned values and show alternative courses of action. For risk monitoring, we regularly report on the effects for various extreme loss scenarios and return periods. Risk management ensures that the maximum amounts made available within the framework of risk control are adhered to.

HDI Global Specialty limits and monitors the catastrophe risk from natural catastrophes on the basis of loss scenarios using actuarial measurement methods such as tail value at risk (TVaR). The Aggregate Control Committee is regularly informed about the degree of utilisation.

C.1.2 Reserve Risks

The reserve risk, i.e. the risk of under-reserving claims and the resulting burden on the underwriting result, is of particular importance in our risk management system. A conservative reserving level is important to us and we aim for a confidence level of > 50%. In order to counteract the risk of under-reserving, we determine our loss reserves on the basis of our own actuarial assessments and form additional reserves to those surrendered by our claims departments, some of which have been outsourced to claims administrators. Long-running claims, such as those in the liability sector, have a significant influence on this reserve. The IBNR reserve is calculated differentiated by line of business and region.

Another monitoring tool is the statistical run-off triangles we use. They show how the reserve has changed over time as a result of the payments made and the recalculation of the reserve to be formed on the respective balance sheet date. Their adequacy is monitored by our actuarial function. Quality assurance of our own actuarial calculations on the adequacy of the reserve amount is also carried out annually by external actuarial and auditing firms.

Collateral

HDI Global Specialty issues letters of credit (LoC) to business partners from the United States of America via HDI Global SE. The amount depends on the sum of unearned premiums and reserves for claims payments. In the event of a drawdown, the amount is offset against outstanding payments. There is an administrative time lag between current payments and adjustments to the amount of the LoC, which can lead to an exposure.

C.1.3 Risk mitigation techniques in the field ofnon-life insurance and reinsurance

C.1.3.1 Strategic aims and key figures

The strategic objectives regarding the placement of reinsurance are set by the placing unit and the responsible Executive Director. The Executive Board approves the reinsurance strategy and monitors the placement of reinsurance, in particular the limits, premiums and contract conditions. Furthermore, the effectiveness of the individual reinsurance programmes is regularly reviewed by the reinsurance department. This is done on the one hand by preparing corresponding individual reports and analyses and evaluating their results. The placement proposals take into account the volatility of the respective portfolio, highly exposed natural catastrophe business and the results from HDI Global Specialty's internal model.

In the event of a loss, HDI Global Specialty receives relief from its various proportional and non-proportional covers.

C.1.3.2 Reinsurance covers of HDI Global Specialty

HDI Global Specialty reinsures nearly all of the assumed business in the form of quota share reinsurance treaties with Group companies. For each portfolio, the significant portion of the business written is ceded to Hannover Re and HDI Re (Ireland). The risks are usually ceded to the reinsurer as assumed. However, HDI Global Specialty usually receives a commission.

Parts of the assumed business of HDI Global Specialty are additionally protected by non-proportional covers. This applies in particular to motor insurance, where unlimited policies must be issued in some cases, aviation, where high limits are also encountered, and property insurance, which is particularly exposed to natural hazards.

The retrocession treaties placed by the Hannover Re Group also partially protect the business written by HDI Global Specialty. HDI Global Specialty thus receives relief in the event of a loss from, for example, the Hannover Re Group aviation and marine programme. In addition, some of the business written by HDI Global Specialty is also covered by HDI Global placed reinsurance treaties, e.g. the excess of loss for property business.

C.1.3.3 Reinsurance Placement Process

The Executive Board derives the risk budget for underwriting risks from the overall risk budget and sets it down in a binding limit and threshold system. The utilisation of these limits is monitored with a traffic light system. Based on this, the risk appetite in underwriting is specified in the underwriting guidelines. The reinsurance is then issued in such a way that the risks correspond to the specifications on a net basis. In addition, stabilising reinsurance solutions are purchased in individual cases in view of the volatility of the business assumed.

C.1.3.4 Letters of Credit

For cessions to reinsurers that only meet our security requirements to a limited extent, we agree on clauses that grant HGS a LoC in the amount of the claims.

C.2 Market Risk

Market risks include equity, interest rate, currency, real estate, spread and credit risks. In view of the challenging capital market environment, the preservation of the value of our capital investments and the stability of returns are of great importance. For this reason, HGS bases its portfolio on the principles of a balanced risk/return ratio and broad diversification. Based on a low-risk investment mix, the capital investments reflect both currencies and maturities of our liabilities.

The following table shows the risk capital at a safety level of 99.5% for the market risks from own and third-party investments.

Risk Capital required for the Market Risks as calculated by using the Internal Capital Model

Values in EUR thousands	2022	2021
Market risk	70,208	47,204

HDI Global Specialty expanded its business volume last year and the market risk increased accordingly. The greatest influence, however, is the effect of higher interest rates on the interest rate risk.

To ensure that the value of our investments is maintained, we continuously monitor compliance with an overarching early warning system. This system defines clear limits and thresholds as well as escalation paths for the market value fluctuations and realisation results from the investments that have accumulated since the beginning of the year. These are clearly described in line with our risk appetite.

In addition, we conduct stress tests. Here, the loss potentials are simulated on the market values and on the basis of extreme events that have already occurred or fictitious events.

Scenarios of the fair value development of the major capital investment classes

Values in EUR thousands	Scenario	Inventory change on fair value basis	
		2022	**2021**
Fixed-income securities	Increase in yields +50 basis points	-4,217	-6,821
	Increase in yields +100 basis points	-8,351	-13,480
	Decline in yields -50 basis points	4,302	6,982
	Decline in yields -100 basis points	8,693	14,148

The scenarios illustrate the low-risk investment mix of HDI Global Specialty, but also the increase in the investment portfolio. The change compared to the previous year results, among other things, from the decline in modified durations, which is related to the introduction of a short- and long-term investment portfolio in accordance with the investment strategy.

In addition to the various stress tests, which estimate the loss potential under extreme market conditions, other important risk management measures include sensitivity and duration analyses and our asset liability management (ALM). In addition, duration bands are installed within which the portfolio is positioned according to market expectations. The portfolio of fixed-interest securities is exposed to interest rate risk. Falling market yields lead to increases in market value and rising market yields to decreases in market value of the fixed-interest securities portfolio. In addition, there is the credit spread risk. The credit spread is the interest rate difference between a risky and a risk-free bond with the same maturity. Changes in these risk premiums observable on the market lead to changes in the market value of the corresponding securities, analogous to changes in pure market yields.

The market price risk is managed using a market value-based asset/liability approach, the asset liability matching value at risk (ALM-VaR). The ALM-VaR takes into account interest rate and currency risks and makes the effects of a duration gap on the risk exposure of the investments transparent.

We minimise interest rate and currency risks by ensuring the highest possible congruence of payments from securities with the forecast future payment obligations from our insurance contracts.

Due to the international insurance portfolio, the company regularly receives liquid funds in foreign currencies, which are matched by payment obligations in foreign currencies. Currency risks exist in particular when there is a currency imbalance between the underwriting liabilities and the assets. The installed measurement and monitoring mechanisms ensure a prudent, broadly diversified investment strategy. We reduce this risk by largely matching the currency distribution between assets and liabilities on the balance sheet. We regularly compare the liabilities per currency with the covering assets and optimise the currency coverage by reallocating investments. In doing so, we take into account ancillary conditions such as various accounting requirements. Remaining currency surpluses are systematically quantified and monitored within the framework of economic modelling.

Our investments contain credit risks that result from the danger of default (interest and/or redemption) or a change in the creditworthiness (rating reduction) of the issuers of securities. Broad diversification is just as important as an assessment of creditworthiness on the basis of the quality criteria laid down in the investment guidelines. We first measure the credit risks on the basis of the credit risk components customary in the market, in particular the probability of default and the potential loss, taking into account any collateral and the ranking of the individual securities according to their respective impact.

Subsequently, we assess the credit risks first at the level of the individual securities (issues) and in further steps summarised at the issuer level. To limit the counterparty default risk, we define different limits at issuer or issue level as well as in the form of dedicated rating quotas. Comprehensive risk reporting ensures timely reporting to the functions entrusted with risk management. In addition, HDI Global Specialty uses the Credit Value at Risk 99.5% (CVaR) to monitor credit and concentration risks across the entire portfolio and at individual counterparty level. Risk-relevant information such as rating classifications and the seniority and maturity of investments are included in the calculation.

With the aim of further optimising the investment portfolio, HDI Global Specialty has invested in real estate and infrastructure funds. This entails the risk that actual market values and returns may deviate from the expected results and a higher illiquidity compared to other investments.
Pension risk from inflation refers to the risk that pension obligations will increase due to an unexpected increase in inflation, thus necessitating an unplanned supplementary provision. The pension risk is moderate and within the risk appetite of HDI Global Specialty.

C.3 Credit Risk

Credit risk, or counterparty default risk, is the risk of total or partial default of the counterparty and the associated default in payment. This risk relates to agencies, claims administrators, brokers, insureds, cedants and reinsurers.

The following table shows the risk capital at the 99.5 % security level determined with the Specialty Internal Model for the credit risk of HDI Global Specialty.

Risk Capital required for the Credit Risk as calculated by using the Internal Capital Model

Values in EUR thousands	2022	2021
Credit risk	46,382	56,688

The decrease in counterparty default risk is due to a rating improvement of HDI Re, one of the main reinsurers of HGS, resulting in a lower reinsurance default risk rating for HGS.

Since the business we assume is largely reinsured, the counterparty default risk in reinsurance is of particular importance to us. In line with its role in the Group, HGS cedes primary insurance risks predominantly to companies of the Talanx Group. In order to keep the bad debt risk resulting from business ceded to third parties as low as possible, our non-Group reinsurers are carefully selected and monitored from the standpoint of creditworthiness. Based on this ongoing monitoring, the outwards reinsurance department decides on measures to secure receivables, if necessary. Risk management procedures used within the Group support this process by setting cession limits at Hannover Re and HDI Group level for the individual reinsurers participating in the reinsurance programmes and determining the capacities still available for short-, medium- and long-term business. Depending on the type and expected duration of the reinsured business, the selection of reinsurers is based on minimum ratings from the rating agencies Standard & Poor's and A.M. Best as well as internal and external expert assessments (e.g. market information from brokers). Overall, reinsurance protects our capital, stabilises and optimises our results and allows us to take advantage of market opportunities more broadly, e.g. after a major loss event. Through regular visits to our reinsurers and exchanges with specialised reinsurance brokers, we not only have a reliable market overview, but also the ability to react quickly to capacity changes. In the quantification process, special consideration is given to the probability of default of unrated counterparties. As a result, the overall picture is one of smaller fluctuations with larger effects on the required capital.

The risk of default on receivables from companies of the Talanx Group is continuously monitored with the aid of the internal capital model and other qualitative and quantitative indicators.

Share of amounts recoverable from reinsurance contracts

Values in %	2022	2021
HDI/ Talanx Group	26,20	15,89
Hannover Re Group	68,63	78,69

Credit risks arise from our relationships with brokers, underwriting agencies and claims administrators. The possibility of loss of the premium paid by the insured to the broker or underwriting agency gives rise to bad debt risks until it is passed on. Loss of claim payment can occur if the claims administrator does not pass on the claim payment from HDI Global Specialty to the insured. We reduce these risks by, among other things, monitoring brokers, underwriting agencies and claims administrators on criteria such as the conclusion of professional indemnity insurance, payment behaviour and proper contract handling.

The various indicators for monitoring credit risks are anchored in the limit and threshold value system and are the subject of the escalation process in the event of exceedances.

C.4 Liquidity Risk

We define liquidity risk as the risk of not being able to meet our financial obligations when they fall due or of achieving lower returns on capital investments. The liquidity risk consists of the refinancing risk (required payment funds could not be procured or only at increased costs) and the market liquidity risk (financial market transactions could only be concluded at a lower price than expected due to a lack of market liquidity). Essential elements of the liquidity management of our investments are, on the one hand, the management of the maturity structure of our investments on the basis of the planned payout profiles from the technical obligations and, on the other hand, the regular liquidity planning, which also takes into account the congruent currency coverage. For the management of investments, a distinction is made between a short-term and a long-term investment portfolio. Taking into account a minimum amount of cash, the structure of the short-term portfolio aims, among other things, to optimise the yield of the regular premium payments received during each quarter and the outgoing funds at the end of the quarter for the settlement of the outstanding amounts of the quota agreements. Accordingly, investments are preferably made in time deposits, government bonds or Pfandbriefe with a residual term of less than one year. In the long-term portfolio, on the other hand, the focus is on yield. Beyond the foreseeable payouts, unexpected, extraordinarily high payouts, for example due to a catastrophe, could pose a liquidity risk, which is countered in the underwriting by so-called cash calls from the reinsurers. We manage the overall liquidity of our portfolio of government and corporate bonds as well as cash holdings by monitoring the liquidity of these securities on each trading day and relating it to our short- and long-term payment obligations. These measures effectively reduce the liquidity risk.

The "total amount of expected profit included in future premiums" required by Art. 295 Para. 5 DVO can be found in the reporting sheet S.23.01.01, item R0790. We do not use the ratio for our liquidity management.

C.5 Operational Risk

Operational risks include the risk of losses due to inadequate or faulty internal processes as well as employee-related, system-related or external incidents. In contrast to underwriting risks (e.g. reserve risk), which we consciously and controllably enter into in the course of our business activities, operational risks are inseparably linked with our business activities. Hence, the focus is on risk avoidance and reduction.

Risk Capital required for the Operational Risk as calculated by using the Internal Capital Model

Values in EUR thousands	2022	2021
Operational risk	41,434	41,417

The operational risk, measured with the Specialty Internal Model, remains essentially stable.

