Allianz Risk Transfer AG

Solvency and Financial Condition Report 2020

This document is an unofficial English translation of the SFCR. Only the original German version of the SFCR is authoritative.

Allianz

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Executive Summary

Basis of Report

With this document, Allianz Risk Transfer AG presents its Solvency and Financial Condition Report (SFCR).

This report is a key element of "Solvency II", the first harmonised Europe-wide system of financial supervision for primary insurance companies and reinsurance companies, which entered into force on 1 January 2016. Its legal basis is the Solvency II directive issued by the European Parliament and the European Council on 9 November 2009 (Directive 2009/138/EC of the European Parliament and of the Council) on the taking-up and pursuit of the business of Insurance and Reinsurance, and which was transposed into the law of Liechtenstein by a fully revised Insurance Supervision Act (VersAG), which came into force on 1 January 2016.

Further precision was provided by the European Commission in the form of a delegated regulation on 10 October 2014 (Delegated Regulation 2015 of the EU Commission, or the "Solvency II Regulation), which is directly applicable as a delegated act in the Member States of the European Union and the European Economic Area.

Further details are set out in the implementing technical standards, the guidelines of the European Insurance and Occupational Pensions Authority (EIOPA), and the notices issued by the Financial Market Authority of Liechtenstein (FMA).

Solvency II flanks risk-based solvency regulations for the equity base with quality-related requirements for the risk management aspect and enhanced reporting duties. In addition to the narrative report to the public presented here, there are obligations to report quarterly figures to the supervisory authority, including a number of electronic reporting forms, additional extensive quality and quantity-based reports to the national supervisory authority and, not least, ad-hoc reporting whose purpose is to notify the supervisory authority in a timely manner of significant events and decisions by management.

Alongside the reporting required under Solvency II, there are the requirements to which annual financial statements are subject under Liechtenstein Persons and Companies Act (Personen- and Gesellschaftsrecht – "PGR") and the associated reporting duties continue unchanged here.

According to the principles of this still relatively new supervisory system, this report is written from a risk-oriented viewpoint and identifies how the company addresses risks. To this end, the company uses a standardised procedure to evaluate and describe its main business processes. In addition, assets and liabilities valued in economic terms (at market value) are compared with one another in the so-called Solvency Overview. The excess of assets over liabilities is shown here as the equity base.

The Allianz Group has an approved, partial Internal Model for determining the Solvency Capital Requirements, which it refines on an ongoing basis. Allianz Risk Transfer AG (ART AG) uses the standard model.

Contents

The remarks in this report take into account the expert knowledge of the intended recipients. The report's structure follows the general recommendations of the European Insurance and Occupational Pensions Authority (EIOPA) and consists of five chapters, all of which are for the reporting period from 1 January to 31 December 2020.

Chapter A (Business Activities and Performance) contains detailed information about the position of Allianz Risk Transfer AG (ART AG) within the Allianz Group's legal structure and a description of the company's main business segments. It also provides qualitative and quantitative information about underwriting performance during the reporting period, both at the aggregate level and broken down into the main business segments. Finally, the first section provides information on investment results, both overall and broken down into asset classes, as well as on their composition.

Chapter B provides a description of corporate governance (also referred to as the governance system) at ART AG. This includes information on the organisational structure and workflows, in particular on the design of so-called key functions and how they are integrated into the supervisory system. Additional elements of reporting include requirements for the professional qualifications and personal dependability of management ("Fit and Proper Requirements"), as well as information on the risk management system and the Internal Control System.

Chapter C deals with the company's risk profile. Information is provided regarding business risks, which are broken down into the following risk categories: underwriting risk, market risk, credit risk, liquidity risk, operational risk and other major risks. Along with a description of these risks, an assessment of their materiality is provided, and risk concentrations and risk-mitigation techniques discussed.

Chapter D focuses on the valuation principles used to prepare the Solvency Overview in accordance with supervisory law, including an analysis of the differences in value to those used for financial reporting in accordance with commercial law. The rules for economic assessment under the new supervisory system were implemented for valuing assets, technical provisions and other obligations.

The final chapter, Chapter E (Capital Management), presents a reconciliation of shareholders' equity under commercial law with regulatory capital ("own funds") and the amount of own funds eligible to meet the regulatory Solvency Capital Requirement.

ART AG uses the standard formula to calculate the Solvency Capital Requirement. The use of volatility adjustments was approved by the FMA in the 2017 fiscal year. As at 31 December 2020, eligible own funds totalled EUR 575.2 million (previous year EUR 587.4 million). With EUR 388.0 million of risk capital (EUR 394.9 million), ART AG's solvency ratio stood at 148.3% (148.8%).

The Solvency and Financial Condition Report published here demonstrates ART AG's sound economic situation and enables the reader to reach his/her own conclusions in that regard.

Due to rounding, totals and percentages may differ slightly from the figures shown.

This document is an unofficial English translation of the annual report. Only the original German version of the annual report is authoritative.

A Business Activities and Performance

A.1 Business Activities

Introduction

Allianz Risk Transfer AG (ART AG) is a Liechtenstein-based stock corporation and indirectly a wholly owned subsidiary of Allianz Global Corporate & Specialty SE (AGCS SE), with registered domicile in Munich. 60% of the shares in ART AG are held by AGCS International Holding B.V. in Amsterdam, which is, in turn, a wholly owned subsidiary of AGCS SE. ART AG was founded in Switzerland in 1997 as a globally operating risk entity of Allianz in the field of Alternative Risk Transfer for special insurers and reinsurers. ART AG offers clients with international operations a broad range of insurance and reinsurance policies, predominantly in the fields of general liability, asset insurance, property and technical insurance as well as in the special fields of transport, marine and aviation insurance and energy supply. These services also include efficient claims processing, cross-border solutions within the context of international insurance programmes, captive and fronting services, risk consulting and structured risk transfer solutions. Together with Group companies of AGCS SE and a network of Allianz affiliates in more than 70 countries as well as partner companies in other regions, it can provide support for clients in 200 countries. ART AG maintains branch offices in Zurich (Switzerland), Hamilton (Bermuda) and Dubai (United Arab Emirates). After obtaining the required approvals from the regulator (i.e. from the Dubai Financial Services Authority), the Dubai branch office ceased operations effective from 30 September 2020. The head office of ART AG will handle the run-off process relating to winding up the branch office's insurance portfolio. Operations at the Dubai branch office formally ceased as of 1 March 2021 following the cancellation of the branch's local registration.

PriceWaterhouseCoopers AG, Zurich, was appointed as the auditor for the 2020 fiscal year.

ART AG is part of the Allianz Group, which is headed by Allianz SE, Munich. The latter is overseen by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), Graurheindorfer Strasse 108, 53117 Bonn.

Allianz SE's Solvency II consolidated financial statement is published on its website in April. The financial statement may be viewed there or requested from the company. ART AG is included in Allianz SE's Solvency II consolidated financial statement. You can find the annual report of ART AG and other documents at:

www.agcs.allianz.com/services/alternative-risk-transfer/art-annual-report

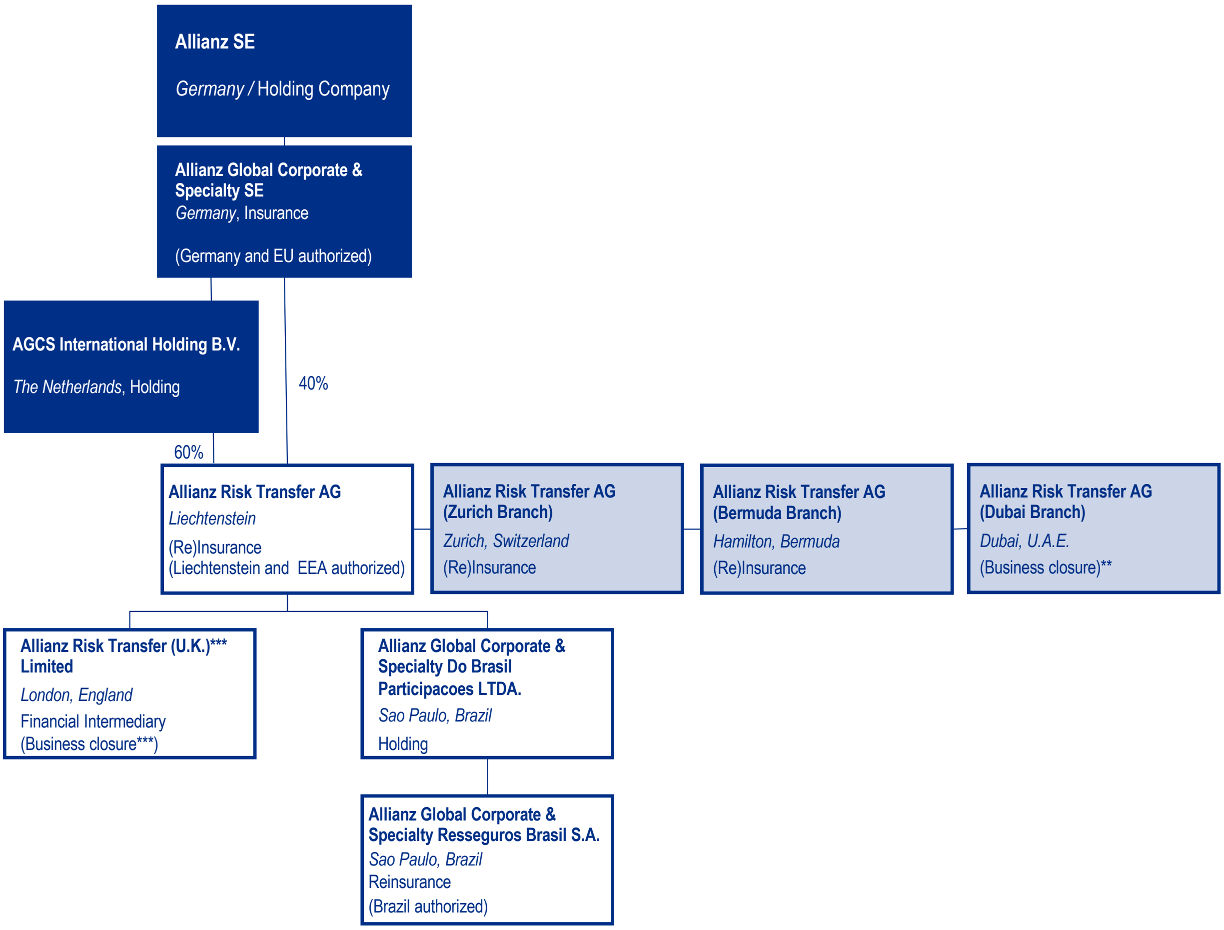
Affiliated Companies of ART AG

Company	Registered office	Share %
Allianz Risk Transfer (U.K.) Limited	London	100.0
Allianz Global Corporate & Specialty do Brasil Participações Ltda.	Sao Paulo	99.9

Apart from the initiated closure of the Dubai branch office, no changes were made to the company's corporate structure in the 2020 fiscal year. No shares were bought from or sold to affiliated companies.

As a result of Brexit entering into force and the restrictions on the freedom to provide services in the European Economic Area (EEA) associated with it, Allianz Risk Transfer (U.K.) Limited ceased its business activities in September 2020. The returning of its operating licence was approved by the Financial Conduct Authority (FCA) in December 2020. Allianz Risk Transfer (U.K.) Limited submitted its application for voluntary liquidation, and the company is expected to be wound up in the 1st quarter of 2021.

Corporate legal structure* as of December 31, 2020



* Save where specified otherwise, all participations are 100%, except that: (a) Allianz Risk Transfer AG owns 99.99 % of AGCS Do Brazil Participacoes LTDA; and (b) Allianz Risk Transfer AG is owned by AGCS International Holding B.V. (60%) and Allianz Global Corporate & Specialty SE (40%)

** Deregistration with DFSA approved as of 1 October 2020; run-off business is managed by Head Office; DIFC deregistration completed effective 1 March 2021

*** Deregistration application approved by FCA effective on 23 December 2020; closure of liquidation planned in H1 2021

A.2 Underwriting Performance

Underwriting Performance according to Key Performance Indicators

The market environment in the 2020 fiscal year was dominated by COVID-19. In comparison to previous years, the risk capacity of the market fell, which had a positive effect on premium rates. Despite the optimistic outlook for the future, there are still contracts that were concluded in the past at much lower premium rates and which are not fully covered. The company placed a very high priority on risk reduction in the current fiscal year. The slightly increased premium income therefore did not derive primarily from a broadening of market presence, but was rather attributable to a combination of restraint and increased premium rates.

Gross written premiums increased by 3.07% or EUR 40.5 million year on year to EUR 1,363.2 million. The volume of the fronting business was largely maintained. The increase was chiefly due to higher premium rates. Net premiums earned remained around the previous year's level. They dipped slightly by 0.4% or EUR 1.0 million, and stood at EUR 246.4 million. On the one hand, higher premium rates had a positive impact on the level of premiums, whereas reinsurance costs rose sharply in connection with the reduction in risk and volatility.

The impact of COVID-19 on the loss expense remained manageable. Although there were losses arising from isolated coverage claims under event insurance policies and also knock-on cost effects from the airline industry, the net expense for these claims remained relatively low, at EUR 20.9 million. The new reinsurance programme, which provides cover for short-term loss events (Short Tail Aggregate Cover), also had a very positive effect on the net loss situation. Overall, the net loss expenses dropped sharply year on year, by EUR 105.5 million or 48.8%. With no change in premium income, the net loss ratio fell to 39.9% (previous year 87.4%).

Provisions for premium refunds decreased year on year by EUR 5.2 million to EUR 24.6 million. Other operating expenses remained roughly at the level of the previous year, totalling EUR 19.1 million (previous year EUR 19.5 million). This also led to the net expense ratio remaining unchanged compared to the previous year.

Reduced claims expenditure saw the net combined ratio fall to 52.7% from 95.3% in the previous year.

The company achieved a net technical profit of EUR 92.0 million, following a net technical loss of EUR 18.1 million in the previous year.

Underwriting Result

EUR thousand	2020	2019
Gross premiums written	**1,363,226**	**1,322,669**
Net premiums earned	246,465	247,444
Other net underwriting income		
Net claims incurred	-110,722	-216,233
Change in other net technical provisions		
Net expenses for premium refunds	-24,650	-29,854
Net operating expenses	-19,113	-19,493
Other net underwriting expenses	-2	-1
Net underwriting result before equalization provision	**91,978**	**-18,136**
Net loss ratio	44.9%	87.4%
Net expense ratio	7.8%	7.9%
Net combined ratio	52.7%	95.3%
Expenses for administering investments reclassified to the non-technical income statement in accordance with the PGR (Personen- und Gesellschaftsrecht – Liechtenstein's Law on Persons and Companies)		

In accordance with the guidelines in Annex I of Implementing Regulation 2015/2450, Annex II, S.05.01, the reporting template must show both loss adjustment expenses and expenses for administering investments as part of net operating expenses. In contrast, the PGR states that loss adjustment expenses must be reported as part of net expenditure for insurance claims and that expenses for administering investments must be reported within the non-technical account.

Underwriting Results for Own Account by Business Segment

	Gross premiums written		Net underwriting result before equalization provision	
EUR thousand	2020	2019	2020	2019
Direct business and proportional reinsurance business assumed				
Fire and other property insurance	801,998	841,750	25,148	-18,589
General liability insurance	287,865	204,996	2,629	-1,216
Marine, aviation and transport insurance	33,240	38,013	-1,668	5,610
Various financial losses	18,073	24,297	6,345	2,811
Other insurance segments	7,331	11,126	-3,331	2,402
Subtotal 1	**1,148,507**	**1,120,182**	**29,123**	**-8,982**
Non-proportional reinsurance business assumed				
Non-proportional property reinsurance	112,736	98,654	-28,897	-57,273
Non-proportional liability reinsurance	52,694	65,776	64,628	27,260
Non-proportional marine, aviation and transport reinsurance	49,310	37,395	28,162	21,454
Non-proportional health insurance	-22	662	-1,037	-595
Subtotal 2	**214,719**	**202,487**	**62,856**	**-9,154**
Total	**1,363,226**	**1,322,669**	**91,978**	**-18,136**

In accordance with the guidelines in Annex I of Implementing Regulation 2015/2450, Annex II, S.05.01, the reporting template must show both loss adjustment expenses and expenses for administering investments as part of net operating expenses. In contrast, the PGR states that loss adjustment expenses must be reported as part of net expenditure for insurance claims and that expenses for administering investments must be reported within the non-technical account.