With the help of self-assessments, which we document in the regular risk reports, we continuously analyse and monitor the risk situation and define areas of action for improvement. To determine the capital commitment in our internal model, we use the Self-Assessment of Operational Risks procedure, which enables us to describe future operational loss scenarios.

Within the overall framework of operational risks, we consider in particular business process risks (including data quality), compliance risks, outsourcing risks (including our sales channels), fraud risks, personnel risks, information and IT security risks and business interruption risks. Compliance risks, such as violations of the General Data Protection Regulation and external fraud risks, are the most highly quantified operational risks.

Business process risks consist of the danger of inadequate or faulty internal processes, which can arise, for example, due to inadequate process organisation. HGS has established an internal control system and a business process management system. Both set out the minimum requirements for the company's process organisation and define clear responsibilities. Audits and controls based on the HGS ICS support the management of risks. Data quality is a critical success factor. By continuously optimising our processes and initiating various measures in our data management organisation, we reduce the risks in this area.

Compliance risks consist primarily of the danger of violations of standards and requirements that could result in lawsuits or official proceedings with a not inconsiderable impact on the business activities of HDI Global Specialty if they are not observed. Supervisory compliance, adherence to business principles, data protection and also antitrust and competition law compliance were defined as particularly compliance-relevant topics. The compliance risk includes tax and legal risks. With the help of sanction checking software, parts of the underwriting portfolio of HDI Global Specialty, but also the payment transactions, are filtered for persons and companies that are subject to sanctions. If such persons or companies are discovered, appropriate measures are taken. Responsibilities within the compliance organisation are regulated and documented across all locations. Interfaces to risk management have been established. Regular compliance training programmes complement the instruments.

Fraud risks arise from the danger of deliberate violations of laws or rules by employees (internal fraud) and/or by external parties (external fraud). The internal control system and the line-independent audits of the internal audit department have a risk-reducing effect. Another control at the corporate level includes the establishment and announcement of a whistleblower hotline.

Outsourcing risks can result from outsourcing services and/or organisational units to third parties outside HGS. Binding regulations exist to limit the risk, which stipulate, for example, that a risk analysis must be carried out prior to any significant outsourcing. Within the framework of this analysis, it is examined, among other things, which specific risks exist and whether a spin-off can take place at all. HGS uses intra-group spin-offs in order to act effectively within the group. Particularly in the case of outsourcing of insurance-specific activities, risks are mitigated by carefully selecting agencies and claims administrators, agreeing on binding underwriting and claims settlement guidelines, and conducting regular audits, including on-site audits. The clear assignment of responsibilities in delegated authority business underwriting and in the claims handling process, the further development of the structural and procedural organisation as well as the corresponding guidelines and processes also lead to a reduction in risk. In the area of information technology, HGS is increasingly using the possibilities of the cloud to take advantage of higher security standards, access to newer software and scalability offered by the providers. In line with the increasing use of the cloud, HGS is building up its IT management department to adequately manage the outsourcing risk that arises.

The functionality and competitiveness of HDI Global Specialty is largely due to the competence and commitment of our employees. To reduce personnel risks, we pay particular attention to the qualifications, experience and motivation of our employees and promote them through personnel development and management work. Regular monitoring of fluctuation rates and other key personnel figures enables us to identify personnel risks at an early stage and create room for manoeuvre. In addition, HGS mitigates personnel risk with the help of recruitment and hiring standards, annual performance appraisals, talent management and succession planning and, with the help of employee surveys, reveals potential for improvement that is subsequently remedied in an appropriate manner.

Information technology risks or information security risks include the risk of inadequate integrity, confidentiality or availability of IT systems and information. For example, potential damages that could result from non-compliant processing of personal data or unavailability of our core systems are material to us. Ongoing IT-wide improvements to systems, IT risk management and governance organisation ensure that IT risk and the threat of cyber-attacks are adequately addressed. In view of the broad spectrum of these risks, there are various control and monitoring measures as well as organisational requirements such as confidentiality agreements to be concluded with service providers. In addition, our employees are made aware of such security risks through practice-oriented assistance, e.g. on the intranet, through training offers and employee information campaigns.

Business failure risk arises from hazards of natural or human origin that pose a threat or disruption to business operations. The primary goal in reducing business interruption risks is to return to normal operations as quickly as possible after a crisis, e.g. by implementing existing emergency plans. Based on internationally recognised standards, the decisive framework conditions have been worked out, plans for the continuation and restoration of business activities have been developed and, among other things, a crisis team has been set up to serve as a temporary management body in the event of a crisis. The system is supplemented by regular exercises and tests.

C.6 Other Important Risks

Other significant risks for HDI Global Specialty are mainly future risks (emerging risks), sustainability risks, systemic concentration risks, strategic risks and reputational risks.

C.6.1 Emerging risks

Emerging risks are new or future risks whose potential danger or risk content is not yet reliably known or difficult to assess. These risks can develop over time from weak signals to clear trends with high hazard potential. Emerging risks can either contain risks that have arisen in the short term and are expected in the future (new risks) or risks that - although already known - have an evolving character or an unexpected, changing dynamic, resulting in unexpected damage (evolving risks). It is therefore important to detect such signals at an early stage and to systematically identify them, determine their relevance and assess their degree of risk. Since the frequency and severity of occurrence of risks are often completely unknown, conventional risk identification and the subsequent monitoring process do not work. Special strategies and approaches must be implemented to deal with these risks appropriately, especially since there is no historical statistical data here on which HDI Global Specialty could rely.

As an integral part of the complex risk management process, HGS is integrated into the various working groups of the HDI Group ("MRT Emerging Risks") and the Hannover Re Group ("Emerging Risks and Scientific Affairs"). The latter is made up of employees from various departments, subsidiaries and professions and meets every one to two months. The group conducts qualitative assessments of emerging risks and coordinates the results with the risk management function of HDI Global Specialty. Emerging risks are identified, monitored and recommendations are made on how to deal with them. An additional task of this interdisciplinary working group is to transform scientific findings into underwriting knowledge in order to bridge the gap between continuous scientific progress and the day-to-day business of underwriting and risk management. The working group's reporting includes analyses and recommendations for action in the form of so-called "position papers" and "risk briefings". In the year under review, position papers were prepared on the following topics, among others: Socio-economic Inequalities, Obesity, Climate Change Liability, Supply Chain Risks, Toxic Chemicals, Pandemics, Legal Threats / Class Actions, Autonomous Machines, Climate-related Disasters or Critical Infrastructure Failures. The main task of the working group is the comprehensive semi-annual risk assessment, the ERIS process ("Emerging Risk Screening"), a collaborative assessment of all emerging risks, resulting in a list of the top 40 risks. All risks that are the focus of each individual working group member are intensively discussed and reviewed in the ERIS process, using a uniform, qualitative scoring system regarding the probability and severity of each risk complex. Based on ongoing trend monitoring, an "emerging risk pool" is also continuously built up in the HDI Group working group and communicated to the participants in the emerging risk process. Based on this, emerging risk experts identify the risks that are particularly relevant in the period under consideration and discuss them with the participants in a joint emerging risk workshop. The identified emerging risks are then elaborated for group-wide assessment and evaluated by the participants. The results of the working groups are regularly communicated to the BRC and in this way to the company management. Such new risks, which have now been classified, contain both a hazard potential and opportunities, for example with regard to our product development, as the risks now become tangible and calculable.

C.6.2 Strategic risks

Strategic risks arise from a possible mismatch between HDI Global Specialty's corporate strategy and the constantly changing framework conditions of the environment. Causes for such an imbalance can be, for example, wrong strategic fundamental decisions, inconsistent implementation of the defined strategies and business plans or incorrect allocation of resources. We therefore regularly review our corporate strategy and adjust our processes and the derived guidelines as necessary. For the operational implementation of the strategic principles and goals, we have defined success criteria and key figures that are decisive for the fulfilment of the respective goals. The planning, formulation and control of strategic goals and measures are regularly dealt with in closed-door conferences and meetings of the Executive Board, thus ensuring an overall view of the company and the strategic risks.

C.6.3 Reputational Risks

Reputational risks relate to the danger that the trust of our current and potential customers, business partners and employees, authorities or the wider public as well as shareholders in our company could be damaged. This risk can jeopardise the business basis of HDI Global Specialty. A good corporate reputation is therefore a basic prerequisite for our business. Reputational risks can arise from all business activities of HDI Global Specialty, but also from other market participants. Reputational damage can be caused, for example, by a loss of data that has become public or by a financial distress due to an underwriting risk. At HDI Global Specialty, special exposure also arises from the fact that, as an industrial insurer, the economic activities of our clients are subject to a change in public perception. In order to minimise risks, we rely on a variety of different procedures in addition to the risk identification procedures already described. These include the fact that HDI Global Specialty is embedded in the HDI Group's binding communication channels (e.g. crisis communication guidelines). In addition, HDI Global Specialty is part of the HDI Group's professional public relations work and has tried-and-tested processes for defined crisis scenarios as well as our established business principles.

C.6.4 Sustainability Risks

The sustainability risk is a meta-risk for HGS and is part of all other risk categories, especially the underwriting risks and the market risk, but also the reputation risk. Consequently, the sustainability risk is taken into account when calculating the capital requirement of each individual risk category. Sustainability risks are environmental, social or corporate governance events or conditions, the occurrence of which may actually or potentially have a significant negative impact on the assets, financial and earnings position as well as on the reputation of a company. This includes climate-related risks in the form of physical risks and transition risks.

Sustainability risks are of particular importance to HGS as our customer base includes carbon intensive CO2-based industries. The influence of sustainability risks manifests itself in different ways. For example, in the form of reputational risk, which results from bad press due to an alleged or actual breach of ESG criteria. This in turn can have an impact on the insurance business or the ability to recruit employees. But also in the form of transition risk, which is pronounced in the specialised lines of shipping, aviation, energy and mining, while the financial lines are particularly affected by governance aspects. Within underwriting risk, sustainability risks also have an impact through the consequences of climate change and corresponding underwriting and pricing decisions. Sustainability also manifests itself in the form of Solvency II regulations (governance), codes of conduct for suppliers, fair compensation, compliance with sanction and licensing regulations, but also within the framework of the company's own business operations, e.g. through the development and adoption of resource-saving measures (carbon neutrality).

The HDI Group has established a Responsible Underwriting Committee (RUC) and a Responsible Investment Committee (RIC), and HGS follows the recommendations of these committees. A Sustainability Coordination Group has been set up within HGS to address sustainability issues and identify areas for action. In addition, HGS, together with the Industry business unit, is involved in Group-wide working groups via a central interface, so that decentralised structuring of the topics within the companies can be continued from here. This ensures a uniform approach to the issue of sustainability in the HDI Group.

C.7 Other Disclosures

There are no other disclosures that have a material effect on the risk profile.

D. Valuation for solvency purposes

General Valuation Principles

The valuation of assets and liabilities according to Solvency II is based on economic and market-consistent principles and takes into account inherent risks.

According to this concept, assets and liabilities are valued as follows:

- Assets should be valued at the amount for which they could be exchanged between knowledgeable, willing parties in an arm's length transaction
- Liabilities should be valued at the amount for which they could be transferred or settled between knowledgeable, willing parties in an arm's length transaction
- The fair value of the money should be reflected, i.e. all cash flows are discounted
- For the valuation of liabilities, no impairment are made to take into account the credit quality of the insurance company
- The valuation of assets and liabilities is based on the assumption that the company continues its business activities ("going concern assumption")
- Individual assets and liabilities are valued separately
- Notions of materiality are applied. Missing or erroneous disclosures of items are regarded as material if they could affect, individually or together, the economic decisions of users
- Simplifications may be applied if the method is appropriate regarding the nature, extent and complexity of the inherent risk

The basis for determining the fair value of assets, equity and liabilities, except for technical provisions, is the valuation according to the international accounting process standards as adopted by the Commission according to the Regulation (EC) No 1606/2002. For instance, IFRS 13 serves as a guideline for fair value measurement.

The value of the technical provisions corresponds to the current amount that an insurance company would have to pay if its insurance and reinsurance obligations were immediately transferred to another insurance or reinsurance company. To this end, the technical provisions need to be calculated in a prudent, reliable, objective and market-consistent manner.

The value of the technical provisions corresponds, to a major extent, to the sum of a "best estimate" and a risk margin:

- The best estimate liability (BEL) is the present value of all underwriting cash flows
- The risk margin is calculated using a cost-of-capital approach

Only a small part of the cash flow from underwriting liabilities can be replicated by financial market products.

Valuation methods used must always comply with Articles 75 or 77 to 82 and 86 of the Directive 2009/138/EC.

Review of active markets

When assets are evaluated, a review is necessary whether a market is an active market or not. Only when a market is active, the fair value for determining the fair value of assets can be directly taken from these markets or derived from comparable assets traded there. If a market cannot be classified as active, the fair value must be determined using valuation models. Whether a market can be regarded as an active market depends on the nature of the financial instruments and local markets. However, at HDI Global Specialty they are based on the following defined input parameters.

- Business transactions occur with sufficient frequency and volume such that price information is always available
- The products traded on the market are homogeneous
- It is always possible to find buyers and sellers willing to enter into a contract
- Prices are available to the public

A market is no longer active if, due to the complete and longer-term withdrawal of buyers and/or sellers from the market, the market liquidity can no longer be determined. If the transactions demonstrably result exclusively from forced transactions, forced liquidations or emergency sales, this is likewise indicative of an inactive market; the same applies to high bid-ask spreads.

If the market is demonstrably no active market, we use valuation models for determining fair values. Refer to Section D.4.

Note

Rounding differences of +/- one unit may occur in the following tables.

Solvency Overview as of 31°December 2022

On the following pages we disclose our solvency overview as of 31 December 2021.

In the headings of the sub-sections of "D.1 Assets" and "D.3 Other liabilities" we use the EIOPA item designations for improved readability and clear allocation of the sub-sections to the respective items in the solvency overview.

Values in EUR thousands	Item	2022	2021
Assets			
Intangible assets	R0030	0	0
Deferred tax assets	R0040	1,548	20,570
Real estate, plant and equipment held for own use	R0060	7,234	6,417
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	617,327	514,397
Shares in affiliated companies, including investments	R0090	21,767	14,819
Bonds	R0130	534,616	445,354
Government bonds	R0140	295,674	139,341
Corporate bonds	R0150	238,942	306,013
Collective investments undertakings	R0180	51,005	34,986
Deposits other than cash equivalents	R0200	9,939	19,238
Loans and mortgages	R0230	7,600	2,533
Other loans and mortgages	R0260	7,600	2,533
Amounts recoverable from reinsurance contracts of:	R0270	3,023,268	2,331,223
Non-life and health similar to non-life	R0280	3,023,268	2,331,223
Non-life insurance excluding health insurance	R0290	3,002,008	1,932,138

Health insurance similar to non-life insurance	R0300	21,260	9,935
Funds withheld by ceding companies	R0350	24,697	1,352
Insurance and intermediaries receivables	R0360	362,139	0
Reinsurance receivables	R0370	0	0
Receivables (trade, not insurance)	R0380	28,330	16,502
Cash and cash equivalents	R0410	129,047	214,455
Any other assets, not elsewhere shown	R0420	81	1,010
Total assets	**R0500**	**4,201,271**	**3,108,460**

Values in EUR thousands	Item	2022	2021
Liabilities			
Technical provisions – non-life insurance	R0510	3,251,935	2,601,416
Technical provisions – non-life insurance (excluding health insurance)	R0520	3,229,543	2,589,946
Best estimate	R0540	3,199,653	2,554,180
Risk margin	R0550	29,890	35,765
Technical provisions – health insurance (similar to non-life insurance)	R0560	22,392	11,470
Best estimate	R0580	21,798	10,993
Risk margin	R0590	594	477
Contingent liabilities	R0740	1,499	3,526
Provisions other than technical provisions	R0750	5,767	6,791
Pension benefit obligations	R0760	237	2,980
Deposits retained on ceded reinsurance	R0770	67,282	31,921
Deferred tax liabilities	R0780	16,646	25,004
Financial liabilities other than debts owed to credit institutions	R0810	5,480	4,466
Liabilities to insurance companies and intermediaries	R0820	114,145	0
Liabilities to reinsurers	R0830	229,175	0
Liabilities (trade, not insurance)	R0840	2,317	8,267
Subordinated liabilities	R0850	65,973	81,754
Subordinated liabilities in basic own funds	R0870	65,973	81,754
Any other liabilities, not elsewhere shown	R0880	40,082	29,320
Total liabilities	**R0900**	**3,800,538**	**2,795,445**
Excess of assets over liabilities	**R1000**	**400,734**	**313,015**

D.1 Assets

D.1.1 Intangible assets R0030

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Intangible assets	0	505	0	2,551

According to the German Commercial Code, intangible assets are valued at amortised cost or at the lower fair value, taking into account depreciation. The intangible assets amounting to TEUR 505 essentially include the renewal rights transferred from HDI Global.

In accordance with the valuation regulations under Solvency II, the intangible assets were recognised at zero.

Valuation differences:

Intangible assets are valued at zero unless they can also be sold individually and there is a fixed market price for them on an active market for identical or similar intangible assets.

D.1.2 Deferred tax assets R0040

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Deferred tax assets	1,548	0	20,570	0

If there are differences between the commercial-law valuations of assets, liabilities and accruals and deferrals and their tax valuations which are expected to reverse in later financial years, a resulting overall tax relief can be recognised as a deferred tax asset and a tax burden must be recognised as a deferred tax liability in the commercial balance sheet. In the commercial balance sheet of HDI Global Specialty, in exercising the option pursuant to § 274 para. 1 sentence 2 of the German Commercial Code (HGB), no deferred tax assets are recognised for a resulting asset surplus.

The recognition and measurement of deferred tax assets in the solvency overview are explained in the item "Deferred tax liabilities R0780".

Deferred tax assets result mainly from temporary differences in the balance sheet items intangible assets R0030, bonds R0130 and from recoverable deferred tax assets from tax loss carryforwards.

The value of deferred tax assets is only comparable with the previous year to a limited extent due to the first-time consideration of the netting of deferred tax assets and liabilities. On an unnetted basis, there was an increase of TEUR 13,473, resulting mainly from changes in temporary differences in the balance sheet items bonds R0130 and intangible assets R0030.

In addition, the deferred tax assets resulting from the tax loss carryforwards of the income tax permanent establishments in the USA and Spain in the amount of TEUR 79 are to be classified as recoverable in full. In addition, deferred tax assets of TEUR 18,510 result from tax loss carryforwards of the head office. The recoverability results from the respective existing deferred tax liabilities from temporary differences of the same jurisdiction and, in addition, on the basis of a five-year profit plan.

D.1.3 Real estate, plant and equipment held for own use R0060

Values in EUR thousands	2022 Solvency II value	2022 Value in HGB financial statements	2021 Solvency II value	2021 Value in HGB financial statements
Real estate, plant and equipment held for own use	7,234	1,957	6,417	2,156

In accordance with commercial law, office furniture and equipment are generally valued at acquisition or production cost less scheduled and, if applicable, unscheduled depreciation. Low-value assets are fully depreciated in the year of acquisition. With regard to office furniture and equipment, the valuation in the solvency overview is considered to be identical to the valuation in the annual financial statements under commercial law. A revaluation is not carried out for reasons of materiality.

The increase in office furniture and equipment compared to the previous year is due to the equipment of the new branches.

Valuation differences:

The difference of TEUR 5,277 between the valuations in the solvency overview and the annual financial statements under commercial law is due to the fact that Solvency II follows the approach of IFRS 16, according to which rental agreements with a term of more than 12 months are to be recognised in the balance sheet.

D.1.4 Real estate (other than for own use) R0080

HDI Global Specialty has not recognised any real estate according to Solvency II or the HGB in the balance sheet.

D.1.5 Shares in affiliated companies, including investments R0090

Values in EUR thousands	2022 Solvency II value	2022 Value in HGB financial statements	2021 Solvency II value	2021 Value in HGB financial statements
Shares in affiliated companies, including investments	21,767	103,637	14,819	73,288

Under Solvency II, participations are generally valued at market value. If market values are not available, the "adjusted equity method" can be used to determine the value in accordance with Delegated Acts Solvency II, Article 12.

Participating interests and shares in affiliated companies are reported in the balance sheet at acquisition cost less any write-downs to a lower fair value in accordance with § 341 b para. 1 sentence 2 HGB in conjunction with § 253 para. 3 sentence 5 HGB.

The increase in shares in affiliated companies, including participations, results exclusively from the acquisition of shares in affiliated companies and participations.

Valuation difference:

The difference of TEUR 81,870 between the valuations in the solvency overview and the annual financial statements under commercial law results from the application of the "adjusted-equity method". The investment value results from the recognition of excess of assets over liabilities of the respective companies.

D.1.6 Shares R0100

HDI Global Specialty does not hold any shares and, therefore, has not recognised any values according to Solvency II in the balance sheet.

D.1.7 Bonds R0130

Government bonds, corporate bonds, structured products and collateralised bonds are generally valued on the basis of quoted prices obtained on active markets. If no publicly available price quotations are available or if the markets from which they originate are not classified as active, the respective positions are valued theoretically.

Market quotations are obtained from selected price service agencies, trading information systems or intermediaries (brokers) considered reliable. The available potential price sources are ranked according to a hierarchy. As a rule, the quotations of the price service agencies have the highest priority, those of the intermediaries the lowest. Exceptions may exist, e.g. for selected market segment/currency combinations.

Regardless of the trading venue, a hierarchy of price types is applied. The highest priority is given to the "Bid" price type. If this is not available, the price types "Traded" and "Clo-se" are used in second and third place.

If no market quotations are available for bonds without special structural features, the present value method is used as the valuation method, see also "D.4 Alternative valuation methods".

All methods and specifications used are checked at least annually for up-to-dateness and appropriateness and adjusted if necessary.

Publicly available prices are available for 91% of the portfolios reported here, 9% are valued using the present value method.

D.1.7.1 Government bonds R0140

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Government bonds	295,674	297,929	139,340	138,549

Under Solvency II, investments from the following balance sheet items according to the HGB are allocated to this item:

- Bearer bonds and other fixed-income securities and
- Promissory notes

For valuation, refer to the elaboration under "D.1.7 R0130 – Bonds".

Valuation difference:

The difference between the Solvency II value of these portfolios and their value in the HGB financial statements as of the reporting date amounts to a total of TEUR 2,255.

Of this amount, TEUR 3,827 is due to hidden burdens from the different valuations and TEUR 1,572 is due to the different reporting of accrued interest. According to Solvency II, this is added to the market value (dirty value), whereas according to the HGB, the accrued interest is added to a balance sheet item outside of investments - the accruals and deferrals item.

D.1.7.2 Corporate bonds R0150

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Corporate bonds	238,942	260,661	306,013	307,669

Under Solvency II, investments from the following balance sheet items according to the HGB are allocated to this item:

- Bearer bonds and other fixed-income securities
- Registered bonds and
- Promissory notes and loans

For valuation, refer to the elaboration under "D.1.7 R0130 – Bonds".

Valuation difference:

The difference between the Solvency II value of these portfolios and their value in the HGB financial statements as of the reporting date amounts to a total of TEUR 21,719.

Of this amount, TEUR 23,550 is due to hidden burdens from the different valuations and TEUR 1,831 is due to the different reporting of accrued interest. Under Solvency II, this is added to the market value (dirty value), whereas under HGB the accrued interest is added to a balance sheet item outside the investments - the accruals and deferrals item.

D.1.8 Collective Investments Undertakings R0180

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Collective investment undertakings	51,005	45,471	34,986	31,655

This item includes shares in infrastructure and real estate funds as well as other investments. Valuation is at market price, which corresponds to the fair value to be recognised under IFRS in accordance with IAS 39. The market values are generally determined using an income capitalisation approach.

Funds are valued at acquisition cost in accordance with Section 255 (1) HGB, less any write-downs to a lower fair value in the event of permanent impairment in accordance with Section 341 b (1) sentence 2 HGB in conjunction with Section 253 (3) sentence 5 HGB.

Valuation difference:

The difference between the Solvency II value of these portfolios and their value in the HGB financial statements as of the reporting date totals TEUR 5,534.

These are due to hidden reserves from the different valuations. Under Solvency II, these are added to the market value (dirty value), whereas under the HGB the reserves are allocated to a separate balance sheet item within the investments.

D.1.9 Deposits other than cash equivalents R0200

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Deposits other than cash equivalents	9,939	9,934	19,238	19,236

Deposits are valued at their nominal values.

Valuation difference:

The difference between the Solvency II value of these portfolios and their value in the HGB financial statements as of the reporting date is TEUR 5.

The difference is due to the different reporting of accrued interest. The accrued interest is allocated to the accruals and deferrals item under HGB and to the respective balance sheet item (dirty value) under Solvency II.

D.1.10 Amounts recoverable from reinsurance contracts R0270

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Non-life insurance	3,023,268	4,488,065	2,331,223	3,691,264

Under Solvency II, the amounts recoverable from reinsurance contracts are valued analogously to the valuation of the best estimate liability of the technical provisions, cf. chapter D.2.1 (non-life reinsurance). If a claim exists against the reinsurer, an adjustment is made for the default risk of the reinsurer. This adjustment is only applied if the recoverable amount (per counterparty) is positive.

Under HGB, the recoverable amounts from reinsurance contracts are determined on the basis of the reinsurance contracts.

Valuation difference:

The significant part of the valuation differences between HGB and Solvency II results from the discounting of expected future cash flows and the consideration of future premium cash flows under Solvency II.

The differences in valuation apply analogously to the differences in the valuation of the best estimate liability, see chapter "D.2.1.4 Reconciliation with other provisions" (non-life reinsurance).

D.1.11 Funds withheld by ceding companies R0350

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Funds withheld by ceding companies	24,697	24,697	1,353	1,353

The accounting of deposits retained on assumed reinsurance is determined in accordance with § 13 RechVersV. The netting of deposits retained on assumed reinsurance with other liabilities to the prior insurer is prohibited.

Deposits retained on assumed reinsurance and deposits retained on assumed reinsurance are to be shown in the economic valuation. The netting of deposits retained on assumed reinsurance business with technical provisions is not permitted.

Valuation difference:

There are no differences.

D.1.12 Insurance and intermediaries receivables R0360

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Insurance and intermediaries receivables	362,139	1,435,535	0	1,148,001

Under Solvency II, receivables are to be valued at the expected present value of future cash flows, i.e. they are discounted at the interest rate applicable under Solvency II. In addition, the counterparty default risk must be taken into account in the valuation.

Under HGB, receivables from insurers and intermediaries are recognised at their nominal amounts.

Valuation difference:

In accordance with Solvency II, an estimated portion of the future cash flows was included in the underwriting provisions, resulting in a different valuation approach compared to HGB. The remaining part of the receivables was not discounted for reasons of materiality.