Direct & Proportional Reinsurance Business
In 2020, the direct insurance business and proportional reinsurance business was focused on risk reduction. On the one hand, premium rates recovered broadly, while on the other the capacity shortage enabled us to exercise a certain degree of risk selection. The effects of this will only become clear over the next few years, however. In total, gross premiums in this segment rose by EUR 28.3 million to EUR 1,148.5 million, while net premiums earned fell slightly, by EUR 2.4 million to EUR 89.5 million. The increase in gross premiums is attributable to the rise in premium rates as well as the sustained volume of the fronting and ILS business.

The net loss burden decreased significantly in this segment. This is chiefly due to highly effective reinsurance contracts, which resulted in an underwriting profit of EUR 29.1 million compared to a loss of EUR 9.0 million in the previous year.

The results of the individual business segments are described in the following sections based on key performance indicators, especially the underwriting result.

Fire and other property insurance remains the largest business segment and is shaped to a large extent by ILS business. Net premiums earned decreased again slightly by EUR 0.9 million to EUR 30.7 million. Net loss expenses fell sharply, by EUR 39.1 million to EUR 4.5 million. At the same time, commission income from fronting and ILS business rose significantly, resulting in a slightly positive level of costs amounting to EUR 0.5 million compared to expenses totalling EUR 4.9 million in the previous year.

This resulted in a technical profit of EUR 25.1 million. The previous year had seen a loss of EUR 18.6 million.

In general liability insurance, net premiums earned stood at EUR 33.8 million, down EUR 0.9 million compared with the same period the previous year. Net loss expenses fell by EUR 3.5 million, from EUR 27.6 million to EUR 24.1 million, leading to a technical profit of EUR 2.7 million. A loss of EUR 1.2 million was recorded in the previous year.

Net premiums earned in **marine, aviation and transport insurance** rose by EUR 0.4 million to EUR 15.7 million. Loss expenses increased, by EUR 6.2 million to EUR 14.6 million. Costs also rose, by EUR 1.4 million to EUR 2.7 million, which resulted in a technical loss of EUR 1.7 million. The previous year had seen a profit of EUR 5.6 million.

In the **various financial losses** business segment, net premiums earned fell by EUR 1.6 million to EUR 6.3 million. Due to changes in reserves, the loss expense fell year on year by EUR 5.2 million to EUR +0.8 million. Costs fell slightly to EUR 0.2 million, compared to EUR 0.7 million in the previous year. The technical profit amounted to EUR 6.3 million. The profit in the previous year was EUR 2.8 million.

Net premiums in the **other segments** of direct business and proportional reinsurance business assumed rose marginally, by EUR 0.4 million to EUR 3.0 million. Claims expenditure increased by EUR 6.5 million. Costs dropped by EUR 0.4 million, totalling EUR 0.2 million, and this resulted in a technical loss of EUR 3.3 million. The previous year had seen a profit of EUR 2.4 million.

Non-Proportional Reinsurance Business

Gross written premiums increased by EUR 12.2 million to EUR 214.7 million. The net premiums earned also rose, by EUR 1.0 million to EUR 156.5 million. Along with a general uplift in the premium rate environment, adjustments to the intra-group internal reinsurance business – in particular the retro structure – also contributed here. The revised retro structure had a very positive impact on net loss expenses, reducing these by EUR 70.4 million to EUR 62.2 million. Owing to numerous large-sized claims in the group internal reinsurance business, the loss expense increased by EUR 32.8 million to EUR 132.7 million. Costs rose by EUR 5.7 million to EUR 9.4 million. The underwriting result improved year on year by EUR 72.0 million and led to a profit of EUR 62.9 million.

Underwriting Performance by Country [1)]

	Gross premiums written		Gross underwriting result	
EUR thousand	**2020**	**2019**	**2020**	**2019**
Liechtenstein	8,887	11,359	-37,373	-98,771
United States	713,960	765,331	92,566	25,808
Germany	214,738	209,174	7,042	93,660
Switzerland	118,501	99,598	-15,651	-12,992
China[2]	24,048	281	6,411	36
Canada[2]	23,781	18,568	21,946	-12,257
Country of origin and top 5 countries	**1,103,915**	**1,104,311**	**74,942**	**-4,517**
Remaining countries	259,311	218,358	113,207	213,595
Total	**1,363,226**	**1,322,669**	**188,149**	**209,078**

[1)] Amounts are allocated to countries here in accordance with the requirements of Implementing Regulation 2015/2450, Annex II, S.05.02. For items that cannot be allocated directly (e.g. internal costs), suitable keys have been used.

[2)] In 2019, in terms of gross premiums written, Japan (with EUR 24,086 thousand) and the United Arab Emirates (EUR 23,782 thousand) were ahead of China and Canada.

The following section presents the underwriting result based on key performance indicators. The focus is on the gross underwriting result.

ART AG operates insurance and reinsurance business in most countries in the world. One core area of business is global fronting business for institutional investors through hedge funds and for captives of international corporations. The volume was shaped to a large extent by the so-called ILS business, which focuses mainly on the core market of the United States. Business concluded and reinsurance business assumed in this market mostly includes cover for natural catastrophes. In terms of volumes, business in the United States accounted for around 52% of gross premiums, as in previous years. The volume of claims and the financial impact resulting from hurricanes and other natural catastrophes originating in the United States was down considerably year on year. Overall, gross technical profit stood at EUR 188.1 million, compared to gross profit of EUR 209.1 million in the previous year.

ART AG's core market is Switzerland, where the company offers local industrial business for large clients as well as reinsurance business. Despite a selective underwriting policy, the gross premium volume increased by EUR 18.9 million to EUR 118.5 million, mainly due to higher premiums as well as to the obtaining of certain major clients. However, a gross underwriting loss of EUR 15.6 million resulted due not least to COVID-19-related claims. In the previous year, this loss amounted to EUR 13.0 million.

Business originating in Germany was expanded further. Gross written premiums increased in the period under review by EUR 5.5 million to EUR 214.7 million. Most of these sales were achieved with Group companies, particularly in the field of internal reinsurance and fronting services.

A.3 Investment Income

Market situation
2020 was shaped by the COVID-19 pandemic and its impact on society, policy making, the economy and, to no small extent, the financial markets. Amid the global lockdown, around the world[1] equities suffered the fastest market crash in history during the first quarter, losing 33% of their value in less than a month. However, supported by government rescue measures and ultra-expansive monetary policies on an unprecedented scale, the markets recovered swiftly and even reached new highs in isolated cases by the end of the year with the breakthrough in the development of a vaccine to combat the virus.

In light of ultra-expansive monetary policies combined with a significant expansion of securities purchase programmes by the Fed, BoE or ECB, investors in the western world face a prolonged low interest-rate environment. With an above-average return of around 5%, euro government bonds[2] were given a major boost both by the recent drop in interest rates and also the fact that many investors were looking for safe investments last year; corporate bonds with good credit ratings[3] lost up to 8% in the wake of the market turmoil in March. As a result of the large-scale intervention by the central banks and the expansion of the bond buying programmes, the markets stabilised quickly and a positive return of 2.7% was achieved for the year. This development was also reflected in euro high yield bonds[4]. Losses of around 20% in the first quarter were also more than offset, and a return of 2.8% resulted.

In the emerging economies, a growing dichotomy was observed during the year between Asian countries such as China, which managed to rapidly contain the pandemic while sustaining economic momentum, and countries such as Brazil, which have been dogged by the ongoing severity of the pandemic. As capital began to flow out of these markets at the onset of the pandemic, risk premiums[5] immediately doubled to over 650 basis points in March. As Western financial markets recovered and commodity markets stabilised, many investors returned and the situation largely returned to normal. As a result, emerging market bonds[6] also achieved a positive return of 3.9% over the full year.

Investment result
ART AG broadly maintained its strategic asset allocation (SAA) in 2020 with the aim of keeping the earnings position stable in a difficult market environment.

Investment income amounted to EUR -4.3 million in 2020, well below the previous year's figure of EUR 22.2 million. The decline in 2020 is chiefly due to the write-down of AGCS Resseguros Brasil S.A. amounting to EUR 21.1 million, which was taken into account in the investment result for 2020.

1) MSCI World Total Return in Euro Index
2) iBoxx Euro Sovereign Total Return Index
3) iBoxx Euro Corporate IG Total Return Index
4) BofA Euro High Yield Index
5) JP Morgan EMBI Global Spread
6) JP Morgan EMBI hedged in EUR

Type of Investment	Current Income		Profit		Loss		Write-backs / Write-downs		Investment Result	
EUR thousand	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Investments in affiliated/associated companies	0	0	0	0	0	0	-21,135	0	-21,135	0
Equities	2,845	3,081	0	0	0	0	0	0	2,845	3,081
Bonds	10,964	11,460	2,653	1,141	-1,315	-676	0	0	12,302	11,925
Loans	758	1,144	0	0	0	0	0	0	758	1,144
Money	1,952	7,155	0	0	0	0	0	0	1,952	7,155
Other investments	0	0	0	0	0	0	0	0	0	0
Expenses	0	0	0	0	0	0	0	0	-979	-1,150
Total	**16,519**	**22,839**	**2,653**	**1,141**	**-1,315**	**-676**	**-21,135**	**0**	**-4,258**	**22,155**

A.4 Development of Other Activities

There were no noteworthy transactions under other business activities in the year under review.

ART AG did not enter into any significant lease agreements.

A.5 Any other information

As already stated in the 2019 Annual Report, once the required approvals from the regulator (i.e. from the Dubai Financial Services Authority) were obtained, the Dubai branch office ceased operations effective from 30 September 2020 and went into run-off. The run-off activities are to be managed from the head office in Schaan. The Dubai branch office was officially deleted from the local register as of 1 March 2021.

All relevant information regarding the business and performance of ART AG has been addressed in the previous sections.

B Governance System

B.1 General Information about the Governance System

B.1.1 Board of Directors and Executive Board

B.1.1.1 Board of Directors – Principle and Function

The Board of Directors of ART AG consists of at least three members. Members of the Board of Directors hold office for a period of three years, unless a shorter term of office is stipulated in the resolution appointing them. The term of office of members of the Board of Directors ends at the end of the next General Shareholders' Meeting. The General Shareholders' Meeting is entitled to appoint members of the Board of Directors and may approve the actions of members of the Board of Directors. Without prejudice to the above, the Board of Directors may itself co-opt additional members. Additional members co-opted by the Board of Directors must be approved by the next General Shareholders' Meeting.

The Board of Directors currently has four members.

The Board of Directors is responsible for the overall management of ART AG and for supervising corporate governance. It is responsible for establishing the company's organizational structure and an appropriate governance system (including risk management, the actuarial function, compliance, internal control and internal audit). The Board of Directors is also responsible for setting up the accounting function, financial control and financial planning, as well as all duties and responsibilities assigned to the Board of Directors under the applicable regulatory provisions. The Board of Directors represents the company externally and issues the organisational bylaws governing the duties and powers of the Board of Directors and its Chairman, the committees of the Board of Directors and the Executive Board and also the Chief Executive Officer. In addition, the Board of Directors is responsible for appointing the members of the Executive Board and for preparing ART AG's annual report.

The Board of Directors shall meet as often as business requires. Any member of the Board of Directors is entitled to request that a meeting be called without delay, specifying the reason for the meeting. The Board of Directors shall have a quorum if at least half of its members are present. Resolutions by the Board of Directors shall be adopted by an absolute majority of those members of the Board of Directors present or represented at the meeting, with the Chairman casting the deciding vote in the event of a tie.

Directors are entitled to reimbursement of any expenses incurred on behalf of the company, as well as compensation commensurate with their services, to be determined by the Board of Directors itself. Compensation shall be paid only to external members of the Board of Directors who have no other full-time position within the Allianz Group.

The structure of the Board of Directors is specified in the Articles of Association and the organisational bylaws of ART AG. The Articles of Association were revised in September 2016 to reflect the relocation of ART AG's headquarters from Zurich, Switzerland to Schaan, Liechtenstein. The organisational bylaws were most recently revised on 17 April 2019. No changes were made to the governance system at Board of Directors level during the 2020 reporting period.

B.1.1.2 Board of Directors – Composition

During the 2020 year under review, the Board of Directors was composed as follows:

President: Joachim Müller

Vice President: Hartmut Mai (stood down 30 June 2020); William Scaldaferri (co-opted on 30 September 2020)

Members: Carsten Scheffel; Thomas Wilson (stood down 30 June 2020); Aylin Somersan Coqui (co-opted on 11 September 2020)

The co-option of the new members of the Board of Directors was made effective through the respective approvals of the supervisory authority and the Liechtenstein Financial Market Authority.

B.1.1.3 Committees of the Board of Directors

The Board of Directors forms the committees from among its members. As part of the amendment of the organisational bylaws, the number of committees was reduced to two, effective as of 17 April 2019.

Subject to certain reservations, as part of the defined responsibilities, the committees have final decision-making authority.

The Board Approval Committee is – subject to the duties of the Board of Directors that are non-transferable in accordance with the Articles of Association, such as ultimate oversight over the individuals entrusted with corporate governance – responsible for supervising the company's Executive Board and its corporate governance, to the extent that this is not the responsibility of the Audit Committee.

The Audit Committee provides support to the Board of Directors in its supervisory and financial control work. Among other things, the Audit Committee audits the annual financial statement. The Audit Committee is also responsible for assessing the effectiveness of the Internal Control System, including risk management. The Audit Committee receives regular updates on the company's solvency and on compliance with applicable legal requirements and guidelines. Internal Audit reports to the Audit Committee at each meeting on all significant findings.

B.1.1.4 Executive Board – Principle and Function

The Executive Board must have at least two members. It consists of the Chief Executive Officer and other members as determined by the Board of Directors.

The Executive Board currently has five members.

The Executive Board is responsible for the direct management of ART AG's business, under the leadership of the Chief Executive Officer and on behalf of and following the guidance and instructions of the Board of Directors. The Executive Board shall issue Management Regulations, to be approved by the Board of Directors, concerning the functions, allocation of responsibilities and the powers of management and of the company's committees. The Chief Executive Officer makes periodic reports to the Board of Directors on the course of business, in consultation with the other members of the Executive Board. Extraordinary events with significant consequences and developments that could jeopardise the company's continued existence must be reported to the Board of Directors without delay.

The Executive Board meets as often as business requires and at least once every quarter. Any member of the Executive Board is entitled to request that a meeting be called without delay. The Executive Board shall have a quorum if at least half of its members are present. Resolutions by the Executive Board shall be adopted by an absolute majority of those members of the Executive Board present or represented at the meeting, with the Chief Executive Officer casting the deciding vote in the event of a tie.

Any member of the Executive Board and any member of ART AG's management team shall be entitled to submit any matter associated with his/her area of responsibility to the Executive Board for a decision and/or to request the approval of the Chief Executive Officer. These persons are also entitled to submit matters that are of fundamental importance to the company and that relate to other areas of responsibility to the Executive Board and/or to the Chief Executive Officer for assessment.

B.1.1.5 Executive Board – Composition

ART AG's Executive Board is arranged according to divisions, which assume either functional responsibility or responsibility for a business division.
As of 31 December 2020, ART AG's Executive Board comprised five members. Notwithstanding the joint responsibility of all members of the Executive Board, the responsibilities of the individual Executive Board members are allocated as follows:

Christoph Müller, Chief Executive Officer
Responsible for: CEO Office, Operations, IT & Human Resources and the AGCS business segment (Industry business)

Thomas Schatzmann, Chief Financial Officer
Responsible for: Finance and Accounting

Thomas Bründler, General Counsel
Responsible for: Legal and Compliance

Richard Boyd, Head of Capital Solutions
Responsible for: "Capital Solutions" business segment

Robert Makelaar, Head of Alternative Risk Transfer (new[1])
Responsible for: "Alternative Risk Transfer LoB" business segment

B.1.1.6 Management Team

The members of the Management Team have functional responsibility for the relevant division or function. Subject to the areas of competence of the Executive Board, a member of the Management Team may issue internal guidelines in accordance with the Management Regulations (approval matrix), and within the limits of his/her divisional or functional responsibility and provided the dual-control principle is observed.

The members of the Management Team report to a member of the Executive Board.

Alongside the members of the Executive Board (see Section B.1.1.5 Executive Board – Composition), the following persons are members of the Management Team:

Yvonne Pusch, Head of Risk Management
Responsible for: Risk Management

Lara Martiner, Head of Compliance
Responsible for: Compliance

Michael Bamberger, Chief Actuary
Responsible for: Actuary (Stood down[2])

Anahid Terzian, Responsible Actuary
Responsible for: Actuary (new[3])

Henning Sohnemann, Head of Claims
Responsible for: Claims function

1) New as of 27 February 2020 (formerly member of the management team)
2) Stood down 31 May 2020
3) New as of 9 July 2020

B.1.1.7 Committees of the Executive Board

The Executive Board establishes committees to carry out certain responsibilities. The committee structure can be modified by the Executive Board at any time upon the recommendation of the Chief Executive Officer. The Chief Executive Officer appoints and dismisses the members and chairpersons of the committees with the approval of the Executive Board. The rights and obligations of the individual committees are laid down in separate committee charters.

The Local Investment Management Committee provides support to the Executive Board with investments and monitoring of the investment portfolio. The Board of Directors has ultimate responsibility for the investment strategy.

The Risk Management Committee is responsible for establishing and maintaining independent oversight of ART AG's risk management activities. It is the main decision-making body for risk management issues at ART AG.

The Loss Reserve Committee makes decisions regarding the quarterly assessment of underwriting obligations pursuant to IFRS and as part of this process reviews associated activities, developments and information.

The Financial Disclosure & Reporting Committee helps the Chief Executive Officer and the Chief Financial Officer of ART AG to fulfil their responsibility to file IFRS financial statements and related information in full, accurately and on time.

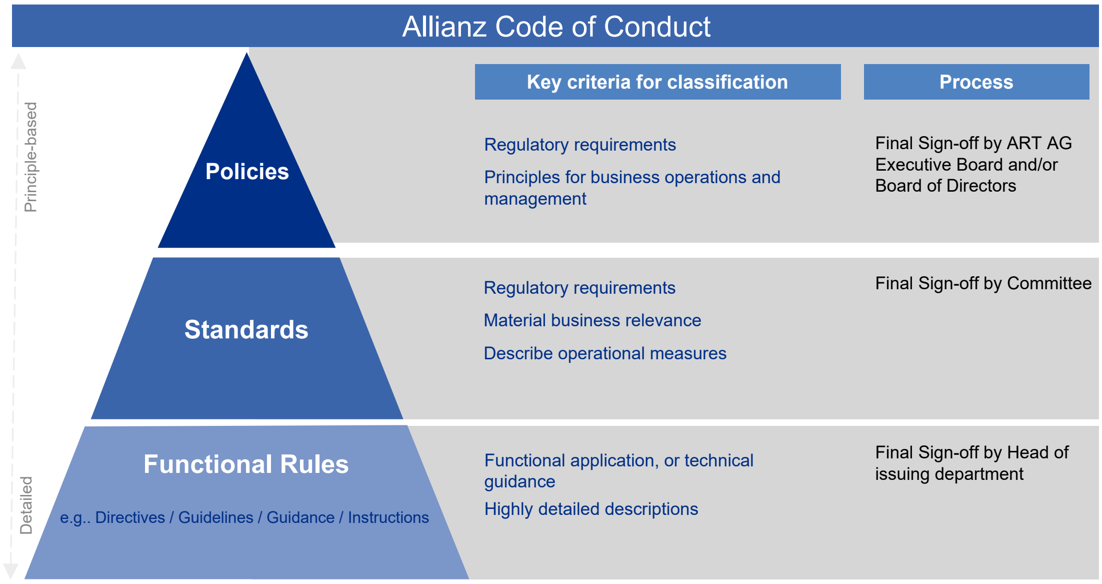
The Procurement & Outsourcing Committee manages and oversees ART AG's outsourcing and procurement activities.

B.1.2 Set of Rules

B.1.2.1 Company Rules

Company rules include all internal rules established by an authorised party with the intention of creating a company-wide binding standard or a binding guideline. Every company rule must be documented and approved by the relevant panel. There is a defined set of rules within the AGCS Group that describes the relevant criteria for drawing up and updating company rules (including the underlying rule-definition process). ART AG follows the classification and approval concept contained in the set of rules for the AGCS Group. The set of rules encompasses four levels:

- Code of Conduct;
- Policies;
- Standards and
- Functional Rules.



B.1.2.2 Three Lines of Defence Model

A basic component of ART AG's control framework is the Three Lines of Defence Model described below.

The separation between various lines of defence is principle-based and defined by the following activities.

The first line of defence is represented by the operating business segments, for example through daily activities, risk management and controls in the respective business segment. Key activities include, in particular:

- Operational management of risks through assumption of or direct influence on the organisation, assessment and acceptance of risks;
- Drafting and implementation of methods, models, management reports or other control standards in order to help optimise risks and expected profits, and
- Participation in business decisions.

The second line of defence provides independent supervision and scrutinises the daily assumption of risks and controls by the first line of defence. The key activities are:

- Defining an overarching control framework within which the operating business segments can act;
- Carrying out activities such as monitoring compliance with the control framework or scrutinizing business decisions, and
- Evaluating the design and effectiveness of the control environment, including an assessment of the control models and methods. Providing advice regarding risk-mitigation strategies and control activities (including providing professional opinions) for the operating business segments and company management.

The second line of defence has the following main powers:

- Independence from the reporting channels, objectives, goal-setting and compensation of first line of defence responsibilities;
- A direct reporting channel and unlimited access to the Board of Directors;
- If necessary, escalation of relevant issues to the Chairman of the Board of Directors;
- All Key Function Holders (except for the Head of Internal Audit) have the right to veto business decisions that fall within the purview of the control function if they have sound reasons for doing so, and
- The right to be involved in major business decisions and to receive all relevant information.

The third line of defence provides independent monitoring of the first line of defence and the second line of defence. In particular, its activities include:

- An independent assessment of the effectiveness and efficiency of internal controls, including the activities of the first line of defence and the second line of defence, and
- A report to the Audit Committee of the Board of Directors.

The same powers for the functions of the second line of defence also apply to the third line of defence (with the exception of the veto right).

In order to ensure an effective Internal Control System, all control functions are required to cooperate and to share relevant information.

B.1.3 Functions

The following sections discuss the actuarial function, the compliance function and the risk management function. These are part of the second line of defence.

A description is also provided of Internal Audit, which acts as the third line of defence.

B.1.3.1 Actuarial Function

The actuarial function is embedded in the Corporate Actuarial Department and is managed by the Head Actuary, who reports to the Chief Financial Officer of ART AG, and to the Chief Actuary of the AGCS Group. In order to avoid any conflicts of interest, employees who carry out actuarial work for the underwriting segment ("business actuaries") are not part of Corporate Actuarial. Corporate Actuarial includes the following areas of responsibility: Reserving/ Analysis, Actuarial Diagnostics, Actuarial Risk Modelling and Actuarial Pricing Governance.

Within Corporate Actuarial, the actuarial function carries out tasks based on regulatory and business requirements. The function heads up the Loss Reserve Committee, which makes decisions about the amount of technical provisions pursuant to IFRS, makes a recommendation to this body regarding the appropriate amount of such provisions and is itself represented and entitled to vote via the person holding the actuarial function. The actuarial function determines the provisions for the Market Value Balance Sheet (MVBS) and also expresses an opinion regarding the appropriateness of the reinsurance structure, the company's underwriting policy and the effective implementation of the risk management system.

The actuarial function interfaces and works closely with other functions, in particular the risk management function:

- In addition to the appropriate amount, the actuarial function also analyses the sensitivity and uncertainty of underwriting reserves;
- In addition, the actuarial function is responsible for assessing all underwriting risks in accordance with the standard formula, and
- The actuarial function plays an active role in the entire risk management process to the extent that underwriting risks are involved. The Head Actuary reviews whether the company has sufficient funds that are at least equal to the Solvency Capital Requirement.

B.1.3.2 Compliance Function

The compliance function is headed up by the Head of Compliance, who reports to the General Counsel, a member of the Executive Board of ART AG.

As part of the Internal Control System and as the second line of defence, the compliance function supports and monitors compliance with the applicable legal and administrative regulations and advises the Board of Directors and Executive Board on all matters relating to compliance.

In addition, the compliance function monitors the relevant legal environment and informs the Executive Board and/or the Audit Committee promptly of any significant changes.

In close consultation with risk management, the compliance function assesses the compliance risk for assigned risk areas on an annual basis and monitors the implementation of appropriate measures to minimise risk.

To fulfil its duties, the compliance function has established a global compliance framework in collaboration with the operating units, which the Allianz Group compliance function regularly reviews as part of a maturity analysis to ensure that it is appropriate and effective.

B.1.3.3 Risk Management Function

Risk management is headed up by the Head of Risk Management, who reports to the Chief Financial Officer of ART AG and to the Chief Risk Officer of the AGCS Group. The Head of Risk Management chairs ART AG's Risk Management Committee and is a (non-voting) member of other ART AG committees.

ART AG's risk management function, which is embedded in the AGCS Group's risk management, includes the following duties, among others:

- Helping the Executive Board of ART AG and other functions to use the risk management system effectively;
- Monitoring the risk management system;
- Monitoring the overall risk profile of ART AG;
- Providing detailed reporting on ART AG's risk exposures and advising the Executive Board on risk management issues, including on strategic concerns relating to corporate strategy, mergers and acquisitions or larger projects and investments; and
- Identifying and assessing emerging risks.

B.1.3.4 Internal Audit

Audit forms the third line of defence. Internal Audit is headed up by AGCS's Global Head of Internal Audit, who reports to the Audit Committee of the Board of Directors. Internal Audit, which is outsourced to AGCS SE on behalf of ART AG, regularly carries out an independent review of the organizational structure and workflow of the risk management system. In addition, quality reviews of risk processes are conducted and adherence to business standards, as well as compliance with the internal control framework, are tested.

Internal Audit evaluates and provides recommendations on improving the effectiveness of the Internal Control System and the organizational structure and workflows by applying systematic audit approaches. The audit spectrum, which covers all risks, including those arising from outsourcing, is defined and reviewed on an annual basis using risk-based approaches. This audit spectrum is then used to control and prioritise internal audit activities. The entire audit spectrum must be adequately covered within a five-year period.

For every audit conducted, the internal audit function compiles an audit report, including recommendations based on facts and professional judgement, a summary of the most important results and an overall assessment. Follow-up plans for remedying deficiencies identified in the audit report are drawn up by the audited unit and provided to the internal audit unit. The internal audit function holds follow-up meetings to ensure that the deficiencies identified are remedied.

B.1.4 Compensation System

Selected key figures from the budgets form the basis for financial and operating targets, which reflect the strategy of the Group and of ART AG. As stipulated, this is intended to:
- Prevent excessive risk-taking;
- Help prevent conflicts of interest;
- Ensure that risk-taking does not exceed the operating unit's risk-tolerance limits; and
- Adequately reflect the main risks, including with respect to their time horizon and their effect on the company's overall success.

ART AG has implemented the Allianz Group's performance management system. The Allianz Group's global compensation system has been adjusted to support Allianz's strategic Renewal Agenda. In addition to Group or company key financial performance indicators (KPIs), the compensation system considers an employee's individual performance (including the Executive Board), which is measured on the basis of quantitative and, primarily, qualitative criteria. This approach promotes a stronger focus on the behavioural aspects of performance (including compliance) and sets a common standard which is intended to advance cultural change throughout the Group.

For the annual bonus (short-term) of the Executive Board and employees of ART AG, the AGCS Group's quantitative targets account for 50% of the performance evaluation. These quantitative targets are split equally (50/50) between operating profit and the global net income. The other 50% of the performance evaluation comprises qualitative targets. An overall assessment of individual priorities (WHAT targets) is drawn up here, along with the HOW target, consisting of four personal attributes that relate to behavioural aspects:
- Excellence in the market and with customers;
- Team-oriented leadership behaviour;
- Entrepreneurial conduct; and
- Trust.

For members of the Executive Board and selected management employees, part of the bonus is paid in cash and the rest is allocated in the form of participating interests in Allianz SE's share ownership plan. Payout of the equity component is delayed for four years after the allocation date and the payout amount is equal to the respective market value of Allianz SE shares on the payout date.

The health indicators, which are consistent with the Renewal Agenda, include:
- True customer centricity;
- Digital by default;
- Technical excellence;
- Growth engines; and
- Inclusive meritocracy (including the gender-equality initiative/women in leadership positions).

There are no pension commitments for former members of the Board of Directors or the Executive Board.

B.1.5 Assessment of the Appropriateness of the Governance System

The effectiveness and appropriateness of the governance system is reviewed by ART AG's ERIC Advisory Group once a year as a rule, and also if there are any special reasons for doing so. The ERIC Advisory Group largely comprises representatives from the four key functions (compliance, risk management, actuarial and internal audit). The review is performed in consultation with the Global Governance function of AGCS SE (which is embedded within the Legal department). The results of the review and the measures derived therefrom in order to further strengthen the governance system are presented to the Risk Management Committee and to the Board of Directors for a final assessment. The Risk Management Committee adjudged the governance system to be appropriate overall. The Board of Directors will adopt a corresponding resolution at the meeting on 22 March 2021.

B.1.6 Information on Material Transactions

ART AG and AGCS SE are parties to Service Level Agreements for the provision of advisory and support services in various fields, such as risk analysis and risk assessment. Compensation for the services provided is invoiced at cost, plus a profit margin.

ART AG grants non-proportional reinsurance to AGCS SE. In turn, AGCS SE protects ART AG's own funds from losses arising from the overall insurance business through an internal group whole account stop-loss contract. Reinsurance contracts between ART AG and AGCS SE are entered into as arm's-length transactions.

During the 2020 reporting period, there were no material transactions with members of the Board of Directors or the Executive Board.

B.2 Fit and Proper Requirements

The key functions include both Key Function Holders and key function members. Key Function Holders are the people who are responsible for carrying out the key functions. They are the heads of the respective segments and report directly to the responsible member of the Executive Board or (in the case of Internal Audit) to the Board of Directors of ART AG. Every key function has a Key Function Holder.

The key function members are other people working within the key function, including people who report directly to the Key Function Holder and experts with independent decision-making powers.

The key functions and the respective Key Function Holders of ART AG are:

- Actuarial function: Head Actuary – Michael Bamberger (until 31 May 2020); Anahid Terzian (from 9 July 2020);
- Legal function: General Counsel – Thomas Bründler;
- Compliance function: Head of Compliance – Lara Martiner;
- Risk management function: Head of Risk Management – Yvonne Pusch;
- Internal; Audit function: AGCS Global Head of Internal Audit – Petra Bösenberg (until 31 March 2020); Marcus Zappe (from 9 July 2020);
- Financial reporting function: Chief Financial Officer – Thomas Schatzmann.

The evaluation of fit and proper requirements for all these people is relevant for Solvency II purposes and must be ensured. The requirements are listed in AGCS's Fit and Proper Policy. AGCS's Fit and Proper Policy has been implemented by ART AG and approved by the Executive Board. Any changes to AGCS's Fit and Proper Policy are in each case submitted to the relevant ART AG approval panel for ratification.

The AGCS Fit and Proper Policy describes principles, criteria and processes designed to ensure that these people who actually control the company and work in key functions do indeed meet the professional qualifications and demonstrate the personal dependability required. AGCS's Fit and Proper Policy includes a definition of the required professional qualifications and personal dependability for the various positions involved. It also describes the processes that must be followed to ensure that the relevant people have the necessary professional qualifications and personal dependability.