D.1.13 Receivables (trade, not insurance) R0380

	2022	2021

Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Receivables (trade, not insurance)	28,330	28,336	16,502	16,500

According to Solvency II, receivables are to be valued at the expected present value of future cash flows, i.e. they are discounted at the interest rate applicable according to Solvency II. In addition, the counterparty default risk must be taken into account in the valuation. Both are omitted for reasons of simplification.

Receivables are recognised at their nominal amount in accordance with HGB. Valuation allowances are made for default risks.

The increase in receivables compared to the previous year is mainly due to increased advance payments for software licences.

Valuation difference:

No revaluation according to Solvency II is carried out for receivables (trade, not insurance). The difference between the items in the solvency overview and in the annual financial statements under commercial law results from reclassifications.

D.1.14 Cash and cash equivalents R0410

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Cash and cash equivalents	129,047	129,047	214,455	214,455

Cash and cash equivalents include deposits, current balances with credit institutions and cash on hand. Both under Solvency II and under HGB, nominal amounts are recognised.

Valuation difference:

There are no differences.

D.1.15 Any other assets, not elsewhere shown R0420

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Any other assets, not elsewhere shown	81	3,506	1,010	3,719

Other assets must be measured at fair value according to Solvency II. According to the German Commercial Code (HGB), they are measured at amortised cost.

Valuation difference:

The difference of TEUR 3,424 between the items in the solvency overview and in the annual financial statements prepared in accordance with the German Commercial Code (HGB) is mainly the result of accrued interest from capital investments, which must be shown separately under HGB.

D.2 Technical Provisions

The Under Solvency II, technical provisions (hereinafter referred to as TP) are calculated as the sum of the best estimate (hereinafter referred to as Best Estimate Liabili-ty/BEL) and the risk margin (RM).

The valuation of the TP takes place using risk-free EIOPA interest rate curves. No matching or volatility adjustment is made. Temporary adjustments to the risk-free interest rate structure within the meaning of Article 308c of Directive 2009/138/EC are also not made.

A temporary deduction in accordance with Article 308d of Directive 2009/138/EC shall also not apply.

The approach of calculating the TP as a whole is currently not applied.

Under Solvency II, all contracts must be valued over their entire term (ultimate view regarding contract limits).

In general, a contract limit is reached under Solvency II if (at least) one of the following criteria applies:

- The insured/insurer has the unilateral right to terminate the contract at that time.
- The insurer has at that time the unilateral right to refuse premiums paid under that contract.
- The insurer has at this time the unilateral right to enforce price adjustments so that subsequently the premiums adequately reflect the risks assumed.

The contract portfolio of HDI Global Specialty consists predominantly of one-year insurance contracts.

Best Estimate Liability (BEL)

The calculation of the BEL is based on projections of cash flows, which represent all future incoming and outgoing payments. The cash flows include premiums, commissions, claims and costs. Best estimate assumptions are used. The costs include all contract-related costs as well as costs attributable to ongoing operations.

There are no financial options and guarantees (FOGs) in HDI Global Specialty insurance and reinsurance business.

The projections are generated separately for incoming and outgoing business. The same valuation bases, methods and assumptions are used.

Risk Margin (RM)

HDI Global Specialty uses a cost of capital approach in accordance with Article 37 (1) of Delegated Regulation (EU) 2015/35 to calculate the risk margin for the entire portfolio of insurance and reinsurance obligations.

A factor of 6% is applied as the cost of capital and the required capital is the solvency capital (SCR) required under Solvency II, which is determined using HDI Global Specialty's internal model and projected for the future. The allocation to the business segments reflects the respective contribution to the Solvency Capital Ratio (SCR) (Article 37).

D.2.1 Technical provisions for insurance policies for non-life insurance

D.2.1.1 Quantitative information on technical provisions

Net underwriting provisions of HDI Global Specialty by lines of business
Values in EUR thousands, YE2021

Business field	BEL	RM	TP YE2022	TP (YE2021)
General liability insurance	130,222	12,085	142,307	213,979
Income protection insurance	487	594	1,081	1,535
Fire and other property insurance	25,489	7,811	33,300	49.037
Motor third-party liability insurance	5,226	397	5,623	3,157
Credit and collateral insurance	-11,740	1,580	-10,160	24,146
Legal protection insurance	2,339	741	3,080	9,800
Marine, aviation and transport insurance	33,442	5,190	38,632	-4,692
Other motor insurance	11,045	1,368	12,413	-32,439
Insurance against miscellaneous financial losses	1,886	670	2,557	3,839
Other insurance	-213	47	-165	34
Total	**198,184**	**30,484**	**228,668**	**270,192**

The above table contains an overview of the net underwriting reserves of HDI Global Specialty. The classes of workers' compensation insurance, medical expenses insurance and assistance are summarised under "Other insurance".

D.2.1.2 Valuation of the Technical Provisions of Property/Casualty Primary Insurance and Property/Casualty Reinsurance

Bases

For the calculation of the BEL under Solvency II, the company's business is divided into homogeneous risk groups so that the type, scope and complexity of the business are adequately taken into account.

In general, there are no differences between the individual lines of business with regard to the Solvency II valuation approach, therefore the following valuation methods are valid for all lines of business.

Methods

The BEL valuation is based on the estimation of future cash flows. All incoming and outgoing payments expected in the future from the existing business are to be included, taking into account their current value. The BEL is shown separately as a premium reserve and a claims reserve.

The premium reserve relates to loss events after the valuation date and thus includes all claim, premium, commission and cost payment flows that can be allocated to unearned business, taking into account their current value.

The loss reserve, on the other hand, refers to loss events up to the valuation date and thus, taking into account its current value, includes all flows of claims, premiums, commissions and cost payments that can be allocated to earned business.

The Solvency II calculations to determine all relevant cash flows for the premium and claims reserve represent a best estimate. The BEL is first calculated on a gross basis. The cash flows for premiums, commissions, claims and costs are modelled separately. A holistic view is taken in terms of the contractual relationships entered into, in which all payment flows are projected to their final status within the contract limits. The BEL is then the sum of the discounted cash flows. The resulting BEL is aggregated from the contract level to the lines of business required under Solvency II.

The division into lines of business for non-life insurance obligations is as follows:

- Medical expenses insurance
- Income protection insurance
- Workers' compensation insurance
- Motor third-party liability insurance
- Other motor insurance
- Marine, aviation and transport insurance
- Fire and other property insurance
- General liability insurance
- Credit and collateral insurance
- Legal protection insurance
- Assistance
- Various financial losses

Assumptions

For the calculation of the BEL, run-off patterns and estimated ultimate loss ratios on the homogeneous segments are used. These are determined on the basis of run-off triangles using recognised actuarial methods, which are generated from current and quality-assured data.

The cash flows are then discounted using the risk-free interest rate curve specified by EIOPA and converted into the reporting currency on the reporting date using a fixed exchange rate.

Overall, the valuation bases, methods and assumptions used ensure that the determination of the BEL adequately reflects the nature, scale and complexity of the underlying risks.

Amounts recoverable from reinsurance contracts

In general, the valuation of recoverable amounts from reinsurance contracts is analogous to the valuation of technical (gross) reserves.

Amounts recoverable from Reinsurance:
Values in EUR thousands

Values in EUR thousands	RR (YE2022)	RR (YE2021)
General liability insurance	1,425,885	1,017,070
Income protection insurance	20,953	9,935
Fire and other property insurance	726,659	720,764
Motor third-party liability insurance	32,002	41,426
Credit and collateral insurance	23,999	-31,104
Legal protection insurance	63,650	35,461
Marine, aviation and transport insurance	585,986	388,597
Other motor insurance	92,826	84,701

Insurance against miscellaneous financial losses	51,147	64,131
Other insurance	161	242
Total	**3,023,268**	**2,331,223**

Since Q4 2022, HDI Global Specialty has no longer offset the receivables and liabilities in the technical provisions, but shows them separately in the Solvency II balance sheet. Deposits retained on assumed reinsurance and deposits retained on ceded reinsurance are not reported in the technical provisions but separately in the Solvency II balance sheet.

The recoverable amounts from reinsurance contracts are adjusted for expected losses due to counterparty default. This adjustment is determined separately and is based on the assessment of the probability of default per counterparty - whether through insolvency or in the event of a legal case - and the resulting average loss in the event of default.

Under HGB, the recoverable amounts from reinsurance contracts are determined on the basis of the reinsurance contracts. Value adjustments are made for default risks.

The valuation differences between the valuation under HGB and under Solvency II apply analogously to the differences in the valuation of the best estimate liability, see chapter D.2.1.4.

D.2.1.3 Degree of Uncertainty

The economic valuation of the loss reserves involves a certain degree of uncertainty. This results from the fact that the actual payment dates of future cash flows as well as the actual ultimate loss amount are unknown and from the possible default of reinsurers. This uncertainty is regularly monitored through various assessments.

In addition to internal quality assurance and validation, the actuarial calculations used for the appropriateness of the amount of the loss reserve are subject to additional quality assurance and review by external actuarial and auditing firms.

Within the framework of segmentation and assumption setting, it is ensured on this basis that the determination of the economic value of the reserves is carried out in a prudent, reliable and objective manner in accordance with the requirements of § 75 VAG. The type and complexity of the insurance business and inherent reserve risks and data uncertainties are taken into account.

In order to include a possible default of the reinsurers, an adjustment for the counterparty default risk is determined, which is based on the rating of the reinsurers.

The risk margin allocated to the different lines of business can be considered as an indicator of the uncertainty inherent in the business.

The calculation of the risk margin includes uncertainty through the value of the solvency capital requirement and through the projection of the future development of the solvency capital requirement. The solvency capital requirement is calculated using HDI Global Specialty's internal model. The assumptions on the projection of the future development of the solvency capital requirement are agreed internally and are subject to an external review by the auditing firm as part of the solvency overview.

D.2.1.4 Reconciliation with other provisions

This section depicts the reconciliation of the technical provisions before the amounts recoverable from reinsurance contracts from HGB to Solvency II as of 31 December 2022.

Major revaluation effects

Values in EUR thousands	2022	2021
Net underwriting provisions for Property/Casualty reinsurance according to the German Commercial Code (HGB)	**667,022**	**512,061**
Provisions for outstanding insurance claims under the German Commercial Code (HGB), incl. the equalisation reserve and similar provisions	405,527	313,401
Unearned premium reserves	261,496	198,660
Total revaluation effect from HGB to Solvency II	-438,355	-241,869
Revaluation of equalisation reserve	-86,157	-62,348
Reclassification of receivables from and liabilities to insurers and intermediaries as well as reinsurers	0	69,281
Revaluation to the economic final loss perspective	-346,317	-276,425
Discounting of cash flows under Solvency II	-36,364	-8,618
Risk margin approach under Solvency II	30,484	36,242
Technical provisions for Property/Casualty reinsurance according to Solvency II	**228,668**	**270,192**

Since the valuation method for technical provisions is the same for all classes of business, the revaluation effects are not allocated to the Solvency II business lines.

Under Solvency II, the equalisation reserve, which serves as an underwriting reserve under the German Commercial Code (HGB) to stabilise the result by balancing out fluctuations over time, is omitted.

Instead, a risk margin is formed under Solvency II. This is intended to cover the costs of providing own funds in the amount of the future solvency capital requirement, which are necessary to cover the insurance obligations until the end of their term.

Furthermore, there may be differences in the valuation and accounting of contracts under Solvency II and under HGB, for example due to different interpretations of the contract limits.

Due to the BaFin's interpretation decision of 1 January 2019, all underwriting receivables and liabilities were offset in the underwriting provisions under Solvency II up to and including Q3 2022. This interpretation decision was repealed by BaFin in 2021. In view of the consistency of the valuation, HDI Global Specialty had initially decided to continue to offset the receivables and liabilities against the technical provisions. However, in the course of a standardisation of the calculation logic, this has now been waived since Q4 2022 and a separate disclosure is made. Under the German Commercial Code (HGB), underwriting receivables and liabilities are shown separately.

In addition, the safety margins booked under HGB were taken into account in the calculation of the BEL for the first time in the reporting year, which leads to an increase in the BEL.

For reasons of prudence, HDI Global Specialty has refrained from taking into account cash flows from insurance obligations that are already underwritten on the valuation date but whose liability period does not begin until after the valuation date. In the valuation of technical provisions according to the German Commercial Code, however, the realisation principle applies, according to which only profits that have already been realised may be recognised in the balance sheet. A temporal delimitation, for example, as with unearned premiums under HGB, is therefore not applicable under Solvency II.

Another significant difference in valuation is that under Solvency II the payment flows are discounted with a risk-free interest rate, whereas under HGB only pension reserves are discounted as a rule.

D.3 Other Liabilities

D.3.1 Other technical provisions R0730

Values in EUR thousands	2022 Solvency II value	2022 Value in HGB financial statements	2021 Solvency II value	2021 Value in HGB financial statements
Other technical provisions	0	86,157	0	62,348

The equalisation reserve and similar reserves are included in the other underwriting reserves under the HGB value.

The equalisation reserve must be formed in the financial statements under commercial law in accordance with § 341 HGB. Solvency II does not provide for the formation of an equalisation reserve. This results in a difference of TEUR 86,157 in the other technical provisions.

D.3.2 Contingent liabilities R0470

Values in EUR thousands	2022 Solvency II value	2022 Value in HGB financial statements	2021 Solvency II value	2021 Value in HGB financial statements
Contingent liabilities	1,499	0	3,526	0

HDI Global Specialty has contractually agreed to assume a potential future payment obligation of up to USD 4,000 for Danae Inc. This contract is included in the contingent liabilities under Solvency II.