The professional qualification requirements for internal and external candidates must be defined in the application procedure. Every candidate must submit a résumé and various interviews must be conducted, including an interview with the Human Resources Department. A review must be carried out of the candidate's personal background, which includes – for all positions to be filled – sending copies of relevant credentials, criminal record (or similar document) and proof that the candidate is not and has not been involved in insolvency proceedings as a debtor. All documents must be provided when appointing members of the Executive Board and the Board of Directors as well as when appointing key function holders.

Human Resources must review references and carry out a search of the public media. This is optional for key function members, but mandatory for Key Function Holders.

Performance reviews (for all people who are the focus of AGCS's Fit and Proper Policy) and career-development conferences (for executives and Key Function Holders) are mandatory and must be held on a regular basis.

Spontaneous reviews of fit and proper requirements shall be carried out in certain exceptional situations if professional qualifications and/or personal dependability have been called into question.

Ongoing professional training programmes ensure that the professional qualification requirements are always met. Training courses in ethical business conduct, anti-corruption and combating fraud are offered to provide employees with clear rules regarding appropriate behaviour.

AGCS's Fit and Proper Policy sets benchmarks for evaluating professional qualifications and personal dependability regardless of which findings and information have been collected during the application process and regular or spontaneous reviews and as a result of negative evaluations.

B.3 Risk Management System, including Own Risk and Solvency Assessment

B.3.1 Risk Management System

The organisational structure and workflows of ART AG's risk management system make it possible to control local and global risks in an integrated manner and ensure that risks assumed are consistent with the company's risk-bearing capacity and, specifically, with the risk appetite defined in the risk strategy. The organisational structure and workflows of the risk management function follow a top-down approach: The uppermost control function is held here by the Board of Directors, which, in conjunction with the Executive Board, assumes responsibility for the company's risk profile and the committees involved in the process.

Board of Directors of ART AG
The Board of Directors is responsible for the overall supervision of the company. The Board of Directors defines the organisation and an appropriate governance system (including risk management) and supervises and controls the management of ART AG. AGCS's global risk strategy, which also applies to ART AG, is submitted to the Executive Board of ART AG for approval and to the Board of Directors in the event of significant changes.

Executive Board of ART AG
The Executive Board is responsible for direct management of the business. The Executive Board issues Management Regulations concerning the function, allocation of responsibilities and powers of management. Among other things, the Executive Board is responsible for:

- Appropriately implementing the AGCS Risk Policy within the organizational structure and work processes of ART AG;
- Implementing and approving AGCS's overarching risk strategy, which also includes ART AG, the risk tolerance defined therein and the limits, as well as aligning the risk strategy with ART AG's business strategy and the Allianz Group's risk strategy;
- Setting up a risk management function, which is responsible for independent monitoring of risks; and
- Defining and implementing risk management processes, including processes for assessing the company's solvency.

An overarching risk governance system is defined by the implemented guidelines and standards for the organisational structure, the risk strategy, the system of limits and documentation and reporting requirements. These guidelines ensure, on one hand, the timely and complete dissemination of information on risk-relevant developments in the company and decisions and, on the other hand, the implementation of a process for decision-making and implementation.

B.3.2 Risk Management Approach and Risk Strategy

B.3.2.1 Risk Management Approach

One of the core competencies of ART AG – an international insurance company with industrial and corporate clients – is risk management, which is an essential component of its business processes. Assessing, minimising and assuming risks for policyholders is part of everyday business at ART AG.

The purpose of ART AG's risk management is to increase the company's value sustainably by achieving the best possible balance between the risk and earnings situation. Risk capital rules are applied with the aim of protecting ART AG's capital base, improving its financial strength and fulfilling the duties arising from insurance business.
The risk management system should help to protect ART AG's financial strength in the interests of shareholders while safeguarding policyholders, rights. Risk management includes the necessary strategies, processes and reports for identifying, assessing, observing and controlling existing and potential risks. Another core element of risk management is translating risk drivers, dependencies and capital requirements for risks into decision templates for management. ART AG supports the company's risk culture with a comprehensive, systematically implemented risk governance structure.

B.3.2.2 Basic Principles of Risk Management

ART AG's risk management assesses the company's risk-bearing capacity. It is based on a uniform understanding of the risks taken and risk management processes as well as the associated control mechanisms. Risk management follows the principles listed below:

Basic Principle 1: Responsibility of the Board of Directors for the Risk Strategy
ART AG's Board of Directors has ultimate responsibility for compliance with the risk strategy and the associated risk tolerance, which is regularly aligned with the business strategy. The risk strategy describes the general approach to management of all material risks that arise in the course of business activities and in the pursuit of business targets. Risk tolerance for all material quantifiable and non-quantifiable risks takes into account the expectations of shareholders, regulatory requirements and the requirements of rating agencies. Both the risk strategy and risk tolerance are reviewed at least once a year by the Executive Board and submitted to the Board of Directors for approval if there are significant changes. If necessary, they are adjusted and communicated to all affected functions.

Basic Principle 2: Risk Capital as a Key Control Parameter
Risk capital is the main parameter used to define risk tolerance as part of the solvency assessment. It serves as a key indicator in decision-making and risk management processes relating to capital

allocation and limits. Capital is regarded as an available financial resource in this context. The impact on risk capital is taken into account in major business decisions.

Stress scenarios are also examined as part of the solvency assessment, to ensure that adequate capital is available to protect the company against unexpected and extreme economic scenarios.

Basic Principle 3: Clear Definition of the Organisational Structure and Risk Management Processes
An organisational structure has been established at ART AG that is clearly defined and encompasses all risk categories. The roles and responsibilities of all the functions involved are also defined through this organisational structure. This structure is communicated clearly and in full to all the relevant functions.

Basic Principle 4: Consistent Risk Assessment
Consistent quantitative and qualitative methods are used to assess relevant risks, including both individual and cumulative risks, across all risk categories. In the risk capital calculation, quantitative risks are considered using the standard formula. Risk assessments and calculations are clearly defined in AGCS's risk capital rules and ensure that a consistent procedure is followed within the Allianz Group. Results are analysed and assessed using statistical methods and qualitative expert assessments.

Individual risks that cannot be quantified with the standard formula, as well as complex risk structures that combine several individual risks or risk categories, are assessed using quantitative criteria, economic portfolio models or, in some cases, simplified quantitative methods (e.g. scenario analyses). If quantification is not possible, the assessment will be performed using qualitative criteria.

Basic Principle 5: (Further) Development and Integration of the System of Limits
A consistent system of limits has been established that ensures compliance with risk tolerance and governs how concentration risks are dealt with. It includes relevant risk parameters and drivers of risk for risk capital and is supplemented by more extensive operating limits. The system of limits is regularly reviewed and approved by the Executive Board as part of the risk strategy and the associated internal guidelines.

Basic Principle 6: Mitigation of Risks that Exceed Risk Tolerance
If individual risks exceed their limit or if total risks exceed risk tolerance, the risks must be mitigated appropriately. Measures are defined to ensure that risks remain within the limits and can simultaneously serve the planned risk tolerance, for example by adjusting reinsurance solutions, strengthening the control environment, reducing and/or hedging the risk position or adjusting risk tolerance.

Any risk limitation shall take place only within the context of the framework conditions mandated by economics and the law.

Basic Principle 7: Consistent and Effective Monitoring
Risk tolerance and handling of risks have been integrated into a standardised process for defining limits, which includes all quantifiable risks of ART AG and takes into account risk diversification and concentration. Clearly defined reporting requirements and escalation processes ensure that if limits are exceeded, risk tolerance compliance will be restored and required measures to limit risks will be instituted immediately, where necessary. More extensive early-warning systems will also be reported and reviewed on a regular basis. These include risk management processes for major risks, estimates of emerging risks and processes for product launches.

Basic Principle 8: Consistent Risk Reporting and Risk Communication
ART AG's risk management sends regular and, if necessary, ad-hoc reports to the Risk Management Committee and to the Executive Board. The report is supplemented by risk assessments that are especially relevant to outside stakeholders (supervisory bodies, rating agencies, etc.). The results of the company's Own Risk and Solvency Assessment (ORSA) are documented in the annual ORSA Report. The underlying data and assumptions on which the

information is based are embedded in a comprehensive control environment that ensures adequate data quality for complete, consistent and timely reporting to management.
Ad-hoc reporting covers events that are unexpected in terms of their size or the amount of the loss or that can have an unexpectedly strong impact on ART AG's risk profile. This impact relates to the income statement, the company's equity resources, its reputation, continuation of business operations or non-compliance with regulatory or legal requirements.

Basic Principle 9: Integration of Risk Management into Business Processes
Where possible, risk management processes are directly integrated into business processes, including strategic and tactical company decisions and decisions affecting day-to-day business, to the extent that they might affect the risk profile. Above all, such integration is intended to ensure that the risk management system will help to shape future risks while playing only a secondary role in reactively assessing and controlling existing risks.

The risk culture set by the Executive Board of ART AG is essential for the success of this integration. Leading by example in maintaining a strong risk culture, the Executive Board demonstrates that managing risk is essential to achieving business objectives.

Basic Principle 10: Comprehensive and Timely Documentation
The methods, structures and processes relevant to risk management are documented in a comprehensive and timely manner in order to ensure transparency and clarity.
Filling the key functions is pivotal to ensuring optimum implementation of the processes.
As a result, when appointing or dismissing the Head of Risk Management, the Chief Financial Officer consults with AGCS's Chief Risk Officer to ensure that the professional and personal qualifications of the Head of Risk Management fully satisfy the requirements specified in AGCS's Fit and Proper Policy.

B.3.2.3 Fit and Proper Requirements

The Head of Risk Management must have appropriate qualifications, experience and knowledge to fulfil his responsibilities. He must perform his duties with due regard to the complexity of the business and the nature and size of the company. He must also distinguish himself through his honesty, integrity and excellent reputation and have relevant skills and abilities.

The Head of Risk Management essentially requires the following knowledge:

- Knowledge of the regulatory framework and applicable requirements;
- Knowledge of financial and insurance markets;
- Knowledge of the business strategy and business model of ART AG; and
- Knowledge of the organisational structure and workflows.

B.3.2.4 Resources

The risk management function at ART AG and AGCS has adequate resources to fulfil its responsibilities properly and with a focus on risks. Once a year, the tasks of the risk management function for the coming year are discussed and stipulated. Priorities and tasks that have been set are also matched to the number of employees and their qualifications, to ensure that priorities and tasks are feasible.
This process takes into account not only ART AG's available resources, but also those of AGCS's global risk management functions.

Reciprocal oversight also takes place between key functions, in line with regulatory requirements. This reciprocal oversight involves Internal Audit, the compliance function, the Legal Department, the actuarial function, the accounting function and the risk management function.

B.3.2.5 Reporting on Risks and Implementation of Risk Management Processes

ART AG's risk management function generates internal risk reports – that contain the relevant risk-related information in a clear, concise format – both at regular, predefined intervals and on an ad-hoc basis.

The ad-hoc reporting includes events that – in addition to regular reporting – are unexpected in terms of size and impact and involve significant changes to known risk issues or completely new or emerging risks that may have significant repercussions. These include material quantitative effects on financial results and capitalisation, for example, as well as material qualitative effects on reputation, business continuity or non-compliance with laws and regulations. The comprehensive nature of risk management ensures that all material risks within ART AG are identified and systematically managed and that potential deviations from ART AG's risk appetite are identified at an early stage. Appropriate risk-mitigation techniques are used to deal with cases in which identified risks exceed the specified risk appetite (e.g. violations of limits). If such cases occur, clear measures are instituted to address the problem, such as adjustments to the risk appetite or – following an economic review of the situation – conclusion of reinsurance contracts, strengthening of the control environment or reducing/hedging of risks associated with the underlying assets or liabilities.

B.3.3 Set of Rules Governing the Organisation and Workflow of Risk Management

ART AG has established an effective governance system to promote implementation of the business strategy, to ensure adequate monitoring and control of business risks and to guarantee compliance with legal requirements. This system includes guidelines on the methods used to assess risks, on the risk management structures and on risk governance processes.

Additional guidelines deal with capital market risks, credit risks, underwriting risks, business risks and operational risks; they define the risks that are entered into and stipulate risk tolerance in these risk categories. This risk tolerance is the foundation for risk-based control of the business. In addition, the guidelines specify responsibilities and the scope of authority and define measures for minimising risk and for escalation if limits are exceeded.
For each risk category, the guidelines supplement the requirements and provisions in the overarching AGCS Standard on ORSA and the AGCS Guideline on Top Risk Scoping and Assessment (TRSA).

B.3.4 Specific Material Risks to ART AG

B.3.4.1 Framework for the Top Risk Scoping and Assessment

The Top Risk Scoping and Assessment is a regular analysis of all material quantifiable and non-quantifiable risks to identify and steer threats to financial results and the operational viability of and adherence to strategic objectives. The requirements for a consistent and transparent Top Risk Scoping and Assessment process are documented in the AGCS Guideline on Top Risk Scoping and Assessment.

The ART AG Risk Management Committee discusses and decides on the Top Risks to be selected. Measures are defined for the selected material risks. Executive Board members are responsible for ensuring the transparency of the risk profile and for defining measures to limit the risk if the risk-tolerance level defined by the Executive Board is exceeded. The results of this risk assessment are reviewed by the risk management function each quarter or on an ad-hoc basis if necessary and are reported to the ART AG Risk Management Committee and to the Board of Directors of ART AG. In addition to the quarterly review, all quantifiable risks are presented in the standard formula.

The TRSA process for AGCS Global and ART AG is validated by supplementary risk and control assessments. It actively manages quantitative and non-quantifiable risks relevant to AGCS on a global level as well as for the AGCS SE legal entity, making it a key instrument for the Executive Board to assume ultimate responsibility for these risks.

The TRSA process consists of four phases:
- Identification (annually);
- Analysis & Evaluation (quarterly);
- Steering (quarterly) and
- Monitoring (quarterly).

B.3.4.2 Significant Risks

For disclosures on significant risks to which ART AG is exposed during the term of its insurance and reinsurance obligations, as well as their inclusion in overall solvency needs, please see Chapter C, Risk Profile.

Disclosures on material risks that are not fully covered when calculating the Solvency Capital Requirement using the standard formula can also be found in Chapter C, Risk Profile.

B.3.4.3 Risk Strategy

AGCS's global risk strategy, which also includes ART AG, is the core element of the set of rules governing risk management. It is designed to ensure compliance with all obligations to our customers and to create sustainable added value for our shareholders. The risk strategy defines the company's tolerance and appetite for risk, taking into account all of the company's material qualitative and quantitative risks.

ART AG's Board of Directors determines the business strategy and its alignment with the risk strategy and coordinates this with AGCS SE.

B.3.4.4 Risk Categories

ART AG categorises all risks into one of eight risk categories. These risk categories are constantly monitored by risk management as part of risk reporting. Concentration risks may arise for some of these risk categories – in conjunction with other disproportionately large risks – due to an unbalanced risk profile. Concentration risks and emerging risks are not separate risk categories.

For all quantifiable and non-quantifiable risks, there is a comprehensive risk management process that includes risk identification, risk assessment and risk management, as well as risk monitoring and risk reporting. This process is implemented as part of a clearly defined risk strategy and risk appetite and its appropriateness/adequacy is regularly reviewed.

Risk Category	Definition
Market Risk	Unexpected losses due to changes in market prices or a change in parameters that affect market prices, as well as risks arising from options and guarantees embedded in contracts, or changes in the value of assets or liabilities of participating interests resulting from changes in the relevant parameters. In particular, this includes changes in equity prices, interest rates, property prices, exchange rates, credit spreads and implied volatilities. As a result, it also includes changes in market prices caused by a deterioration in market liquidity.
Credit Risk	Unexpected drops in the market value of the portfolio due to a deterioration in the creditworthiness of counterparties, including failure to meet payment obligations or non-performing instruments (e.g. missed payment deadlines).
Actuarial Risk	Losses due to unexpectedly high future claims, including those arising from natural or man-made disasters and run-off losses on existing claim provisions.
Business Risk	Losses due to unexpectedly high cancellation rates in the portfolio and the resulting loss of profits, as well as from continuing fixed costs in the case of a drop in new business.
Operational risk	Unexpected losses due to inadequate or faulty internal operating processes or systems, owing to human error or misconduct or to external events.
Reputational Risk	Unexpected drop in the Allianz share price or the value of existing or future business caused by damage to the reputation of the Allianz Group or any of the specific business units from the shareholder's perspective.
Liquidity risk	Unexpected financial losses due to non-fulfilment of current short-term or future payment obligations or if fulfilment is based on adverse changes in terms and conditions, as well as the risk of refinancing at higher interest rates or through the sale of assets at a discount during a liquidity crisis.
Strategic Risk	Unexpected negative change in the value of a business unit due to wrong management decisions relating to the business strategy and its implementation.

B.3.5 Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (ORSA) is an umbrella term covering a range of connected activities that take place over the course of the year, with which ART AG ensures on an ongoing basis that it has adequate own funds that are in proportion to the risks it enters into.

The following elements of the ORSA process are particularly important:

- Ensuring the consistency of the business strategy and the risk strategy: the operating profit target derived from the business strategy is reviewed with respect to the company's risk-bearing capacity as part of risk planning. In addition, risk-tolerance limits are specified for the planning period based on profit targets. Future tolerance limits and corresponding concepts are specified in the risk strategy or in documents relating to the risk strategy. This process ensures that the business strategy and the risk strategy are consistent.
- Risk capital calculation: Risk capital is determined with respect to market, credit, underwriting, business and operational risks using the standard formula. Overall risk capital corresponds to the total for the individual categories, less diversification effects and deferred taxes;
- Determination of sensitivities of the solvency situation in stress scenarios;
- Maintaining the limit system: Results of the planning process are analysed with regard to their impact on the capital base, and the limits for the next fiscal year are adjusted if necessary. Compliance with limits is monitored continuously throughout the year. If necessary, steps are taken to ensure that risk exposure remains within the prescribed limit. Quantitative limits apply to market, credit and underwriting risks;
- Top Risk Assessment (TRA): ART AG performs an annual top risk assessment process in order to identify and assess all material risks emerging from its business model. The top risk assessment process involves all key stakeholders, especially senior management and key function holders, as well as findings from ongoing risk monitoring processes. There are no specific rules laid down on how to define the risks; reliance is instead placed on expert knowledge and assessments. To assess each individual risk, the anticipated amount and frequency of the loss are estimated. The ART AG Risk Management Committee reports on material risks on a quarterly basis and, should any material risks be detected, makes decisions on risk mitigation measures;
- Capital management: It is of vital importance to ART AG to ensure adequate capitalisation at all times with respect to regulatory requirements, rating capital requirements and market-specific requirements;
- Calculation of economic and regulatory solvency positions and their sensitivity to stress scenarios;
- Determining the effectiveness of the Internal Control System: The determination of the effectiveness of the Internal Control System takes into account the latest results of control tests, audit reports and reviews, as well as assessments by third-party providers. The ERIC Advisory Group has been set up to manage discussions regarding the assessment of effectiveness of internal controls and thus of the overall system of governance. It consists primarily of representatives of the four key functions (risk management, actuarial, compliance, legal and audit), as well as
- Ad hoc risk assessments: The regular ORSA processes described above are supplemented by non-regular assessments of the risk profile if required. This is necessary if ART AG's risk profile changes significantly or if such changes are expected.

When and how an ORSA process is carried out depends on the requirements of the business. Some ORSA-related processes are carried out every quarter, e.g. risk reporting, while other processes relating to strategic decisions take place once a year or on an ad-hoc basis if necessary.

Findings from ORSA processes provide support to business decision-making. The chart below shows the time sequence for the most important process steps and how they are linked to each other.

The appropriateness of the ORSA processes is reviewed annually.

The findings of all ORSA processes and measures that are decided on are summarised in an ORSA Report. The risk management function coordinates the preparation of the ORSA Report, which contains all information relating to risk that is relevant to the result of the ORSA assessment.

The ORSA Report is normally finalised and adopted by the Executive Board in the second quarter of the fiscal year.

The annual reporting also takes into account feedback from the most recent reviews of previous years, ORSA Reports (e.g. by Group Audit) and any changes in external requirements. The main stakeholders from the areas of Capital Management, Underwriting, Investment Management and Accounting are also included, and any changes from a regulatory viewpoint are taken into account.

The final draft of the ORSA Report is submitted to the Head of Risk Management for review. The Risk Management Committee discusses the findings of the ORSA Report and decides whether to recommend to the Executive Board that the ORSA assessment and corresponding ORSA Report should be approved or whether the risk management function should coordinate further changes before the report is sent to the Risk Management Committee again.

Upon recommendation, the ORSA Report will be submitted to the Executive Board for approval and to the Board of Directors for information. In a final step, the conclusions of the ORSA assessment and the corresponding report are made available to the FMA and to everyone who plays a key role in decision-making processes relating to the corporate strategy, the risk strategy and risk and capital management (e.g. ART AG's Key Function Holders).

The ORSA Report for the 2020 fiscal year does not contain any objections or significant recommendations to the Board of Directors. On the contrary, the overall solvency situation was deemed to be stable and comfortable, both as at the balance sheet date of 31 December 2020 and throughout the planning period.

B.4 Internal Control System

ART AG has implemented a formal Internal Control System, "ERIC system" (Enterprise-wide Risk-based Integrated Control System), to control significant operational risks for the company on an ongoing basis by monitoring the control activities and particularly to ensure that key controls are effective. This system has been defined and documented in an internal guideline. In line with legal and regulatory requirements and Allianz Group regulations, the objectives of the ERIC system are:

- Achievement of the strategic business targets is effectively supported and ART AG's legal capacity is assured;
- Governance aspects and business processes are effective;
- The applicable laws and regulatory provisions, together with internal guidelines of Allianz, AGCS and ART AG, are complied with; and
- The processes provide complete and high-quality information for internal and external financial reporting and for regulatory reporting. This ensures that internal management decisions are supported effectively and that the expectations of external stakeholders are fulfilled.

As part of the ERIC system, the key controls that are formalised are those that are necessary in order to avoid or reduce significant operational risks to ART AG. The ERIC system provides a comprehensive view of these risks and controls and gives ART AG's Executive Board reasonable assurance that the aforementioned targets will be achieved. The ERIC system uses a uniform approach to carry out assessments of operational risks and controls with various functional areas. That means that it also supports cooperation and the sharing of information between the key functions under Solvency II (compliance, risk management, actuarial and internal audit). The results of activities in connection with the ERIC system are stored in a separate database, to enable consistent reporting, for example.

On the whole, the ERIC system promotes awareness of risks and controls within the organisation and creates transparency with respect to responsibilities for risks and controls. The quality of key controls is assessed in a structured and efficient way. With additional support from an effective risk management system for operational risks, potentially significant operational risks are identified at an early stage and the necessary steps are taken to avoid or reduce these risks, making it possible to comply with the risk tolerance limit[1] for operational risks set by ART AG's Executive Board.

B.4.1 Key Principles of the ERIC System

The Internal Control System relates to operational risks. However, to facilitate readability, the term "operational" is omitted below. At the same time, the terms "key control" and "control" are used synonymously.

The ERIC system is based on the following principles:

- A focus on significant risks;
- A focus on key controls;
- Promotion of positive awareness of risks and controls;
- Ensuring the effectiveness of key controls;
- Documentation of risks, controls and business processes;
- Integration of service providers used into the Internal Control System; and
- Control strategies such as separation of duties and dual-control principle.

Risk and control assessment programmes are the main procedures for determining which operational risks are covered by the Internal Control System; they focus on significant risks relating to the aforementioned targets. All programmes deliver their own perspective on the risk and control landscape at ART AG and complement each other. The use of a consistent method allows available results to be used multiple times and prevents overlapping assessments as far as possible.
A balanced combination of these programmes ensures the completeness of the ERIC system on one hand and its efficiency and feasibility on the other.

[1)] ART AG's operational risk tolerance is defined and reviewed in the Top Risk Assessment and in the individual risk and control assessment programmes.

Significant risks and key controls are identified and assessed at three levels:
- Management level (e.g. entity-level controls, global Operational Risk Assessment Programme);
- IT level (e.g. general IT controls and IT application controls) and
- Process level (important business processes, financial and regulatory reporting).

First, these evaluation programmes allow significant risks to be identified and assessed; they are then assigned key controls, which are assessed with regard to their appropriateness/adequacy. In addition, the key controls are subjected to a structured test to determine whether they can be implemented as specified (operating effectiveness).

If a risk level is unacceptable (e.g. because of a lack of key controls or ineffective key controls or due to an inadequate design), countermeasures are defined and implemented in order to bring it back into line with the operational risk tolerance.

The ERIC system's core process consists of four steps and follows an annual cycle:
- Determining the scope of risks;
- Assessing risks and reviewing the control design and documenting/adjusting the controls, and if necessary identifying, remedying and retesting control weak spots;
- Testing controls (i.e. testing them for operating effectiveness) and identifying, remedying and retesting control weak spots, if necessary; and
- Monitoring and reporting.

It is particularly important to test controls, partly in order to be able to show external stakeholders that internal controls are being implemented effectively and also in order to build and maintain the trust of these stakeholders in the reliability of the Internal Control System. Clear and up-to-date documentation of key controls is crucial for the efficient testing of controls.

Missing key controls or key controls that have not been set up properly or are not being effectively implemented are regarded as control weak spots that must be eliminated. The materiality of control weak spots is assessed with the involvement of the risk management function and a realistic and detailed improvement plan is drawn up, setting out responsibilities and deadlines. Once this plan has been executed, the control is retested.

This process is overseen by the ERIC Advisory Group, an advisory body at ART AG. The following functions are represented in this body:
- Risk management function;
- Legal function;
- Compliance function;
- Actuarial function;
- Accounting; and
- Internal Audit (no voting rights).

This composition also supports reciprocal oversight between key functions and thus helps to ensure compliance with the relevant regulatory requirements. The ERIC Advisory Group regularly gives its opinion on:
- The completeness and consistency of the ERIC system;
- The operational implementation of processes under the ERIC system;
- The appropriateness and completeness of the scope for risk and control assessments;
- The effectiveness of the ERIC system and, in particular, the materiality of possible control weak spots; and
- The appropriateness and effectiveness of the governance system.

The risk management function coordinates and monitors all activities necessary for the ERIC system, in particular remedial actions to eliminate control weak spots. It regularly provides updated overviews to the ERIC Advisory Group and to the ART AG Risk Management Committee. At least once a year, the risk management function, together with the global risk function, issues an ERIC report and an additional accompanying letter that is specific to ART AG. These documents are submitted firstly to the ERIC Advisory Group for review and then to the ART AG Risk Management Committee for approval, in order to determine on this basis, the overall effectiveness of the ERIC system including the governance system. Finally, the report is presented to the Audit Committee of ART AG's Board of Directors and to the Executive Board of ART AG for confirmation.

B.4.2 Compliance Function

The compliance function monitors ART AG's compliance with regulatory and legal requirements with a focus on risks, and regards itself as an active adviser to the organisation on all matters relating to compliance.

To enable it to fulfil its duties, the compliance function has the right to unrestricted access to information.

B.4.2.1 Compliance Organisation

The compliance organisation consists of the Compliance Department and other functions and departments with tasks relating to compliance. Responsibilities are stipulated in the AGCS Compliance Policy, which has been implemented by ART AG. The AGCS Compliance Policy sets out the respective organisational structure and method of operation at global, regional and local level within the AGCS Group. Detailed guidelines and work instructions supplement the framework for a functioning compliance organisation. The Allianz Code of Conduct is also a central component in ensuring a uniform understanding of compliance within ART AG.

The AGCS Global Integrity Committee also belongs to the compliance organisation.

The global approach of compliance follows the structure of AGCS SE.

The governance functions include all other departments that are responsible for monitoring and assessing the applicable legal or regulatory requirements, the implementation of processes and controls and the introduction of any necessary internal quality assurance measures.

The risk areas assigned to the governance functions (Actuarial, Human Resources Department, Accounting, Risk Management, other areas of finance and Market Management) include, for example, accounting standards, actuarial principles, regulations on sales of insurance, outsourcing regulations, employment law and complaints management.

The responsibilities of the compliance and governance functions are specified in the AGCS Compliance Policy and the AGCS Governance Policy. These also contain details of the respective organisational structure and method of operation and of the assigned risk areas. Detailed global guidelines and work instructions supplement the framework for a global organisation. The Code of Conduct is also a central component of the Compliance Management System, particularly as it promotes the creation of a uniform understanding of compliance within ART AG.

The Head of Compliance reports regularly to the Board of Directors and the Executive Board of ART AG. Compliance reporting includes the results of the previous compliance risk assessment, possible changes in the compliance risk profile, overviews of current compliance activities, the status of compliance reviews/audits, a summary of any relevant violations and/or deficiencies that have been reported and recommended corrective measures.

The Executive Board and/or Board of Directors of ART AG is responsible for organisational and operational structures and processes for ensuring compliance with the AGCS Compliance Policy and the allocation of the relevant risk areas to the compliance functions and governance function. The Executive Board sets up and maintains a compliance function that is appropriate and effective in relation to risk exposure. The Executive Board also appoints the Head of Compliance.

The Head of Compliance is responsible for the implementation of the compliance principles and processes described in the AGCS Compliance Policy. This includes reporting any significant incidents that are of relevance to compliance to the Audit Committee and/or the AGCS Global Integrity Committee.

The heads of the governance functions are responsible for implementing the governance principles and processes within their risk areas. Any significant incidents of relevance to compliance must be reported to the AGCS Global Integrity Committee.

The Audit Committee and/or the AGCS Global Integrity Committee deals with all significant incidents of relevance to compliance that are reported at the AGCS Group and decides on further measures. This also applies to significant incidents at ART AG. The Global Compliance Officer of AGCS SE is the chair. Other members of this body include the global heads of risk management, audit, legal, communications and human resources and, in the case of situations of relevance to ART AG, the holder of the corresponding function at ART AG.

B.4.3 Fit and Proper Requirements

The Head of Compliance at ART AG holds the key function for the compliance function. For this function, the Head of Compliance must have adequate qualifications and the necessary practical experience to be able to perform the tasks of the compliance function, taking into account the complexity of the company and its activities and the principle of proportionality. The Head of Compliance must be able to record and assess ART AG's compliance risks and monitor compliance with the relevant internal and external legal requirements and regulations and the associated processes. Furthermore, he must be able to identify any changes in the legal environment at an early stage and be able to manage them, and must have the following knowledge:

- Knowledge of the applicable internal and external legal requirements and regulations;
- Knowledge of the insurance markets;
- Knowledge of the business strategy and business model of ART AG and the AGCS Group; and
- Knowledge of the internal organisational structure and workflows of ART AG and AGCS SE.

B.4.4 Resources of the Compliance Function

The resources of the compliance function at ART AG (and the AGCS Group) are planned and used in such a way that tasks can be carried out properly and with due regard to risk. Planning takes place within the framework of the annual risk-related Compliance Plan.

In addition, reciprocal oversight takes place between key functions within the context of the ERIC Advisory Group, in line with regulatory requirements. This also takes into account the resources available for a function in the overall assessment.

B.4.5 Duties of the Compliance Function

The compliance function and the governance functions have the following tasks, in accordance with the Solvency II Directive:

- Providing advice, in particular advising the Executive Board on compliance-related issues;
- Risk monitoring;
- Early warning; and
- Monitoring and reporting.

To implement these tasks, the Global Compliance Officer at AGCS SE has introduced a Compliance and Governance Management System within the AGCS Group, which has been coordinated with Allianz Group Compliance. The main elements and processes are described in the AGCS Compliance Policy. ART AG implements a corresponding Compliance and Governance Management System in accordance with the AGCS Compliance Policy.

The Compliance and Governance Management System covers the following tasks:

- Promoting a culture of integrity and compliance;
- Providing and implementing training courses and communication;
- Advising the Executive Board and the operating units;
- Establishing and complying with compliance principles and processes;
- Processing information provided by employees and resolving compliance incidents;
- Cooperating with regulatory authorities; and
- Monitoring compliance rules and reporting.