According to Solvency II, the contingent liability must be recognised in the balance sheet in accordance with Article 11 of Delegated Regulation (EU) 2015/35.

D.3.3 Provisions other than technical provisions R0750

Values in EUR thousands	2022 Solvency II value	2022 Value in HGB financial statements	2021 Solvency II value	2021 Value in HGB financial statements
Provisions other than technical provisions	5,767	6,402	6,791	7,391

The following items are shown under non-technical provisions in the solvency overview:

- Holiday and overtime pay
- Bonus payments and anniversary benefits

In the solvency overview, the fair value determined in accordance with the provisions of IAS 37 is recognised.

Under commercial law, other provisions are formed in the amount of the settlement amount required according to reasonable commercial judgement.

Valuation difference:

The difference in the solvency overview and in the annual financial statements under commercial law in the amount of TEUR 635 results from the different discounting of share awards and the provision for jubilee benefits.

D.3.4 Pension benefit obligations R0760

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Pension benefit obligations	237	85	2,980	2,091

In the solvency overview, the valuation of pension payment obligations is carried out analogously to the valuation according to IAS 19 "Employee Benefits" using the projected unit credit method, which is described in chapter "D4. Alternative valuation methods".

In accordance with the German Commercial Code, pension payment obligations are recognised at the amount reasonably required to settle the obligation. They are discounted at the average interest rate of the last ten years published by Deutsche Bundesbank in accordance with the Rückstellungsabzinsungsverordnung (RückAbzinsVO) at 1.79% for an assumed remaining term of 15 years. The pension provision is calculated using the projected unit credit method. The salary trend is assumed to be 3.50% and the pension trend 2.34%. Fluctuation probabilities are determined separately depending on age and gender. The benefit adjustment due to surplus participation from reinsurance policies was taken into account in the amount of 0.0%. The calculations are based on the "Richttafeln 2018G" (mortality tables). In the case of employee-financed pension commitments, the amount of which is determined exclusively by the fair value of a reinsurance claim, the valuation is carried out in accordance with § 253 paragraph 1 sentence 3 HGB. For these commitments, the settlement amount corresponds to the fair value of the actuarial reserve plus surplus participation. For securities-linked employee-financed commitments, the settlement amount corresponds to the fair value of the security. Claims from reinsurance policies were netted with the obligations as cover assets eligible for netting. The cover assets are recognised at fair value in accordance with § 253 para. 1 sentence 4 HGB. These correspond to the actuarial reserve of the insurance contract with the calculation bases of the premium calculation plus the already allocated profit shares and thus the amortised acquisition costs..

Valuation differences:

The difference of TEUR 152 between the valuations in the solvency overview and in the annual financial statements under commercial law results in particular from the different interest rates used for discounting. According to Solvency II, a lower interest rate is applied, which results in a higher valuation of the assessed pension payment obligations.

D.3.5 Deposits retained on ceded reinsurance R0770

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements

Deposits retained on ceded reinsurance	67,282	67,282	31,921	31,921

The accounting of deposits retained on ceded business is determined in accordance with § 33 RechVersV. The balancing of deposits retained on ceded business with other liabilities to the reinsurer and receivables from the reinsurer is prohibited.

Deposits retained on assumed reinsurance and deposits retained on assumed reinsurance are to be shown in the economic valuation. The netting of deposits retained on ceded business with technical provisions is not permitted.

Valuation difference:

There are no differences

D.3.6 Deferred tax liabilities R0780

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Deferred taxes	16,646	0	25,004	0

No deferred tax liabilities are reported in the annual financial statements of HDI Global Specialty under commercial law, as there is an overall surplus of assets.

A deferred tax liability of TEUR 16,646 is reported in the solvency overview. The calculation of the deferred taxes shown in the solvency overview is basically carried out in two steps.

In the first step, deferred taxes are determined on the basis of the valuation differences between the IFRS balance sheet and the tax balance sheet. In the process, deferred tax assets or deferred tax liabilities are recognised in accordance with IAS 12 (Income Taxes). Deferred tax assets or liabilities arise if asset or liability items are valued lower or higher in the IFRS balance sheet than in the tax balance sheet and these differences will reverse in the future (temporary differences). Temporary differences generally result from valuation differences between the tax balance sheet and the IFRS balance sheet.

Deferred tax assets are also formed on tax loss carryforwards and tax credits. Valuation allowances are made in respect of deferred tax assets as soon as it no longer appears probable that the deferred tax assets will be realised in the future. Deferred taxes are measured using the ratified tax rates of the respective country applicable or enacted at the balance sheet date.

In the second step, deferred taxes are determined on the basis of the valuation differences between the solvency overview and IFRS. Analogous to IAS 12, no discounting takes place in the valuation of deferred taxes in the solvency overview.

The result of these two steps is the deferred taxes based on the valuation differences between the tax balance sheet and the solvency overview.

When calculating the deferred taxes, the calculation steps described above took into account the expected tax rates for individual branches at the time of the reduction of the differences according to the respective national tax law development. Already planned or announced tax rate changes are taken into account.

When testing the recoverability of deferred tax assets, it is first examined whether there are sufficient deferred tax liabilities. In addition, the recoverability is tested depending on the management's five-year earnings plan.

Deferred taxes are calculated separately for each independent branch for tax purposes and, if the offsetting requirements are met, netted out.

Deferred tax liabilities result mainly from temporary differences in the insurance reserves - non-life insurance R0510 and subordinated liabilities R0850. With regard to the composition of the "technical provisions", we refer to the explanations given under point D.2.1.

The value of deferred tax liabilities is only comparable with the previous year to a limited extent due to the first-time consideration of the balancing requirement for deferred tax assets and liabilities - insofar as they can be offset. On an unnetted basis, deferred tax liabilities increased by TEUR 25,540, mainly due to changes in temporary differences in technical provisions.

D.3.7 Financial liabilities other than debts owed to credit institutions R0810

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Financial liabilities other than debts owed to credit institutions	5,480	167	4,466	167

Liabilities are recognised at settlement amounts under commercial law.

According to Solvency II, liabilities are to be valued at the expected cash value of future cash flows. Discounting is not carried out for reasons of materiality.

Valuation differences:

A difference between the valuations in the solvency overview and the annual financial statements under commercial law results from the fact that Solvency II follows the approach according to IFRS 16, according to which rental obligations with a term of more than 12 months are to be recorded in the balance sheet.

D.3.8 Insurance & intermediaries liabilities R0820

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Liabilities to insurance companies and intermediaries	114,145	114,145	0	97,545

Liabilities are stated at settlement amounts under commercial law.

According to Solvency II, liabilities are to be measured at the expected present value of future cash flows. The portion of the liabilities to insurance companies and intermediaries that contains future premium payment flows is to be included in the technical provisions.

Valuation difference:

There are no differences.

D.3.9 Liabilities to reinsurers R0830

Values in EUR thousands	2022 Solvency II value	2022 Value in HGB financial statements	2021 Solvency II value	2021 Value in HGB financial statements
Liabilities to reinsurers	229,175	1,124,599	0	973,223

Liabilities are recognised at settlement amounts under commercial law.

According to Solvency II, liabilities are to be valued at the expected cash value of future payment flows. Under Solvency II, the portion of the liabilities to reinsurers that includes future premium flows is included in the technical provisions. The remaining part of the liabilities to reinsurers is not discounted for reasons of cost effectiveness.

Valuation differences:

In accordance with Solvency II, an estimated portion of the future cash flows was included in the technical provisions, resulting in a lower valuation.

D.3.10 Liabilities (trade, not insurance) R0840

Values in EUR thousands	2022 Solvency II value	2022 Value in HGB financial statements	2021 Solvency II value	2021 Value in HGB financial statements
Liabilities (trade, not insurance)	2,317	2,137	8,267	8,199

Liabilities are stated at settlement amounts under commercial law.

According to Solvency II, liabilities are to be valued at the expected present value of future cash flows. For reasons of materiality, no discounting is made.

Valuation differences:

The difference between the items in the solvency overview and in the annual financial statements under commercial law results from a reclassification.

D.3.11 Subordinated liabilities in basic own funds R0870

Values in EUR thousands	2022 Solvency II value	2022 Value in HGB financial statements	2021 Solvency II value	2021 Value in HGB financial statements
Subordinated liabilities in basic own funds	65,973	84,000	81,754	84,000

Subordinated debt represents financial contractual obligations that rank behind all other loan liabilities and obligations. The lenders have subordinated rights compared to all other lenders. In particular, in the event of insolvency, subordinated capital has subordinated claims to other debt capital. Under Solvency II, subordinated liabilities can be classified as basic own funds.

The economic valuation for the solvency overview can be derived from the fair value approach according to IAS 39, whereby adjustments due to changes in own creditworthiness are not taken into account in Solvency II.

Valuation difference:

According to Solvency II, liabilities - including subordinated liabilities - are to be valued at the expected cash value of future cash flows; they are generally discounted. Under commercial law, liabilities are recognised at settlement amounts and not discounted. This results in valuation differences of TEUR 18,027.

D.3.12 Any other liabilities, not elsewhere shown R0880

	2022		2021	
Values in EUR thousands	Solvency II value	Value in HGB financial statements	Solvency II value	Value in HGB financial statements
Any other liabilities, not elsewhere shown	40,082	40,082	29,320	29,383

According to Solvency II, liabilities are to be valued at the expected cash value of future cash flows. For reasons of materiality, no discounting is carried out. Liabilities are recognised at settlement amounts under commercial law.

Valuation difference:

The difference between the items in the solvency overview and in the annual financial statements under commercial law is the result of a reclassification.

D.4 Alternative Valuation Methods

The valuation principles according to Solvency II are applied. In addition to the general valuation principles, the following valuation hierarchy is applied to the recognition and measurement of assets and other liabilities.

1. As a standard valuation method, the market prices observable on active markets are used. The use of exchange prices should be based on the criteria for an active market as defined in the International Accounting Standards

2. If no exchange prices on active markets are available for the measurement of the assets, equity and liabilities, exchange prices of similar assets, equity and liabilities are used. Adjustments are made to reflect the differences

3. In cases where the criteria for the use of exchange prices are not met, alternative valuation methods are used (other than those described under point 2). If alternative valuation methods are used, they should be based, to the extent possible, on market data and contain as few company-specific influencing factors as possible

HDI Global Specialty applies alternative valuation methods to several balance sheet items, which are explained in more detail below:

D.4.1 Projected unit credit method

The method is used to calculate the pension payment obligations. They are calculated according to actuarial principles and are based on the commitments granted by HDI Global Specialty for retirement, disability and widow's pensions. The commitments are based on the length of service with the company and the amount of the salary. These are exclusively defined benefit plans. The basis for the valuation is the estimated future salary development of the pension beneficiaries. The discounting of the benefit claims is carried out using the capital market interest rate for securities with the best credit rating..

D.4.2 Fair value determination for unlisted assets

To determine the fair values of assets that are not listed on a stock exchange or the relevant markets of which are considered to be inactive at the date of valuation (refer to Section D "Review of active markets"), we alternatively use the valuation models andmethods described below. They represent the current and recognised methods for the respective assets on the market and are used to determine a market price despite unavailable valuations of active markets.

Alternative Valuation Methods for Unlisted Assets

Financial instruments	Input parameters	Valuation models/methods
Unlisted bonds	Interest structure curves	Present value method
Unlisted investments	Acquisition costs, cash flows, EBIT multiples, carrying amount if applicable	German discounted cash flow method, DCF method, multiple approaches

The overwhelming majority of portfolios valued by applying alternative valuation methods is measured on the basis of the present value method. It is a largely assumption-free method in which the future payments of the securities are discounted using suitable interest structure curves. These interest structure curves are derived from appropriate market data observable on public markets. The interest rates used for discounting consist of a maturity-dependent basic component (derived from the risk-free interest rate) and an issuer and issue-specific risk premium to take account of spread, migration and default risks. In very general terms, this approach is based on the generally accepted assumption in the market that price differences for securities that are comparable in terms of risk, maturity and credit quality and listed in transparent markets essentially result from issue-specific characteristics and lower liquidity and are therefore rather insignificant in terms of their influence on the fair value.

The use of models involves various model risks that can lead to valuation uncertainty:

- Modelling risk (appropriateness and suitability of the model)
- Data quality risk (incomplete or obsolete data for model calibration or parameterisation)
- Risk in the validity of assumptions and estimates
- Risks in model implementation

The model risks are limited by a process of regular validation in which a systematic, quantitative and qualitative review of the appropriateness of the valuation models and procedures is performed. Moreover, the model results (for items that are mainly valued using alternative valuation methods) are continuously checked for plausibility as part of daily quality assurance processes.

D.5 Other Disclosures

There are no other disclosures that have a material impact on the valuation for solvency purposes.

E. Capital management

E.1 Own Funds

E.1.1 Management of own funds

Capital management processes include a classification of all own funds components with regard to the Solvency II tiering requirements as to whether they are basic own funds or supplementary own funds and how effectively available they are. The results of these processes are taken into account for the ORSA process and also flow into the medium-term capital plan.

The Solvency II balance sheet includes a subordinated loan from HDI Global SE, which is counted as Tier 2 basic own funds.

The internal model of HDI Global Specialty (Specialty Internal Model) is used to assess both the quantitatively measurable individual risks and the overall risk position. The assumptions and calculation methods for determining the company's risk-bearing capacity are recorded in the documentation of the risk model and in regular reports. HDI Global Specialty also uses the Specialty Internal Model to determine the solvency capital requirement and the minimum capital requirement.

E.1.2 Tiering

The classification of own funds with regard to their ability to absorb losses is a central component of the capital requirements under Solvency II. The individual components of own funds are classified in one of three quality classes ("tiers") according to certain criteria.

Tier 1 own funds components have the highest quality level, as they are permanently available. They demonstrably compensate for losses, both in current business operations and in the event of liquidation. Tier 2 generally refers to basic own funds and supplementary own funds, which have the ability to absorb losses in the event of a liquidation of the company. Tier 3 includes net tax assets and other items to the extent that they are not eligible for inclusion in Tier 2.

In the year under review, HDI Global Specialty did not hold any supplementary own funds requiring regulatory approval. There are no quality class 3 own funds components as at 31 December 2022.

E.1.3 Basic Own Funds

The following table depicts the composition of the basic own funds that are available:

Composition of basic own funds

Values in EUR thousands	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
Subscribed capital	121,600	121,600	-	-	-
Reconciliation reserve	145,062	145,062	-	-	-
Capital reserve	134,072	134,072	-	-	-
Subordinated own funds	65,973	-	-	65,973	-
Net amount deferred taxes, active	-	-	-	-	-
Total	**466,706**	**400,734**	**-**	**65,973**	**-**

The different quality classes are based on legal limitations on the ability to absorb losses. Against this background, the available basic own funds are not fully available to cover the overall risk position of HDI Global Specialty. The portion of the basic own funds that can be used to cover the overall risk position in accordance with the SCR and MCR is referred to below as eligible own funds.

Available versus eligible own funds

Values in EUR thousands	2022	2021
Available own fund items	466,706	394,770
Eligible own fund items SCR	466,706	374,616
Eligible own fund items MCR	411,609	323,600

As a result of the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) rules and the resulting eligibility rules, the available own funds are reduced. A maximum of 50% of the SCR for Tier 2 is counted as eligible own funds for the SCR. If the value in Tier 2 is below the stated limit, the total value is imputed. 20% of the MCR in Tier 2 is taken into account for the MCR.

The basic own funds of HDI Global Specialty can be derived from the HGB equity capital. The HGB equity is adjusted for recognition and measurement differences and supplemented by deferred tax effects between the two accounting regulations..

Reconciliation of HGB equity to Solvency II own funds

Values in EUR thousands	2022	2021
Equity (HGB)	260,698	215,678
Recognition and valuation differences between Solvency II and HGB:	140,036	**97,337**
Equalisation reserve	86,157	62,348
Intangible fixed assets	-505	-2,551
Fixed-income securities and other investments	-100,311	-56,001
Underwriting assets and equity and liabilities (incl. receivables and liabilities from the insurance business)	156,226	102,289
Subordinated loans	18,027	2,246
Other non-underwriting assets, equity and liabilities	-4,460	-6,559
Deferred taxes on tax differences between Solvency II and HGB	-15,098	-4,435
Excess of assets over liabilities (Solvency II)	**400,734**	**313,015**

E.1.3.1 Subscribed Capital

The paid-in share capital is the highest-quality equity capital that can be relied upon to compensate for losses in the ongoing business operations.

Share Capital

Values in EUR thousands	2022	2021
Share capital	121,600	121,600
Total	**121,600**	**121,600**

The share capital of HDI Global Specialty amounted to TEUR 121,600 on the balance sheet date. The shares are fully paid up. The share capital is divided into 95,000,000 no-par value registered shares with voting rights and dividend entitlement. Each share grants the same voting rights and dividend entitlement. As at the balance sheet date, no treasury shares are held by the company.

No new shares were issued in the reporting period.

E.1.3.2 Reconciliation reserve

The Solvency II reconciliation reserve as a component of tier 1 (unrestricted) is allocated to the basic own funds. It mainly consists of the excess of assets over liabilities, adjusted for the subscribed capital.

Reconciliation reserve

Values in EUR thousands	2022	2021
Reconciliation reserve	145,062	115,268
Total	**145,062**	**115,268**

The reconciliation reserve includes reserves (in particular retained earnings); however, it also includes the differences between the balance sheet valuation according to the German Commercial Code (HGB) and the valuation according to Directive 2009/138/EC.

As of the reporting date the reconciliation reserve is TEUR 145,062.

The reconciliation reserve increased by TEUR 29,794 in the reporting period. The increase is mainly attributable to the different balance sheet valuation in the German Commercial Code and Solvency II.

E.1.3.3 Subordinated own funds

As at the reporting date, HDI Global Specialty had two subordinated loans in its portfolio which meet the criteria for subordinated tier 2 liabilities under Solvency II.

Subordinated own funds

Values in EUR thousands	2022	2021
Subordinated loans	65,973	81.754
Total	**65,973**	**81.754**

To strengthen its own funds, HDI Global has granted a subordinated loan of TEUR 84,000 in accordance with the applicable regulatory provisions. The loan is fully paid up in the account of HDI Global Specialty.

The remaining term of the subordinated loan as at the reporting date is 19 years. The fixed interest rate of 2.34% ends after 9 years.

E.1.3.4 Capital Reserve

The capital reserve according to Section 272 (2) No. 4 of the German Commercial Code is TEUR 134,072.

Capital Reserve

Values in EUR thousands	2022	2021
Capital reserve	134,072	76,147
Total	**134,072**	**76,147**

An addition of TEUR 57,925 was made in the financial year.

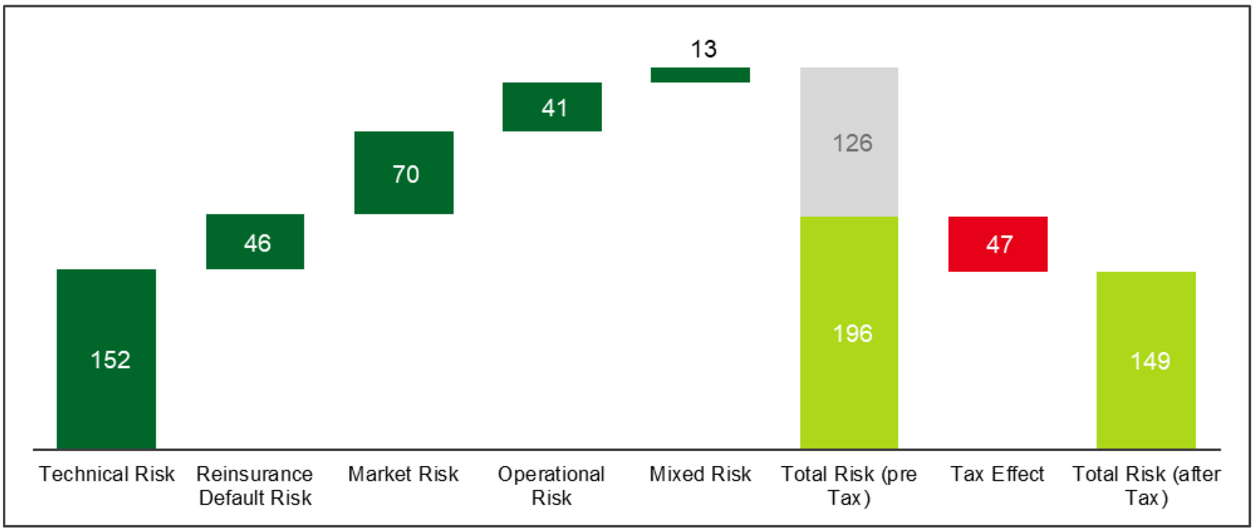
E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement

E.2.1.1 Solvency Capital Requirement by risk category

The total regulatory Solvency Capital Requirement for HDI Global Specialty is shown below. This total amount is broken down by various risk categories. These categories are the main risk categories calculated according to the internal capital model of HDI Global Specialty.

Solvency Capital Requirement – Breakdown according to Risk Categories
Values in EUR thousands



The total amount of the SCR increases by 21.3% in the reporting period compared to the SCR calculated according to the internal capital model at the end of 2021. Different effects can be observed in the individual risk categories, which are explained below.

In the underwriting risk, both the premium risk and the reserve risk increase due to business growth.

The decrease in the counterparty default risk is due to a rating improvement of a main reinsurer, HDI Re.

Market risk is increasing due to higher investment volumes and changes in capital markets in 2022, e.g. strongly increased interest rates. Interest rate risk is now the largest sub-category, just ahead of currency risk.

Operational risk remains stable.

The tax effect increases due to the higher overall risk and higher expected profits.

Solvency Capital Requirement according to the Internal Capital Model – Breakdown according to Risk Categories
Values in EUR thousands

Solvency Capital Requirement	2022	2021
Underwriting risk	151,609	123,171
Underwriting risk - Premium risk	64,604	58,896
Underwriting Risk - Reserve Risk	104,193	87,950
Market risk	70,208	47,204
Counterparty Default risk	46,382	56,688
Operational risk	41,434	41,417
Diversification	**113,314**	**109,860**
Overall risk (before taxes)	**196,319**	**158,620**
Deferred tax	**46,918**	**35,418**
Overall risk (net of tax)	**149,401**	**123,202**

The calculation of the minimum capital requirement uses weighted volumes of premiums written and technical provisions, each net after reinsurance.

The table below shows the current solvency capital requirement and minimum capital requirement, as well as the corresponding eligible capital. The so-called tiering restrictions according to Solvency II apply to these. In addition, the ratio of the eligible own funds and the respective capital requirement is shown.

Ratio of available own funds to the Minimum and Solvency Capital Requirement

Values in EUR thousands/percent	SCR	MCR
Eligible own funds	466,706	411,609
SCR/MCR	149,401	54,379
Ratio of eligible own funds to SCR/MCR	**312%**	**757%**

E.3 Use of the Duration-Based Equity Risk Sub-Module in the Calculation of the Solvency Capital Requirement

HDI Global Specialty has been using its internal model to calculate the solvency capital requirement since the approval as at 30 September 2020. Germany has not made use of the option to allow the use of a duration-based equity risk sub-module. HDI Global Specialty has therefore not used a duration-based equity risk sub-module in the past either.

E.4 Differences between the Standard Formula and the Internal Model

HDI Global Specialty confirms that the standard formula is a conservative representation of the risk profile, while HDI Global Specialty's internal capital model used for corporate management and risk management captures all material and quantifiable risks and operational activities. Therefore, the internal model provides an appropriate representation of HDI Global Specialty's risk profile.

The Solvency II solvency capital requirement has therefore been measured using the internal model since the approval of the internal capital model as at 30 September 2020.

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

Both the Solvency and the Minimum Capital Requirements were complied with at all times during the period under review.

E.6 Other Disclosures

There are no other disclosures that have a material effect on capital management.

Glossary of abbreviations and terms

AAM: Ampega Asset Management GmbH, Cologne

AF: Actuarial Function

ALM: Asset Liability Management

ALM-VaR: Asset Liability Matching Value at Risk

BaFin: German Federal Financial Supervisory Authority

Best Estimate: Best estimator, without safety margins

BEL: Best Estimate Liability, best estimate of technical provisions, without safety margins

BEX: Executive Board

BOD: Board of Directors

BRC: Board Audit, Risk & Compliance Committee

CEO: Chief Executive Officer

CFO: Chief Financial Officer

CInO: Chief Innovation Officer

CMO: Chief Marketing Officer

COO: Chief Operating Officer

CRO: Chief Risk Officer

CVaR: Credit Value at Risk

DCF: Discounted cash flows

DVO: Commission Delegated Regulation (EU) 2015/35 of 10 October 2014

EBIT: Earnings before interest and taxes, operating profit/loss

EIOPA: European Insurance and Occupational Pensions Authority

EPIFP: Expected Profit included in Future Premiums

ESG: Environment, Social, Governance

EU: European Union

EUR: Euro (Currency)

EEA: European Economic Area

FISG: Act to Strengthen Financial Market Integrity

FOG: Financial Options and Guarantees

GmbH: Limited liability company

GPB: Group Performance Bonus

GuV: Statement of Income

Hannover Re: Hannover Rück SE, Hannover

HDI: HDI Haftpflichtverband der Deutschen Industrie V.a.G., Hannover

HDI Global Specialty: HDI Global Specialty SE, Hannover

HGB: German Commercial Code

HGS: HDI Global Specialty SE, Hannover

Hannover Re GA: Hannover Re, Group Auditing Division

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards

ICS: Internal control system

MCR: Minimum Capital Requirement

M&A: Mergers & Acqusitions

NAV: Net asset value

LOC: Letters of Credit

ORSA: Own Risk and Solvency Assessment

RechVersV: Insurance Enterprises Accounting Regulation (RechVersV)

Risk appetite: Indicates how much risk a company is prepared to take in order to achieve the corporate goals. The indication of the risk appetite is an important component of the risk strategy.

RM: Risk margin

RSR: Regular Supervisory Report

RückAbzinsVO: Regulation on the Discounting of Provisions (Verordnung über die Ermittlung und Bekanntgabe der Sätze zur Abzinsung von Rückstellungen)

SAOR: Self-Assessment of Operational Risk

SCR: Solvency Capital Requirement

SE: Societas Europaea

SFCR: Solvency and Financial Condition Report

SIM: Specialty Internal Model – internal capital model of HGS

SPB: Specialty Performance Bonus

Talanx: Talanx AG, Hannover

TP: Technical provisions

TX GA: Talanx AG, Group Audit Central Division

UK: United Kingdom

USA: United States of America

VAG: German Insurance Supervision Act (Versicherungsaufsichtsgesetz)

VaR: Value at risk; risk measure

WpHG: German Securities Trading Act (Wertpapierhandelsgesetz)

WpÜG: German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz)

Disclosure forms to be published

All values in EUR thousand, unless indicated otherwise.

If a value is less than EUR 0.5k or if HDI Global Specialty has no value to report at this point, "0" is indicated in the following disclosure forms.