The Compliance Management System currently involves the following main processes:

- Performing Risk Assessments
  The compliance function regularly identifies and assesses the compliance risk associated with business activities in the assigned areas of risk. The results are documented and form the basis for the Compliance Plan. The methods, timing

and procedures for these assessments are coordinated with the risk management function.

- Compiling, Coordinating and Updating the Compliance Plan
  The Compliance Department develops and implements an annual risk-related Compliance Plan. This plan sets out the compliance control activities for the relevant individual risk areas for a specific time frame, and considers the activities from the Compliance Plan of the AGCS Group and the Allianz Group. The annual Compliance Plan is submitted to the member of the Executive Board in charge of compliance and is reviewed with regard to any necessary changes and adjusted at least once every six months. The Compliance Plan is approved by the Executive Board and is brought to the attention of the Audit Committee of the Board of Directors.
- Resolving Compliance Incidents
  The Compliance Department deals in an appropriate manner with incidents involving compliance violations, if necessary, by escalating such issues to the Audit Committee and/or the AGCS Global Integrity Committee. In the event of an investigation, the compliance function can request support from experts in other functions or from external specialists if necessary.
- Monitoring Risks Relating to Legal Changes
  The compliance function continuously monitors the relevant legal environment for ART AG. Any relevant legal changes are analysed and documented at local and global level in connection with specific issues, and any necessary risk-based measures are recorded. The process, which is supported by a database, has been rolled out globally within the AGCS Group. Reporting to management takes place in relation to risks, using established local and global reporting structures.
- Quality Assurance Procedure
  The compliance function carries out regular risk-related monitoring of the appropriateness and adequacy of implementation and of the effectiveness of the compliance programmes, processes and controls. This may involve taking random samples, performing surveys or other analyses.

B.4.6 Significant Changes

Other than the developments in certain processes, methods and documentation systems referred to above, there were no relevant changes in the year under review.

B.5 Internal Audit

Internal Audit is a key function within ART AG's Internal Control System.

Internal Audit is an independent and objective audit and advisory function that aims to create added value and improve an organisation's business processes. It supports the organisation in achieving its goals by assessing the effectiveness of risk management and controls and of management and monitoring processes using a systematic and targeted approach and by helping to improve them.

Internal Audit submits analyses, assessments, recommendations and information as part of its audit activities.

Within the Allianz Group, Internal Audit has primary audit responsibility for ART AG and all other insurance companies in the ART Group. At the same time, it is part of the worldwide audit function within AGCS SE and the Allianz Group, the functional management of which is overseen by Group Audit at Allianz SE. As the superordinate audit unit within the Group, Group Audit performs a specialist monitoring and supervisory function.

Internal Audit works on behalf of the Audit Committee of ART AG and reports directly to it. The Head of Internal Audit may also attend meetings of the Board of Directors.

The Audit Committee of ART AG is kept informed of audit activities, the results of audits and significant developments from the point of view of Internal Audit through periodic reports. Furthermore, members of the Audit Committee and the Chief Executive Officer receive final audit reports specific to ART AG. The Head of Audit also confirms that Internal Audit is independent from an organisational viewpoint in his annual report to the Audit Committee of the Board of Directors and the Chief Executive Officer.

Internal Audit's activities are based on a comprehensive audit plan that is updated annually, which covers all material activities and business segments (audit subjects) in the ART Group and the AGCS Group. As part of the annual planning process, Internal Audit carries out a risk-oriented assessment of audit subjects. An operational plan is drawn up on the basis of the annual plan. Each audit passes through the phases of audit preparation, audit implementation, reporting and follow-up action based on this.

Audit preparation includes an analysis of the theme of the audit, appropriate assessment of risks, induction into the subject matter of the audit, detailed planning of the procedure for the audit and the obtaining of information.

The audit implementation phase includes the following activities: opening discussion, audit activities (field work), documentation of audit activities, determining the results of the audit and follow-up discussion/concluding discussion. The activities that are necessary in connection with this are stipulated and documented in an internal audit document, i.e. the audit programme.

Internal Audit draws up an audit report immediately for each audit as part of its reporting activities. The aim of this is to provide brief, concise and targeted information to the Chairman of the Board of Directors, the senior level of management that is responsible and the units being audited about the object of the audit and the audit results.

After the audit report has been distributed, Internal Audit verifies the timely implementation of the agreed measures relating to the audit findings by the responsible units specified in the audit report (follow-up). In monitoring the progress of implementation, Internal Audit follows all findings irrespective of the risk content.

ART AG has a duty to issue internal company guidelines as part of its organisation of the business. Mandatory guidelines have been adopted by ART AG as part of this (adaptation of the AGCS Audit Policy).

The AGCS Audit Policy constitutes an internal company guideline for Internal Audit (and which has also been implemented by ART AG). As a rule, it is reviewed annually and where there are special reasons for doing so. A central process coordinated by the legal function, was established for this purpose. The unit that is responsible for the subject area firstly reviews the guideline to determine whether it needs to be adapted. If any changes are immaterial, the revised version is submitted to the member of the Executive Board who is responsible and to the Chief Executive Officer for approval. Any material changes are also submitted to the Executive Board and – in the case of fundamental changes – to the Board of Directors for approval, and are then made known within the company.

The structure and correct organisation of Internal Audit as a key function is detailed in the AGCS Audit Policy adopted by the Executive Board, and its takes account of the regulatory guidelines of the Insurance Supervision Act (Versicherungsaufsichtsgesetz) and the requirements of Group Audit. Alongside the organisational structure and position of Internal Audit within the company, this guideline describes the principles of the audit activities, tasks, responsibilities and main processes, as well as reporting lines and rights to information. The AGCS Audit Policy builds on the guidelines in the Group Audit Policy.

The AGCS Audit Manual supplements and clarifies the AGCS Audit Policy and is reviewed and published by the Head of Internal Audit each year and where there are special reasons for doing so.

Internal Audit has a duty to report any material findings from its area of responsibility to Group Audit immediately.

Internal Audit carries out its tasks autonomously and independently. The Executive Board and Board of Directors ensure that Internal Audit is functionally independent, within the framework of the AGCS Audit Policy approved by them, to maintain the functionality of the company's business organisation (including information and audit rights). This independence is further protected by the position of Internal Audit within the organisational structure; it is independent of the “first and second line of defence” functions.

Internal Audit is not bound by any instructions or subject to other influences when conducting audits, reporting or evaluating the results of audits. The Audit Committee of the Board of Directors can order additional audits within the scope of its decision-making authority without this affecting the autonomy and independence of Internal Audit.

Internal auditors assess all the relevant facts in a balanced way and do not allow their opinion to be influenced by their own interests or those of others. In principle, employees working in Internal Audit may not perform any tasks that are not or do not appear to be in line with audit activities.

Internal Audit shall conduct audits with the necessary expertise and an appropriate level of professional care. Employees in Internal Audit shall apply the maximum degree of expert objectivity when collating, assessing and forwarding information on audited activities or business processes. The findings of audits must be based on facts and must be backed up by adequate evidence.

Internal Audit at ART AG has been outsourced to AGCS SE. It is under the control of the Chief Executive Officer of AGCS SE and also reports to the Supervisory Board of AGCS SE. The Head of Internal Audit or his/her deputy has direct and unrestricted access to the Audit Committee of ART AG. As the superordinate audit unit within the Group, Group Audit also performs a specialist monitoring and supervisory function.

Internal Audit may be asked for its opinion on issues affecting the Internal Control System. Where this is the case, Internal Audit must maintain the necessary independence and must not be involved to any significant extent in the development, implementation or performance of processes and work instructions. Moreover, these advisory activities must not be organised in such a way that they compromise the performance of Internal Audit's core tasks and the audit plan.

The resources of the Internal Audit function at AGCS SE are planned and used in such a way that tasks can be carried out properly and with due regard to risk. Planning takes place within the framework of the annually drafted Audit Plan.

In addition, reciprocal oversight takes place between key functions within the ERIC Advisory Group, in line with regulatory requirements. As a rule, this oversight also takes into account the resources available for a function in the overall assessment.

The Head of Internal Audit, who also holds the Internal Audit key function, does not assume any other activities within ART AG.

B.6 Actuarial Function

Section B.1.3.1 describes how the actuarial function is implemented within ART AG.

B.7 Outsourcing

ART AG applies the global Outsourcing Policy of the AGCS Group (AGCS Outsourcing Policy), reflecting the significance of outsourcing. All of the requirements specified in the Allianz Group Outsourcing Policy (GOP) are included in the AGCS Outsourcing Policy. Any changes to the GOP are reflected in adjustments to the AGCS Outsourcing Policy, which are submitted to ART AG's internal approval bodies for approval in accordance with the internal ratification process. Legally independent companies (such as ART AG) incorporate the AGCS Outsourcing Policy into their internal system of governance through ratification.

The AGCS Outsourcing Policy applies to:

- ART AG, including all branch offices; and
- All legally independent companies that are subject to ART AG's management control.

In particular, the AGCS Outsourcing Policy governs the following aspects:

- Definition of outsourcing;
- Criteria for selecting, commissioning and managing suppliers;
- Definition of roles, responsibilities and approvals; and
- Rights of control during outsourcing (including termination).

A special role is played by the outsourcing function, which ensures that the necessary processes for monitoring and supervising the outsourced functions and services are defined and implemented.

The outsourcing function assumes responsibility for ensuring that the necessary processes for monitoring and supervising the outsourced functions and services are defined and implemented. This is done in consultation with the local key functions involved (e.g. Legal Department, Compliance, Risk Management, Business Continuity Management, Information Security Officer, Allianz Group functions) and the persons in charge of the outsourcing agreement.

The outsourcing function has special responsibility for the following main activities:

- Instructing the organisation on how requirements are to be satisfied from an outsourcing standpoint;
- Supporting all business owners in their activities in order to ensure compliance with the AGCS Outsourcing Policy;
- Centralised filing/archiving of all outsourcing agreements (inventory), along with related documents and evidence (e.g. risk assessment, business plan, due diligence); and
- Reporting the ART AG outsourcing agreements to the Allianz Group, on request.

Terms and conditions for implementation and operating documents continue to be defined and reviewed annually in the Governance Toolkit with the contract holder, in consultation and agreement with global and regional key functions. The Toolkit thereby takes into account the various phases of outsourcing, from decision-making through implementation and the operational phase to termination of the agreement. If the terms and conditions are not met, escalations to procedures are defined.

Critical and Important Outsourcing Agreements of ART AG

Service provider for ART AG	Country	Description
Allianz Investment Management SE	Germany	Investment Services *
Allianz Global Investors (Schweiz) AG	Switzerland	Investment Services *
PIMCO Deutschland GmbH	Germany	Investment Services *
Allianz Global Corporate & Specialty SE	Germany	Internal Audit **

* Responsibility for function – Chief Financial Officer
** Responsibility for function – Chief Executive Officer

B.8 Other Disclosures

ART AG's governance system ensures that the company can properly identify, measure, control and report risks to which the company is, or may be, exposed. This is supported by the Internal Control System.

C Risk Profile

ART AG allocates all risks into one of eight risk categories (see Section B.3.4.4). ART AG's risk profile is described below based on these eight categories.

C.1 Underwriting Risks

Underwriting risks are risks arising from obligations of the direct insurance business (non-life insurance business) and the reinsurance business (all risks) relating to the risks covered and the processes used in pursuing the business. The uncertainty of the results with respect to insurance and reinsurance obligations under existing policies and the new business expected over the next twelve months is taken into account.

The most important underwriting risk relates primarily to the trend in claims. A distinction is made between premium risk, i.e. the risk that, due to unexpected future claims, there will not be sufficient premium income to finance them, and reserve risk, i.e. the risk that provisions will be inadequate to cover existing claims due to unexpected run-off losses.

Premium and reserve risks only take into account loss events that occur with regular frequency. Extreme events that occur very rarely are not included in the premium and reserve risks, being included instead in the catastrophe risk. Under catastrophe risk, a distinction is made between natural disasters, man-made events and other catastrophic events.

Underwriting risks also include lapse risk. This refers to the possibility of unexpectedly high cancellations in the existing business and the resulting loss of future profits.

ART AG calculates all underwriting risks using the standard formula.

No material insurance risk is transferred to special-purpose vehicles, and there is no material exposure from off-balance-sheet items.

ART AG actively controls premium and catastrophe risks; risk assessments and underwriting limits are integrated into the underwriting process and ART AG's risk appetite encourages the purchase of reinsurance coverage. Assessing risks as part of the underwriting process is a key element of risk management at ART AG. As part of strategic planning, future business volumes and associated risks, as well as their impact on solvency, are forecast.

With regard to reserve risk, ART AG regularly monitors the trend in provisions for insured events at individual policy level. In addition, ART AG performs annual reserve uncertainty analyses in order to evaluate the sensitivity of reserves to the assumptions on which the calculations are based.

With regard to risk concentration, ART AG's catastrophe risk before reinsurance is driven primarily by man-made catastrophes. The remaining portion of the gross catastrophe risk is based on natural disasters. Other catastrophic events play a minor role. One of the main drivers of premium risk is non-proportional internal group active reinsurance.

There is currently no sign of concentration risks in the underwriting risk after reinsurance that could significantly influence the solvency ratio.

Excessive risks are mitigated through internal and external reinsurance contracts. In addition to traditional forms of reinsurance, ART AG also uses modern forms such as industry loss warranties.

The risk arising from active internal non-proportional reinsurance is limited with aggregate excess of loss reinsurance. Own funds are protected from losses arising from the overall insurance business through an internal group whole account stop-loss contract with the parent company, AGCS SE.

The sensitivity of the underwriting risk is analysed through sensitivity analyses and stress tests. Here, sensitivity to higher business volumes is analysed, along with the impact of major losses and sensitivity to claims reported at a later date and losses that develop at a later date.

C.2 Market Risk

C.2.1 Risk Exposure

ART AG defines market risk as the risk of loss due to changes in market prices or in parameters that result in changes in the market prices of financial assets and liabilities. This also includes changes in market prices due to a deterioration in market liquidity.

One significant aspect of insurance business is the investment of the insurance premiums. ART AG employs financial instruments for this purpose. These equity investments provide hedging for existing and future receivables, as well as the claims of our customers. In addition, the equity also covers the capital requirements associated with the insurance business.

A standard formula is used to quantify the market risk, which comprises the following sub-risks:

- Interest rate risk is the possible change in value of the portfolio due to changes in interest rates;
- Share price risk is the possible change in value of the portfolio due to price changes in the equity markets or possible change in value of the strategic participations;
- Property risk is the possible change in value of the portfolio due to changes in market values of properties;
- Spread risk is the possible change in value of the portfolio due to changes in the credit spread; and
- Exchange rate risk is the possible change in value of the portfolio due to fluctuations in exchange rates.

In addition, market risk concentrations are assessed using the standard formula.

At the end of the year under review, the risk capital for the total undiversified market risk amounted to EUR 153.8 million (EUR 166.8 million). The main market risks for ART AG are exchange rate risk and spread risk. Following diversification, the total risk capital for market risks amounted to EUR 97.0 million (EUR 98.4 million), slightly lower than the previous year.

ART AG's **interest rate risk** amounted to EUR 18.8 million (EUR 18.3 million) at the end of the year under review, representing a slight rise year-on-year. This is largely driven by a decline in the duration of the obligations.

ART AG's interest rate risk is controlled as part of a comprehensive asset/liability management (ALM) system. In the non-life insurance business, payment obligations are typically shorter-term than the investments hedging them. ART AG's target duration is based on the assumption that it will continue to operate as a going concern. This results in a longer duration on the asset side than on the liability side. This duration overhang implies interest rate risk. On the asset side, the duration is controlled by limits.

ART AG's **share price risk** is primarily determined by its participating interest in the ART AG subsidiary in Brazil. In addition, ART AG holds two smaller positions totalling EUR 1.4 million that come from an Alternative Asset Portfolio that has been in run-off since 2009.

ART AG's share price risk amounted to EUR 11.3 million (EUR 16.2 million) at the end of the year under review, a considerable year-on-year decrease due to the exchange rate-driven change in value of the participation in Brazil.

ART AG has no properties in its investment portfolio and is therefore not exposed to **property risk.**

ART AG's **spread risk** is driven by its fixed-income securities portfolio, loans and balances at banks.

ART AG normally holds fixed-income securities to maturity. As a result, short-term changes in market values have no negative financial effects on us. As a long-term investor, ART AG therefore has the option to invest in securities the spreads of which are above the risk-free rate, and also to realise these spreads.

At the year-end 2020, the spread risk of ART AG amounted to EUR 34.6 million (EUR 33.2 million), slightly above the previous year's figure.

The **currency risk** arises due to having assets and liabilities in various currencies, including the euro (EUR) but also particularly in US dollars (USD), Swiss francs (CHF), and Brazilian real (BRL). If the euro appreciates in value, the assets dominated in non-euro currencies will experience a loss in value. At the same time, however, the corresponding capital requirements from a euro standpoint decrease, which reduces the impact on capitalisation. The local equity of ART AG's subsidiary in Brazil are invested in the local functional currency, BRL. ART AG's BRL risk exposure comes exclusively from the participating interest in the Brazilian subsidiary.

ART AG's currency risk at year-end 2020 amounted to EUR 66.9 million (EUR 60.1 million). The EUR 6.8 million year-on-year rise is chiefly down to a higher USD exposure.

Market risk concentrations within the meaning of the standard formula relate to the participating interest in the Brazilian subsidiary. The exchange rate-driven change in value of the participation in Brazil led to the market risk concentration dropping considerably compared to the previous year, to EUR 22.1 million (EUR 39.0 million).

C.2.2 Risk Concentration

The interest rate risk is driven by the euro and the US dollar yield curve.

The shareholding in the Brazilian subsidiary accounted for 89% of ART AG's share price risk.

The credit quality of the ART AG portfolio is high. ART AG's spread risk is determined by a widely diversified portfolio. There is no risk concentration because the highest individual spread risk accounts for less than 1% of the overall spread risk.

The exchange rate risk in Q4 2020 is dominated by USD, followed by CHF and BRL.

C.2.3 Risk sensitivities

All the following sensitivity analyses contain findings dating to 31 December 2020.

An increase of 100 basis points in the interest rate would result in a slight decline of the solvency ratio from 148% to 145%. A fall of 100 basis points (floored at 0%) in the interest rate would also reduce the solvency ratio slightly to 146%.

A fall of 30% in the shareholding values and the remaining alternative asset portfolio, would result in a slight decline of the solvency ratio from 148% to 146%.

An increase of 100 basis points in the credit spread would result in a slight decline in the solvency ratio from 148% to 147%.

A 10% devaluation of foreign currencies against the euro would cause the solvency ratio to decline from 148% to 145%.

C.2.4 Management of the market risk

ART AG's risk management system defines the framework conditions for managing market risk. In particular, these include the standards and the uniform methods and models for market risks, comprehensive limit systems for the investment portfolio and the system for reporting market risks. Furthermore, the responsibilities for managing market risk are defined in detail in Allianz's Standard for Market Risk Management. These include:

- Analysing the market risk capital, identifying concentration risks and monitoring measures to reduce risk;

- Identifying and controlling market risks;
- Monitoring compliance with limits;
- Internal reporting to management and external reporting (including reporting to the supervisory authority) regarding market risk; and
- Optimising the portfolio in terms of profitability and market risk.

Business Prudence Principle

ART AG's assets are invested in accordance with the business prudence principle (Article 80 VersAG):

- ART AG invests only in assets and instruments whose risks it can adequately identify, measure, monitor, manage, control and report and which it can adequately consider in determining the total Solvency Capital Requirement, and
- All assets, in particular those covering the Solvency Capital Requirement and the Minimum Capital Requirement, shall be invested in such a way as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. Assets held to cover the technical provisions shall be invested in a manner appropriate to the nature and maturity of the insurance and reinsurance liabilities.

The Strategic Asset Allocation (SAA) defines the investment strategy for ART AG's investment portfolio. It is therefore an important, supplementary instrument for managing the market risk.

The SAA is based on an analysis of assets and liabilities and a medium-term performance perspective. In structuring the SAA, great care is taken to ensure suitable target levels for quality and security, e.g. ratings, additional collateral and sustainable profits, as well as adequate liquidity and availability of the investment portfolio as a whole.

This ex-ante assessment is underpinned by constant compliance with the SAA (including leeways and limits) in the investment process and ex-post monitoring in order to facilitate corrective actions in the event of divergence from the targets.

ART AG's SAA stipulates that 100% of assets should be invested in fixed-income investments (the remainder of the Alternative Asset Portfolio of EUR 1.4 million is exempted from the SAA).

C.2.5 Risk Mitigation

In order to ensure that individual investment decisions satisfy the business prudence principle, the Allianz Group and ART AG have:

- Drawn up a list of standard investments and
- Set up a process for investments that are not (yet) viewed as standard investments [New Financial Instrument (NFI) Process].

Only investments that are made regularly and over a sufficiently long period of time and in which ART AG and/or the Allianz Group's outsourced investment functions have relevant expertise are regarded as standard investments. Moreover, the internal processes and IT systems must be able to depict such investments adequately. Standard investments form the basis of ART AG's investment portfolio.

Before investments not included in the list of standard investments can be made, the NFI process must be completed successfully. This process checks the following aspects in particular: ART AG's ability to control all investment-specific risks, compatibility of the investment with the interests of the insured parties and effect of the investment on the quality, security, liquidity, availability and profitability of the investment portfolio as a whole.

Derivatives are used only to hedge and fine-tune foreign currency exposure (through FX forwards).

The Corporate Finance & Treasury Department of AGCS SE supports ART AG in monitoring and regularly reporting on ART AG's identified market risks. Reporting is handled through regular reports and, if necessary, ad-hoc reports. The purpose of risk reporting is to provide an up-to-date overview of risks to decision-makers (including the Board of Directors and the Executive Board) and to show the utilization of limits. In addition, it is intended to improve risk transparency at all levels of the company and to help management make decisions.

C.3 Credit Risk

C.3.1 Risk Exposure

ART AG defines credit risk as the possible loss in value of the portfolio within a defined time horizon caused by changes in the credit quality (creditworthiness) of debtors in the portfolio, including default or non-fulfilment of financial obligations. Default on a loan receivable may be caused either by a deterioration in creditworthiness (migration risk) or by the inability or unwillingness of the debtor to fulfil contractual obligations.

The various components of ART AG's credit risk exposure are the investment portfolio, the reinsurance portfolio and the accounts receivable.

Premium income and own funds required to cover written risks are invested almost exclusively in fixed-income securities. Because of the type of business activity in the non-life insurance business, typical investments by ART AG are short- to medium-term fixed-income securities, which leads to a lower credit risk. The limit systems for the investment portfolio described in the section on market risk also include, in particular, limits to mitigate the credit risk from investments. The credit risk associated with the investment portfolio is determined through the spread risk and the market concentration risk (see Chapter Market Risk).

The credit risk for external reinsurers arises from insurance risks that ART AG transfers to external reinsurance companies in order to reduce its own insurance risk. Potential losses may arise either from payment defaults on existing settlement claims arising from the reinsurance business or from default on reinsurance contracts. Reinsurance partners are checked by the Allianz Security Vetting Team (SVT). The SVT ensures that to the greatest extent possible that companies with strong credit profiles are selected. In addition, it may demand letters of credit, cash deposits or other financial collateral to further reduce the credit risk.

The credit rating of reinsurers is monitored continuously. The reinsurance exposure is reviewed twice a year (on the basis of the exposure at the end of June and the end of December), with the most recent review performed in September 2020 based on the exposure data for 30 June 2020.

The credit risk associated with the reinsurance portfolio and the accounts receivable is determined with the aid of the counterparty default risk within the standard model. The counterparty default risk of ART AG amounted to EUR 98.3 million (EUR 103.6 million) at the end of 2020, constituting a slight decrease year on year. This drop is largely due to a lower volume of receivables. Counterparty default risk derived from the reinsurance exposure increased compared to the previous year.

C.3.2 Risk Concentration

ART AG's main risk exposures, which, among other things, are used to calculate counterparty default risk in the standard formula, include:
- Internal reinsurance with Allianz Group companies, and
- Reinsurance with captives (as part of ART AG's fronting business).

C.3.3 Risk Sensitivities

These sensitivity analyses showed, as of 31 December 2020, that a devaluation by two rating grades would result in a slight decline of the solvency ratio from 148.3% to 147.7%.

C.3.4 Management of the credit risk

The framework for controlling the credit risk pursues two major goals:
- Auditing and monitoring outstanding debts from individual parties with the goal of reducing the risk of default by individual counterparties, but also to ensure adequate diversification across the portfolio as a whole (e.g. with respect to various industries or regions), or to avoid a strong concentration on individual counterparties; and
- Ensuring that ART AG has sufficient capital at all times to reliably bear the credit risk it has assumed.

Along with both of the goals mentioned above, the following aspects are taken into account:

- Reporting and managing the risks assumed;
- Defining and managing limits per counterparty and country; this also includes maintaining lists of counterparties subject to particular scrutiny (Watch List) or with which no business should be concluded (Black List);
- Business planning and capital management;
- Controlling the investment portfolio;
- Complying with investment accounting (including auditing required write-downs); and
- Including credit risks when estimating the price of insurance policies.

ART AG monitors and controls credit risk exposures and concentrations in order to ensure that it is in a position to satisfy its insurance obligations at all times. ART AG is supported in this by the Allianz Credit Risk Platform (CRisP), an Allianz application for monitoring and controlling credit risks. Among other things, the CRisP application makes it possible to:

- Set limits for individual debtors or groups of debtors; and
- Monitor and control limits based on reporting, including notification of updates for data and limits on names of counterparties who either are subject to a special audit (Watch List) or with whom no business should be concluded (Black List).

The Allianz Group assigns credit limits to Allianz companies in a centralised process via CRisP. CRisP calculates the maximum limit for individual counterparties based on a large number of factors (such as the debtor's rating, total assets, the associated business segment and region) and monitors the respective limit utilisation.

ART AG has the option to revise downward the assigned limits for maximum risk with respect to a debtor or group of debtors by stipulating its own limit. The limit assigned by the Allianz Group or the internal limit set by ART AG – whichever is lower – shall determine the discretionary limit for investments, credit risk insurance and/or reinsurance.

The Allianz Public Rating Plus (PR+) is used as an early-warning system to test the quality of counterparties and to provide information for preparation of the Watch List of individual counterparties for which the limits in CRisP may have to be adjusted.

C.3.5 Risk Mitigation

ART AG mainly uses the following risk-mitigation techniques to reduce credit risk from the instruments below.

Instrument	**Minimising Risk**
Reinsurance	All reinsurance partners are checked by SVT. Depending on this assessment, collateral in the form of e.g. guarantees, cash or other suitable financial measures is required in order to reduce credit risk.
Fixed-income securities	Requirement to invest primarily in high-quality securities and to limit concentrations with respect to counterparties in the portfolio. Secured investments will be selected where necessary. Good portfolio diversification is required.

C.4 Liquidity Risk

C.4.1 Risk Exposure

Liquidity risk is defined as the risk that utilizations under current or future payment obligations cannot be satisfied or can be satisfied only under terms and conditions that have undergone adverse changes. Above all, liquidity risk may arise if, over time, there are mismatches between cash flows on the asset side and the liability side.

The main objective in planning and controlling ART AG's liquidity position is to ensure that the company is always in a position to satisfy its payment obligations. To accomplish this goal, ART AG continuously monitors and forecasts its liquidity position on a continual basis.

Liquidity planning for each of the next three years is carried out as part of strategic planning. It takes into account conditional liquidity requirements and liquidity sources in order to ensure that ART AG can satisfy future payment obligations.

In addition to liquidity planning, ART AG's liquidity risk is controlled by monitoring liquidity requirements against sources of liquidity under various stress scenarios, which are summarised in the Liquidity Risk Report (see below).

Coverage of short-term liquidity needs (less than two weeks) is supported by ART AG's access to the Allianz Group's cash pool.

ART AG compiles a Liquidity Risk Report each quarter. It contains a forecast of cash inflows and outflows over various time horizons (ranging from one week to a year), an assessment of available countermeasures, including the realisation of liquid investments, the application of various stress scenarios and an aggregation with KPIs such as the liquidity intensity ratio. The liquidity intensity ratio is the ratio of cash outflows to cash inflows, taking into account available countermeasures. Thresholds for warning levels and limit violations ensure that management is able to assess the liquidity situation under current and hypothetically tougher market conditions.

C.4.2 Risk Concentration

Concentration risks are less important in the context of the liquidity risk, because ART AG's investment portfolio is well diversified. The main elements of ART AG's investment strategy are liquid securities, a broadly diversified portfolio and limiting the individual portfolio positions. Among other things, this also guarantees that liquidity remains available.

C.4.3 Risk Sensitivities

The stress scenarios examined in the quarterly liquidity report include scenarios that are run by every Allianz Group company. These include claims stress scenarios that examine claims leading to losses that at most occur once in 200 years. The premium stress scenario examines an interruption in premium income (from existing and new business) within the next two months, only 50% of which is recovered in the following month. As well as the stress scenarios applied throughout the Allianz Group, there are stress scenarios that are specific to ART AG. In particular, a rating downgrade for ART AG is analysed.

In all of the observed stress scenarios, the liquidity coverage ratio was less than the defined limit at the end of the year under review.

C.4.4 Management of liquidity risk and risk mitigation

ART AG controls liquidity risk in order to ensure that available liquidity and liquidity needs are adequately balanced. The investment strategy ensures adequate quality and liquidity of the investment portfolio, e.g. through investment in liquid instruments such as high-grade government bonds. This means that even if unlikely events do occur, higher liquidity requirements can be met without substantial financial losses. ART AG applies actuarial methods to estimate the liabilities under insurance policies. During the course of liquidity planning, it ensures that all cash flows on the asset and liability sides match.

Risk-mitigation measures must be prepared and sent to Group Risk Management as soon as any limit is exceeded under at least one scenario examined in the Liquidity Risk Report. Depending on the size of the liquidity gap, there are various escalation levels that require the involvement of the Risk Management Committee. An example of such a mitigation measure is the cancellation of a planned activity that would negatively affect the company's liquidity profile.

The expected profit taken into account in connection with liquidity risk, which is contained in future premiums, totals EUR 19.8 million at year-end 2020. This expected profit, which is factored into future premiums, comes mainly from the internal Group reinsurance. Overall, the expected profit factored into future premiums is down on the previous year's figure (EUR 22.4 million), which is primarily attributable to the AGCS Switzerland and Dubai Division. The total contribution of the expected profit factored into future premiums per segment is calculated as the cash value of the difference between future premiums and the associated expected future payments for claims and expenses. The assumptions used in these calculations are the same as those used to calculate technical provisions. Offsetting against potential losses is possible only within homogeneous risk groups.

C.5 Operational Risk

C.5.1 Risk Exposure

The Allianz Group, including ART AG, defines operational risk as unexpected losses resulting from inadequate or faulty internal operating processes or systems or caused by human error or misconduct or by external events. This definition encompasses legal risks, compliance risks and risks relating to financial reporting. It does not however include strategic risks, reputational risks and risks connection with failures in project decision-making.

Operational risks are inherent in all kinds of products, activities, processes and systems and cannot be avoided entirely. Unlike most other kinds of risks, they occur suddenly and unexpectedly and can significantly affect the balance sheet, profits, corporate targets, business activities or reputation of ART AG.

In accordance with the standard market approach, operational risks can be subdivided into the following categories, known as the Basel II categories:

- Wilful misconduct;
- Improper actions by third parties;
- Employment practices and workplace safety;
- Business practices and product features;
- Damage to operating and office equipment;
- Business interruption and failure of technical systems; and
- Business process risks.

The operational risk capital is used as a cushion to protect the company from extreme operating losses caused by unexpected failures of key controls.

In a broader context, operational risks are controlled by ART AG's Top Risk Assessment programme, which is supplemented by risk and control assessment programmes.

C.5.2 Risk Concentration

All the relevant functions of ART AG are regularly included in the assessment of operational risks and in the analysis of the operational risk events. For this reason, possible structural weaknesses are identified in good time, which concern the enterprise as a whole and which, in certain circumstances, could indicate a concentration of operational risks. Depending on the necessity, appropriate countermeasures are defined within the framework of the risk management system, to ensure that ART AG is not exposed to any major concentrations of operational risks.