For mathematical reasons, rounding differences of +/- one unit may occur in the tables.

HDI Global Specialty does not apply transitional measures, volatility adjustment and matching adjustment. Hence, the disclosure form "S.22.01.21 Effects of long-term guarantees and transitional measures" is not prepared by HDI Global Specialty.

S.02.01.02

Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	1,548
Pension benefit surplus	**R0050**	0
Real estate, plant and equipment held for own use	**R0060**	7,234
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	617,327
Real estate (other than for own use)	**R0080**	0
Shares in affiliated companies, including investments	**R0090**	21,767
Shares	**R0100**	0
Shares – listed	**R0110**	0
Shares – unlisted	**R0120**	0
Bonds	**R0130**	534,616
Government bonds	**R0140**	295,674
Corporate bonds	**R0150**	238,942
Structured debt securities	**R0160**	0
Collateralised securities	**R0170**	0
Collective investments undertakings	**R0180**	51,005
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	9,939
Other investments	**R0210**	0
Assets held for index- and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	7,600
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	7,600
Amounts recoverable from reinsurance contracts of:	**R0270**	3,023,268
Non-life and health similar to non-life insurance	**R0280**	3,023,268
Non-life insurance excluding health insurance	**R0290**	3,002,008
Health insurance similar to non-life insurance	**R0300**	21,260
Life insurance and health similar to life, excluding health and unit- and index-linked insurance	**R0310**	0
Health insurance operated according to the type of non-life insurance	**R0320**	0
Life insurance excluding health insurance and unit- and index-linked insurance	**R0330**	0
Life insurance, unit- and index-linked	**R0340**	
Funds withheld by ceding companies	**R0350**	24,697
Insurance and intermediaries receivables	**R0360**	362,139
Reinsurance receivables	**R0370**	0
Receivables (trade, not insurance)	**R0380**	28,330
Treasury shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not paid in	**R0400**	0
Cash and cash equivalents	**R0410**	129,047
Any other assets, not elsewhere shown	**R0420**	81
Total assets	**R0500**	**4,201,271**

Liabilities		Solvency II value C0010
Technical provisions – non-life insurance	R0510	3,251,935
Technical provisions – non-life insurance (excluding health insurance)	R0520	3,229,543
Technical provisions calculated as a whole	R0530	0
Best estimate	R0540	3,199,653
Risk margin	R0550	29,890
Technical provisions – health insurance (similar to non-life insurance)	R0560	22,392
Technical provisions calculated as a whole	R0570	0
Best estimate	R0580	21,798
Risk margin	R0590	594
Technical provisions – life insurance (excluding unit- and index-linked insurance)	R0600	0
Technical provisions – health insurance (according to the type of life insurance)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life insurance (except health insurance and unit- and index-linked insurance)	R0650	0
Technical provisions calculated as a whole	R0660	0
Best estimate	R0670	0
Risk margin	R0680	0
Technical provisions – unit- and index-linked insurance	R0690	0
Technical provisions calculated as a whole	R0700	0
Best estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	
Contingent liabilities	R0740	1,499
Provisions other than technical provisions	R0750	5,767
Pension benefit obligations	R0760	237
Deposits retained on ceded reinsurance	R0770	67,282
Deferred tax liabilities	R0780	16,646
Derivatives	R0790	0
Liabilities owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	5,480
Liabilities to insurance companies and intermediaries	R0820	114,145
Liabilities to reinsurers	R0830	229,175
Liabilities (trade, not insurance)	R0840	2,317
Subordinated liabilities	R0850	65,973
Subordinated liabilities not in the Basic Own Funds	R0860	0
Subordinated liabilities in basic own funds	R0870	65,973
Any other liabilities, not elsewhere shown	R0880	40,082
Total liabilities	**R0900**	**3,800,538**
Excess of assets over liabilities	**R1000**	**400,734**

S.05.01.01
Premiums, Claims and Expenses by Lines of Business

		Line of business for: non-life insurance and reinsurance obligations (direct insurance business and assumed proportional reinsurance business)								
		Medical expenses insurance	Income protection insurance	Workers' compensation insurance	Motor third-party liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General Third-Party Liability Insurance	Credit and collateral insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross – direct insurance business	**R0110**	867	43,810	0	42,361	187,944	365,915	867,780	925,646	135,219
Gross – Proportional reinsurance assumed	**R0120**	0	1,878	0	0	0	159,081	78,379	137,743	14,579
Gross – Non-proportional reinsurance assumed	**R0130**									
Reinsurers' share	**R0140**	771	41,149	0	39,445	170,022	471,295	857,776	948,735	143,162
Net	**R0200**	**96**	**4,539**	**0**	**2,916**	**17,921**	**53,701**	**88,383**	**114,654**	**6,636**
Premiums earned										
Gross – direct insurance business	**R0210**	631	43,290	0	42,623	177,836	368,881	826,475	841,797	64,967
Gross – Proportional reinsurance assumed	**R0220**	0	1,543	0	0	0	140,399	61,565	121,893	8,266
Gross – Non-proportional reinsurance assumed	**R0230**									
Reinsurers' share	**R0240**	577	40,639	0	39,716	162,121	461,660	815,748	871,790	78,029
Net	**R0300**	**54**	**4,194**	**0**	**2,907**	**15,714**	**47,620**	**72,291**	**91,901**	**-4,795**
Expenses for insurance claims										
Gross – direct insurance business	**R0310**	374	19,851	0	23,505	120,614	214,627	465,351	534,973	31,690
Gross – Proportional reinsurance assumed	**R0320**	0	-1,651	0	171	-34	107,857	23,610	64,017	3,137

		Line of business for: non-life insurance and reinsurance obligations (direct insurance business and assumed proportional reinsurance business)								
		Medical expenses insurance	Income protection insurance	Workers' compensation insurance	Motor third-party liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General Third-Party Liability Insurance	Credit and collateral insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Gross – Non-proportional reinsurance assumed	**R0330**									
Reinsurers' share	**R0340**	331	16,502	0	19,894	108,734	297,371	448,941	546,143	31,785
Net	**R0400**	**43**	**1,698**	**0**	**3,782**	**11,846**	**25,113**	**40,020**	**52,847**	**3,041**
Change in other technical provisions										
Gross – direct insurance business	**R0410**	0	0	0	0	0	0	0	0	0
Gross – Proportional reinsurance assumed	**R0420**	0	0	0	0	0	0	0	0	0
Gross – Non-proportional reinsurance assumed	**R0430**									
Reinsurers' share	**R0440**	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	**-5**	**1,070**	**0**	**5,186**	**-3,407**	**17,344**	**24,400**	**27,963**	**-4,472**
Other expenses	**R1200**									
Total expenses	**R1300**									

		Line of business for: non-life insurance and reinsurance obligations (direct insurance business and assumed proportional reinsurance business)			Line of business for: assumed non-proportional reinsurance business				Total
		Legal protection insurance	Assistance	Various financial losses	Health	Casualty	Marine, aviation and transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross – direct insurance business	**R0110**	86,915	4,382	44,771					**2,705,610**
Gross – Proportional reinsurance assumed	**R0120**	25,960	0	12,713					**430,333**
Gross – Non-proportional reinsurance assumed	**R0130**				0	0	0	0	**0**
Reinsurers' share	**R0140**	104,232	3,944	52,248	0	0	0	0	**2,832,778**
Net	**R0200**	**8,644**	**438**	**5,236**	0	0	0	0	**303,165**
Premiums earned									
Gross – direct insurance business	**R0210**	59,716	1,667	43,135					**2,471,018**
Gross – Proportional reinsurance assumed	**R0220**	24,799	0	20,053					**378,518**
Gross – Non-proportional reinsurance assumed	**R0230**				0	0	0	0	**0**
Reinsurers' share	**R0240**	80,660	1,715	57,125	0	0	0	0	**2,609,780**
Net	**R0300**	**3,855**	**-49**	**6,063**	**0**	**0**	**0**	**0**	**239,755**
Expenses for insurance claims									
Gross – direct insurance business	**R0310**	24,457	645	28,013					**1,464,098**
Gross – Proportional reinsurance assumed	**R0320**	12,416	0	21,511					**231,033**
Gross – Non-proportional reinsurance assumed	**R0330**				0	0	0	0	**0**
Reinsurers' share	**R0340**	33,908	589	44,852	0	0	0	0	**1,549,049**
Net	**R0400**	**2,964**	**55**	**4,673**	**0**	**0**	**0**	**0**	**146,083**
Change in other technical provisions									
Gross – direct insurance business	**R0410**	0	0	0					0
Gross – Proportional reinsurance assumed	**R0420**	0	0	0					0
Gross – Non-proportional reinsurance assumed	**R0430**				0	0	0	0	0
Reinsurers' share	**R0440**	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	2,182	167	634	0	0	0	0	**71,064**
Other expenses	**R1200**								**8,860**
Total expenses	**R1300**								**79,924**

		Line of business for: non-life insurance and reinsurance obligations (direct insurance business and assumed proportional reinsurance business)			Line of business for: assumed non-proportional reinsurance business				Total
		Legal protection insurance	Assistance	Various financial losses	Health	Casualty	Marine, aviation and transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Expenses for insurance claims									
Gross – direct insurance business	**R0310**	24,457	645	28,013					**1,464,098**
Gross – Proportional reinsurance assumed	**R0320**	12,416	0	21,511					**231,033**
Gross – Non-proportional reinsurance assumed	**R0330**				0	0	0	0	**0**
Reinsurers' share	**R0340**	33,908	589	44,852	0	0	0	0	**1,549,049**
Net	**R0400**	**2,964**	**55**	**4,673**	**0**	**0**	**0**	**0**	**146,083**
Change in other technical provisions									
Gross – direct insurance business	**R0410**	0	0	0					0
Gross – Proportional reinsurance assumed	**R0420**	0	0	0					0
Gross – Non-proportional reinsurance assumed	**R0430**				0	0	0	0	0
Reinsurers' share	**R0440**	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	2,182	167	634	0	0	0	0	**71,064**
Other expenses	**R1200**								**8,860**
Total expenses	**R1300**								**79,924**

S.05.02.01

Premiums, claims and expenses by country

		Home country	Top 5 countries (by amount of gross written premiums) – non-life insurance obligations					Total Top 5 countries and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		US	GB	AU	CA	SE	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross – direct insurance business	R0110	110,583	794818	512,292	364,998	208,188	178,002	2,168,881
Gross – Proportional reinsurance assumed	R0120	89,580	55,038	75,237	4,178	17,425	19,544	261,001
Gross – Non-proportional reinsurance assumed	R0130	0	0	0	0	0	0	0
Reinsurers' share	R0140	193,456	709,623	499,192	331,299	196,393	376,119	2,306,083
Net	R0200	**6,706**	**140,233**	**88,337**	**37,876**	**29,220**	**-178,573**	**123,799**
Premiums earned								
Gross – direct insurance business	R0210	92,498	710,075	469,458	325,616	197,387	183,973	1,979,007
Gross – Proportional reinsurance assumed	R0220	88,215	53,864	42,391	3,092	16,323	2,392	206,278
Gross – Non-proportional reinsurance assumed	R0230	0	0	0	0	0	0	0
Reinsurers' share	R0240	178,032	652,335	450,369	296,031	187,566	347,927	2,112,260
Net	R0300	**2,681**	**111,605**	**61,480**	**32,676**	**26,144**	**-161,562**	**73,024**
Expenses for insurance claims								
Gross – direct insurance business	R0310	45,282	507,926	210,341	192,911	99,618	130,182	1,186,260
Gross – Proportional reinsurance assumed	R0320	59,665	62,564	21,731	1,072	8,680	-1,322	152,389
Gross – Non-proportional reinsurance assumed	R0330	0	0	0	0	0	0	0
Reinsurers' share	R0340	90,384	486,613	197,672	172,727	95,532	236,854	1,279,783
Net	R0400	**14,563**	**83,876**	**34,400**	**21,256**	**12,766**	**-107,995**	**58,866**

		Home country	Top 5 countries (by amount of gross written premiums) – non-life insurance obligations					Total Top 5 countries and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		US	GB	AU	CA	SE	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Change in other technical provisions								
Gross – direct insurance business	**R0410**	0	0	0	0	0	0	0
Gross – Proportional reinsurance assumed	**R0420**	0	0	0	0	0	0	0
Gross – Non-proportional reinsurance assumed	**R0430**	0	0	0	0	0	0	0
Reinsurers' share	**R0440**	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0
Expenses incurred	**R0550**	-13,436	1,297	129,491	-4,934	6,467	-44,913	73,972
Other expenses	**R1200**							0
Total expenses	**R1300**							**73,972**

		Home country	Top 5 countries (by amount of gross written premiums) – non-life insurance obligations					Total Top 5 countries and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R0010							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	0	0	0	0	0	0	0
Reinsurers' share	R1420	0	0	0	0	0	0	0
Net	R1500	0	0	0	0	0	0	0
Premiums earned								
Gross	R1510	0	0	0	0	0	0	0
Reinsurers' share	R1520	0	0	0	0	0	0	0
Net	R1600	0	0	0	0	0	0	0
Claims incurred								
Gross	R1610	0	0	0	0	0	0	0
Reinsurers' share	R1620	0	0	0	0	0	0	0
Net	R1700	0	0	0	0	0	0	0
Changes in other technical provisions								
Gross	R1710	0	0	0	0	0	0	0
Reinsurers' share	R1720	0	0	0	0	0	0	0
Net	R1800	0	0	0	0	0	0	0
Expenses incurred	R1900	0	0	0	0	0	0	0
Other expenses	R2500							0
Total expenses	R2600							0

S.17.01.01
Non-life insurance technical provisions

		Direct insurance business and assumed proportional reinsurance business								
		Medical expenses insurance	Income protection insurance	Workers' compensation insurance	Motor third-party liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and Other Property Insurance	General Third-Party Liability Insurance	Credit and collateral insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0	0
Total amounts recoverable from reinsurance/special purpose entities and Finite Re after the adjustment for expected losses due to counterparty default associated to technical provisions calculated as a whole	**R0050**	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and risk margin										
Best estimate										
Provisions for premiums										
Gross	**R0060**	120	-1,720	0	4,947	21,010	-8,998	18,214	28,697	-40,284
Total amounts recoverable from reinsurance/special purpose entities and Finite Re after adjustment for expected losses due to counterparty default	**R0140**	98	-400	0	4,749	21,049	19,597	6,890	43,183	-24,445
Net best estimate for provisions for premiums	**R0150**	22	-1,320	0	198	-38	-28,594	11,324	-14,485	-15,838

		Direct insurance business and assumed proportional reinsurance business								
		Medical expenses insurance	Income protection insurance	Workers' compensation insurance	Motor third-party liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and Other Property Insurance	General Third-Party Liability Insurance	Credit and collateral insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Loss reserves										
Gross	**R0160**	239	23,159	0	32,281	82,861	628,426	733,934	1,527,409	52,542
Total amounts recoverable from reinsurance/special purpose entities and Finite Re after adjustment for expected losses due to counterparty default	**R0240**	209	21,353	0	27,253	71,778	566,389	719,769	1,382,702	48,444
Net best estimate of loss reserves	**R0250**	29	1,806	0	5,029	11,084	62,036	14,165	144,707	4,098
Total best estimate – gross	**R0260**	359	21,439	0	37,228	103,872	619,428	752,148	1,556,106	12,259
Total best estimate – net	**R0270**	51	487	0	5,226	11,045	33,442	25,489	130,222	-11,740
Risk margin	**R0280**	0	594	0	397	1,368	5,190	7,811	12,085	1,580
Amount of the transitional measure for technical provisions										
Technical provisions calculated as a whole	**R0290**	0	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0	0
Technical provisions – total										
Technical provisions – total	**R0320**	359	22,033	0	37,625	105,239	624,619	759,959	1,568,192	13,839
Amounts recoverable from reinsurance/special purpose entities and Finite Re after adjustment for expected losses due to counterparty default – total	**R0330**	308	20,953	0	32,002	92,826	585,986	726,659	1,425,885	23,999
Technical provisions less amounts recoverable from reinsurance/special purpose entities and Finite Re – total	**R0340**	51	1,081	0	5,623	12,413	38,632	33,300	142,307	-10,160

		Direct insurance business and assumed proportional reinsurance business			Assumed non-proportional reinsurance business				Total non-life insurance obligations
		Legal expenses insurance	Assistance	Various financial losses	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0
Total amounts recoverable from reinsurance/special purpose entities and Finite Re after the adjustment for expected losses due to counterparty default associated to technical provisions calculated as a whole	**R0050**	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and risk margin									
Best estimate									
Provisions for premiums									
Gross	**R0060**	148	-676	946	0	0	0	0	22,405
Total amounts recoverable from reinsurance/special purpose entities and Finite Re after adjustment for expected losses due to counterparty default	**R0140**	3,452	-407	1,908	0	0	0	0	75,673
Net best estimate for provisions for premiums	**R0150**	-3,304	-269	-962	0	0	0	0	-53,268

		Direct insurance business and assumed proportional reinsurance business			Assumed non-proportional reinsurance business				Non-life insurance obligations Total
		Legal expenses insurance	Assistance	Various financial losses	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Loss reserves									
Gross	**R0160**	65,841	266	52,087	0	0	0	0	3,199,046
Total amounts recoverable from reinsurance/special purpose entities and Finite Re after adjustment for expected losses due to counterparty default	**R0240**	60,198	261	49,239	0	0	0	0	2,947,595
Net best estimate of loss reserves	**R0250**	5,643	5	2,849	0	0	0	0	251,451
Total best estimate – gross	**R0260**	65,989	-410	53,033	0	0	0	0	3,221,451
Total best estimate – net	**R0270**	2,339	-264	1,886	0	0	0	0	198,184
Risk margin	**R0280**	741	47	670	0	0	0	0	30,484
Amount of the transitional measure for technical provisions									
Technical provisions calculated as a whole	**R0290**	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0
Technical provisions – total									
Technical provisions – total	**R0320**	66,730	-363	53,703	0	0	0	0	3,251,935
Amounts recoverable from reinsurance/special purpose entities and Finite Re after the adjustment for expected losses due to counterparty default – total	**R0330**	63,650	-146	51,147	0	0	0	0	3,023,268
Technical provisions less amounts recoverable from reinsurance/special purpose entities and Finite Re – total	**R0340**	3,080	-217	2,557	0	0	0	0	228,668

S.19.01.01

Non-life insurance claims

Claim year/Underwriting year	Z0020	2022

Gross claims paid (non-cumulative)

(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10 &+		In the current year	Sum of years (accumulated)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Before	R0100											5,476	R0100	5,476	2,115,860
N-9	R0160	44,947	185,881	175,281	80,418	44,020	43,984	28,018	17,633	10,892	21,817		R0160	21,817	652,890
N-8	R0170	22,391	181,904	99,644	36,950	34,886	32,220	18,080	9,172	12,160			R0170	12,160	447,408
N-7	R0180	32,592	164,040	84,428	63,026	48,404	18,957	12,180	22,974				R0180	22,974	446,600
N-6	R0190	29,059	184,278	121,695	56,309	23,794	39,815	22,885					R0190	22,885	477,835
N-5	R0200	33,027	230,283	157,432	91,797	61,546	48,816						R0200	48,816	622,902
N-4	R0210	42,629	244,735	167,821	91,082	86,551							R0210	86,551	632,818
N-3	R0220	63,359	325,860	241,275	136,768								R0220	136,768	767,262
N-2	R0230	69,640	371,055	229,612									R0230	229,612	670,307
N-1	R0240	71,362	421,783										R0240	421,783	493,146
N	R0250	73,510											R0250	73,510	73,510
												Total	R0260	1,082,353	7,400,539

Best (gross) estimate for undiscounted loss reserves

(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+			End of year (dis-counted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
Before	R0100											142,019		R0100	132,400
N-9	R0160				255,204	188,386	137,881	94,702	75,462	65,147	53,667			R0160	49,916
N-8	R0170			224,612	152,796	121,819	106,251	128,192	115,463	96,689				R0170	91,656
N-7	R0180		308,503	212,483	156,402	108,674	100,652	96,311	94,926					R0180	87,336
N-6	R0190	206,058	303,021	211,616	152,532	122,201	97,765	113,129						R0190	103,779
N-5	R0200	268,289	368,018	274,417	212,918	171,724	153,696							R0200	140,860
N-4	R0210	272,941	458,763	296,627	203,957	211,782								R0210	194,063
N-3	R0220	320,647	704,554	483,622	404,053									R0220	368,764
N-2	R0230	354,770	794,911	607,012										R0230	552,728
N-1	R0240	550,094	1,062,956											R0240	959,561
N	R0250	597,431												R0250	517,980
													Total	R0260	3,199,046

S.23.01.01

Own Funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	**C0020**	**C0030**	**C0040**	**C0050**
Basic own funds before deduction for investments in other financial sectors within the meaning of Article 68 of Commission Delegated Regulation (EU) 2015/35						
Share capital (without deduction of treasury shares)	**R0010**	121,600	121,600		0	
Issue premium related to share capital	**R0030**	134,072	134,072		0	
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type insurance companies	**R0040**	0	0		0	
Subordinated member accounts of mutual insurance companies	**R0050**	0		0	0	0
Surplus funds	**R0070**	0				
Preference shares	**R0090**	0		0	0	0
Issue premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	145,062	145,062			
Subordinated liabilities	**R0140**	65,973		0	65,973	0
Amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items not listed above which have been approved by the supervisory authority as basic own funds	**R0180**	0	0	0	0	0
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**	0				
Deductions						
Deductions for investments in financial and credit institutions	**R0230**	0	0	0	0	
Total basic own funds after deductions	**R0290**	466,706	400,734	0	65,973	0

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
Supplementary own funds						
Unpaid and uncalled ordinary share capital that is callable on demand	**R0300**	0			0	
Initial fund, members' subscriptions or equivalent basic own fund item of mutual and mutual-type insurance companies and other similar undertakings which have not been paid up and are not called up, but which may be called up on request	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding obligation to write and settle subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Requests issued to members for back payment pursuant to first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Requests issued to members for back payment – other than those pursuant to first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other supplementary own funds	**R0390**	0			0	0
Total supplementary own funds	**R0400**	0			0	0
Available and eligible own funds						
Total amount of own funds available to meet the SCR	**R0500**	466,706	400,734	0	65,973	0
Total amount of own funds available to meet the MCR	**R0510**	466,706	400,734	0	65,973	
Total amount of eligible own funds to meet the SCR	**R0540**	466,706	400,734	0	65,973	0
Total amount of eligible own funds to meet the MCR	**R0550**	411,609	400,734	0	10,876	
Solvency Capital Requirement	**R0580**	149,401				
Minimum Capital Requirement	**R0600**	54,379				
Ratio of eligible own funds to SCR	**R0620**	312.38%				
Ratio of eligible own funds to MCR	**R0640**	756.93%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	400,734	
Treasury shares (held directly and indirectly)	**R0710**	0	
Foreseeable dividends, distributions and remuneration	**R0720**	0	
Other basic own fund items	**R0730**	255,672	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and specialised entities	**R0740**	0	
Reconciliation reserve	**R0760**	145,062	
Expected profits			
Expected profits included in future premiums (EPIFP) – life insurance	**R0770**	0	
Expected profits included in future premiums (EPIFP) – non-life insurance	**R0780**	26,062	
Total expected profits included in future premiums (EPIFP)	**R0790**	26,062	

S.25.03.01

Solvency Capital Requirement - for undertakings on Full Internal Models

	Unique number of component	Components description	Calculation of the Solvency Capital Requirement
	C0010	**C0020**	**C0030**
A	10	Market Risk Nonlife and Reinsurance	70,208
B	13	Counterparty Default Risk	46,382
C	16	Underwriting Risk - Life	0
D	18	Underwriting Risk - Nonlife	151,609
E	17	Operational Risk	41,434

Calculation of Solvency Capital Requirement		**C0100**
Total undiversified components	**R0110**	309,633
Diversification	**R0060**	-160,232
Capital requirement for businesses operated according to Art. 4 of Directive 2003/41/EC (transitionally)	**R0160**	0
Solvency Capital Requirement excluding capital add-on	**R0200**	149,401
Capital add-ons already set	**R0210**	
Solvency Capital Requirement	**R0220**	149,401
Other information on SCR		-
Level/estimate of the total loss-absorbing capacity of the technical provisions for insurance policies	**R0300**	0
Level/estimate of the loss-absorbing capacity of deferred taxes	**R0310**	-46,918
Total amount of Notional Solvency Capital Requirements for the remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirements for specialised entities	**R0420**	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	0
Diversification effects due to the aggregation of the notional Solvency Capital Requirement for specialised entities for Article 304	**R0440**	0
Future surplus participations (net)	**R0460**	0

Approach to tax rate		**C0100**
Approach based on average tax rate	**R0590**	1-YES

Calculation of loss absorbing capacity of deferred taxes		**LAC DT C0130**
Amount/estimate of LAC DT	**R0640**	-46,918
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	**R0650**	0
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	**R0660**	-46,918
Amount/estimate of LAC DT justified by carry back, current year	**R0670**	0
Amount/estimate of LAC DT justified by carry back, future years	**R0680**	0
Amount/estimate of Maximum LAC DT	**R0690**	-65,805

S.28.01.01

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL result	**R0010**	54,379

		Best estimated value (net of reinsurance/special purpose entity) and technical provisions calculated as a whole	Written premiums (net of reinsurance) in the last 12 months
		C0020	**C0030**
Medical expenses insurance and proportional reinsurance	**R0020**	51	96
Income protection insurance and proportional reinsurance	**R0030**	487	4,539
Workers' compensation insurance and proportional reinsurance	**R0040**		
Motor third-party liability and proportional reinsurance	**R0050**	5,226	2,916
Other motor insurance and proportional reinsurance	**R0060**	11,045	17,921
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	33,442	53,701
Fire and other property insurance and proportional reinsurance	**R0080**	25,489	88,383
General liability insurance and proportional reinsurance	**R0090**	130,222	114,654
Credit and collateral insurance and proportional reinsurance	**R0100**		6,636
Legal protection insurance and proportional reinsurance	**R0110**	2,339	8,644
Assistance and proportional reinsurance	**R0120**		438
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	1,886	5,236
Non-proportional health reinsurance	**R0140**	0	0
Non-proportional casualty reinsurance	**R0150**	0	0
Non-proportional marine, aviation and transport reinsurance	**R0160**	0	0
Non-proportional property reinsurance	**R0170**	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL result	R0200	0

		Best estimated value (net of reinsurance/special purpose entity) and technical provisions calculated as a whole	Total risk capital (net of reinsurance/special purpose entity)
		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	0	
Obligations with profit participation – future profit participations	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total risk capital for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	54,379
SCR	R0310	149,401
MCR cap	R0320	67,231
MCR floor	R0330	37,350
Combined MCR	R0340	54,379
Absolute floor of MCR	R0350	3,700

Minimum Capital Requirement	R0400	54,379