C.5.3 Risk Mitigation

The risk management system for operational risks is based on the Allianz Group's three lines of defence concept. ART AG's employees assist in controlling and managing these risks by taking them into account in the course of day-to-day business. In view of the company's risk and control culture, ART AG assumes that risks are systematically identified and assessed and that any necessary countermeasures can be carried out in a timely manner.

Operational risks are controlled first and foremost on a cost-benefit basis, whereby the expected reduction in losses should exceed the costs involved in improving controls. However, there may be exceptions to this cost-benefit approach, for example in order to comply with laws and regulations, to protect the reputation of ART AG or to fulfil other strategic goals.

ART AG's risk management system for operational risks has been developed specifically in order to learn from risk events that occurred in the past and avoid surprises due to operational risks in the future, i.e. to prevent the occurrence of operational risks outside ART AG's risk tolerance limit.

First, an understanding must be gained of what could potentially happen. This is done in two ways:

- Operational risk events that have occurred are examined retrospectively on an ongoing basis and their causes are identified. External operational losses that are disclosed by Allianz SE are also taken into account; and
- Specific forward-looking (stress) scenarios with potentially negative effects are analysed and evaluation within expert working groups on an annual basis.

ART AG identifies, assesses and controls operational risks with this structured approach. Both the aforementioned perspectives help to set priorities and to deploy resources to effectively manage operational risks in a targeted manner in order to make processes, systems, governance structures and methods more robust and to respond proactively to expected internal or external changes with the aim of avoiding operational risk events or reducing their negative effects on ART AG.

Even if operational risk events by definition often occur due to errors, our risk management system for operational risks does not focus on errors. Instead, it promotes a culture of risk transparency and treats errors as an opportunity for improvement. The company wants to learn from negative experiences and to identify potential weaknesses at an early stage in order to avoid the possibility of similar losses in future. Such a mentality is a prerequisite for effectively managing operational risks.

Operational risks are reduced through a series of appropriate and effective long-term countermeasures (i.e. controls for the respective risks). These are defined as key controls if the risk would be significantly higher without the key control. Because of their importance, the quality of key controls is assessed in a structured manner, i.e. the company regularly reviews firstly whether their design is adequate to reduce the anticipated risks, and secondly whether they are being implemented effectively. This takes place within the framework of ART AG's internal control system.

ART AG's risk management system for operational risks is supplemented and supported by important activities. These are controlled by functions outside the risk management function and include:

- Compliance initiatives on combating fraud, combating corruption, antitrust law, economic sanctions, (unauthorised) cross-border business, capital market compliance, money laundering and financing of terrorism, sales compliance and data protection;
- Emergency management;
- Procurement processes at ART AG, including outsourcing; and
- Initiatives on information security.

C 5.4 Risk Sensitivity

The annual scenario analysis involves subjecting the individual scenarios for key risks to a 20-year stress test, by having experts determine a single loss that occurs on average once every 20 years. These values are additionally analysed jointly with the experts of the business division concerned as part of the risk capital calculation, in a representative manner for the respective categories; they determine the parameter for the severity of a risk. This analysis ensures that ART AG has a sufficient cushion to protect the company against these risks, even in the particularly detrimental event of extreme financial losses.

For each of the operational risk categories referred to, parameter stress tests are also carried out and discussed as part of the process of setting the parameters for the internal risk capital model for operational risks, in order to ensure that the experts are familiar with the specifics of the model and that the model behaves in accordance with ART AG's risk profile.

C.6 Other Material Risks

In addition to underwriting risk, market risk, credit risk, liquidity risk and operational risk, ART AG also monitors business risk, reputational risk and strategic risk (see Section B.3).

Strategic Risk

The strategic risk is the risk of an unexpected negative change in company value due to management decisions with a negative effect on the business strategy and its implementation.

This risk is estimated and analysed every year as part of the Top Risk Assessment process and is therefore within ART AG's risk tolerance, and so remains unchanged from the previous year.

Strategic controls are used to ensure that the strategic targets in the current business plan are correctly implemented. The company monitors market and competitive conditions, capital market requirements, regulatory conditions, etc. continuously in order to decide whether strategic adjustments need to be made. Strategic decisions are also discussed by various committees at the level of the Executive Board (e.g. by the Risk Management Committee). The Head of Risk Management is represented on all strategically relevant committees. Assessing the relevant risks is a core element of such discussions.

Reputational Risk

Various criteria influence the perception of ART AG as a respected provider of insurance services that acts responsibly: product quality, company management, financial strength, customer service, innovative capacity, leadership of employees, intellectual property and corporate responsibility. Reputational risk relates to a possible loss of reputation for ART AG that could lead to an unexpected decline in Allianz SE's share price or a drop in future business volumes.

This risk is likewise estimated and analysed every year as part of the Top Risk Assessment process and is within ART AG's risk appetite.

In the analysis, the maximum loss of premiums that can be expected from possible scenarios in the event of an incident affecting reputation is quantified. The Allianz ESG criteria are used to identify potential triggers: they define the guidelines on environmentally conscious/socially responsible business conduct. The risk is actively managed through existing processes in which various departments are involved. The maximum anticipated financial extent of a possible reputational crisis is within AGCS's risk appetite.

Individual management decisions on reputational risk are integrated into the risk management system. Reputational risk is also dealt with at AGCS SE and in the Allianz Group; a clearly defined reporting process is applied on a case-by-case basis.

C.7 Other Disclosures

All relevant disclosures regarding ART AG's risk profile are contained in the preceding notes.

Business Risk

Business risk, which results from losses due to unexpectedly high rates of cancellation in the portfolio and the resulting loss of profits, as well as losses caused by ongoing fixed costs in the case of a decline in new business, is evaluated both using the standard formula and in the Top Risk Assessment process.

D Valuation for Solvency Purposes

Comparison of Balance Sheet Figures

ASSETS Dec. 31, 2020 in EUR thousand	Solvency II	PGR	Difference
Intangible assets	–	–	–
Deferred tax assets	9,306	0	-9,306
Surplus in retirement benefits	–	–	–
Real estate, property, plant & equipment and inventories for own use	3,783	1,311	-2,472
Investments (excluding assets for index-linked and fund-linked contracts)	957,551	928,478	-29,072
Real estate (other than for own use)	–	–	–
Shares in affiliated companies, including participating interests	47,464	45,967	-1,497
Equities	1,373	1,373	0
Equities – unlisted	1,373	1,373	0
Bonds	900,798	873,591	-27,207
Government bonds	273,748	264,449	-9,298
Corporate bonds	627,050	609,142	-17,908
Collateralized securities	–	–	–
Collective investment undertakings	–	–	–
Derivatives	5,504	5,135	-369
Funds held by others, not equivalent to cash	2,412	2,412	0
Loans and mortgages	71,568	71,568	0
Other loans and mortgages	71,568	71,568	0
Amounts recoverable from reinsurance contracts:	1,245,518	1,338,987	93,469
Non-life and health similar to non-life	1,244,307	1,338,987	94,680
Non-life excluding health	1,211	0	-1,211
Health similar to non-life			
Funds held by others (deposits to cedants)	52,309	52,309	0
Receivables from insurance companies and intermediaries	200,109	320,952	120,842
Receivables from reinsurers	80,996	154,324	73,328
Receivables (trade, not insurance)	6,711	6,727	16
Cash and cash equivalents	89,289	89,289	0
Other assets not shown elsewhere	–	–	–
Total assets	**2,717,140**	**2,963,945**	**246,806**

LIABILITIES Dec. 31, 2020 in EUR thousand	Solvency II	PGR	Difference
Technical provisions – non-life	1,856,415	2,047,294	190,879
Technical provisions – non-life (excluding health)	1,843,284	2,047,294	204,010
Best estimate	1,781,277	0	-1,781,277
Risk margin	62,007	0	-62,007
Technical provisions – health (similar to non-life)	13,131	0	-13,131
Best estimate	12,030	0	-12,030
Risk margin	1,101	0	-1,101
Other technical provisions	–	–	–
Provisions other than technical provisions	8,321	8,321	0
Pension benefit obligations	19,357	0	-19,357
Deposits from reinsurers	-1,560	-1,560	0
Deferred tax liabilities	1,123	0	-1,123
Derivatives	446	0	-446
Liabilities to banks	–	–	–
Financial liabilities other than liabilities to banks	24,280	21,805	-2,475
Liabilities to insurance companies and intermediaries	226,650	224,191	-2,459
Liabilities to reinsurers	27,943	79,926	51,982
Payables (trade, not insurance)	679	678	-1
Other liabilities not shown elsewhere	37,253	37,253	0
Total liabilities	**2,200,908**	**2,417,908**	**217,000**
Excess of assets over liabilities	**516,232**	**546,037**	**29,805**

D.1 Valuation of Assets

The valuation methods used in accordance with Solvency II and the PGR are compared below. International Financial Reporting Standards (IFRS) provide the framework for recording and measuring assets and liabilities. IFRS rules essentially serve as an adequate approximation for valuation under Solvency II; however, the specific Solvency II regulations in the Omnibus II Directive (Directive 2014/51/EU) and the Delegated Regulation (Directive 2015/35/EU) take precedence. For assets that are valued at amortised cost under IFRS and for which the difference between market value and amortised cost is immaterial, the amount stated under IFRS was used. There were no changes in the recognition and valuation methods or estimates used during the period under review.

Where there are significant differences in valuation between Solvency II and PGR, these are explained in more detail.

Intangible assets
Intangible assets are identifiable, non-monetary assets that are not physical in nature. If intangible assets can be sold separately and the insurance company can prove that there is a market value for these or comparable assets, they can be stated at market value in the Solvency II balance sheet. Otherwise, intangible assets must be valued at zero under Solvency II valuation principles, as stipulated in Article 10 (2) of Regulation (EU) 2015/35.

PGR: Intangible assets are stated at production or acquisition cost and are amortised over their useful lives (generally five years).

Deferred tax assets
Deferred taxes are calculated for temporary differences in the values of individual assets and liabilities under Solvency II and in the balance sheet prepared for tax purposes (Article 15 of Delegated Regulation 2015/35). Deferred tax assets are assets that can be used to reduce income tax expense in future periods. Deferred taxes are not discounted.

PGR: No accruals are recorded for deferred tax assets.

Real estate, property, plant & equipment and inventories for own use
Amortized cost figures are deemed to be a reasonable estimate of the fair value pursuant to Article 9 (4) of the Delegated Regulation.

PGR: The item property, plant & equipment is stated at acquisition or production cost, less scheduled or unscheduled depreciation.

Shares in affiliated companies, including participating interests
Pursuant to Article 13 of Delegated Regulation 2015/35, participating interests are valued using the adjusted equity method or are valued at zero.

PGR: Participating interests are stated at cost. In the event of impairment that is expected to be permanent, the corresponding value adjustments are made.

Equities
Listed shares are stated at the share price on the most recent day of trading.

PGR: These are stated at the lower of cost or market.

Bonds
Listed bonds are stated at the market price on the most recent day of trading. If there is no active market, the fair value of unlisted securities will be provided by brokers or market-makers or calculated using the discounted cash flow method.
The relevant discount rates are based on observable market parameters and take into account the financial instruments, remaining term to maturity and probability of default.

PGR: These are carried at amortised cost.

Collateralised securities
Market values are provided by independent commercial banks. They are generally calculated using valuation models that in turn are based on available market data.

PGR: These are carried at amortised cost.

Derivatives
Derivatives are measured at market value pursuant to IAS 39.

PGR: The carrying amount is stated at market value.

Other loans
These are stated at fair value based on valuations by independent data providers or calculated using the discounted cash flow method. The effective interest rate on similar debt securities is used.

PGR: These are stated at face value and adjusted for any impairments.

Amounts recoverable from reinsurance contracts
See Chapter D.2 for both Solvency II and PGR.

Reinsurance deposits
These are stated at face value, because for the deposits in question, the future interest payments essentially reflect the market interest rate.

PGR: These are stated at face value and adjusted for any impairments.

Receivables from insurance companies and intermediaries
These are reported at face value less repayments. For accounts receivable from the direct insurance business, general loss allowances are made to account for the general credit risk. Receivables for premiums that are not yet due are not shown here, but rather as negative technical provisions.

PGR: These are reported at face value less repayments. For accounts receivable from the direct insurance business, general loss allowances are made to account for the general credit risk.

Receivables from reinsurers
These are reported at face value less repayments. Receivables for premiums that are not yet due are not shown here, but rather as negative technical provisions.

PGR: These are reported at face value less repayments, taking into account any necessary value adjustments.

Receivables (trade, not insurance)
These are measured at face value less repayments, adjusted for the probability that the counterparty will default.

PGR: These are reported at face value less repayments, taking into account any necessary value adjustments.

Cash and cash equivalents
These are reported at face value for Solvency II and the PGR.

Other assets not shown elsewhere
These are stated at amortised cost, by analogy with Article 9 (4) of the Delegated Regulation.

PGR: These are valued at amortised cost. Assets of low value are immediately written off.

D.2 Measurement of Technical Provisions and Amounts Recoverable from Reinsurance Contracts

Under Solvency II, technical provisions have three components: premium provision, provision for claims and risk margin.

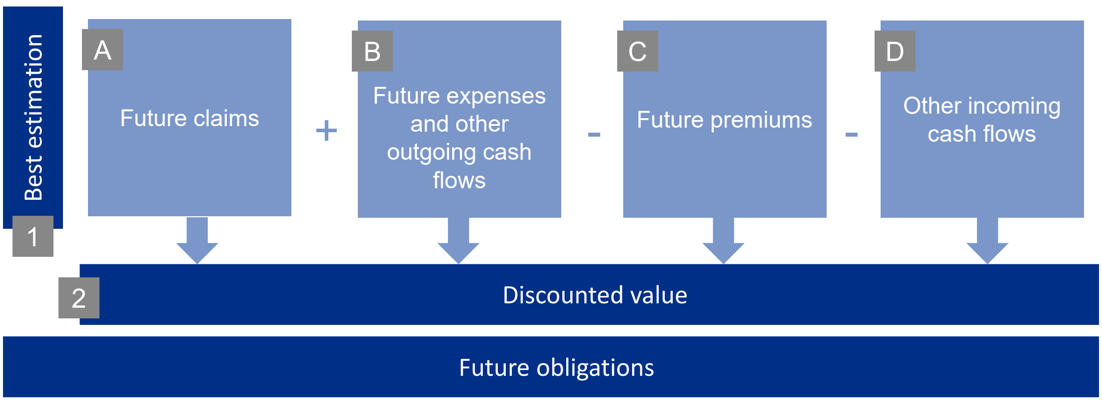
Premium provision is defined as the discounted best estimate of future cash flows (claim payments, expenses, premiums) relating to obligations under future events covered by policies in existence on the valuation date. Claim provision is defined as the discounted best estimate of future cash flows (claim payments, expenses, premiums) relating to loss events occurring before the valuation date. The risk margin is defined as the amount in excess of the best estimated value that a third party assuming the liabilities on the valuation date would require in order to close the transaction.

ART AG's valuation of the premiums and claim provisions is initially undiscounted. In a second step, the future cash flows – separate, in each case, for premium provision and claim provision, as well as for the gross provision and reinsurance – are used to calculate an adjustment for the current monetary value of the cash flow (discounting). The risk margin is calculated using a blanket cost-of-capital approach, including discounting.

The following sections describe the calculation of the individual components, and in each case the undiscounted best estimate for the premium provision and claim provision on a gross basis and after reinsurance, the associated discounting and the risk margin. Next, the resulting technical provisions pursuant to Solvency II as at 31 December 2020 are presented and the approaches used to calculate reserve uncertainty are discussed. Finally, a comparison is made between the technical provisions pursuant to Solvency II and the corresponding provisions calculated in accordance with PGR. The main differences in measurement are described and presented quantitatively as at 31 December 2020.

Premium provisions

The following chart depicts the calculation of the gross premium provisions:



Premium provisions include all expected premiums, commissions and claim payments under all existing policies as at the balance sheet date that will not become due and payable until after the balance sheet date.

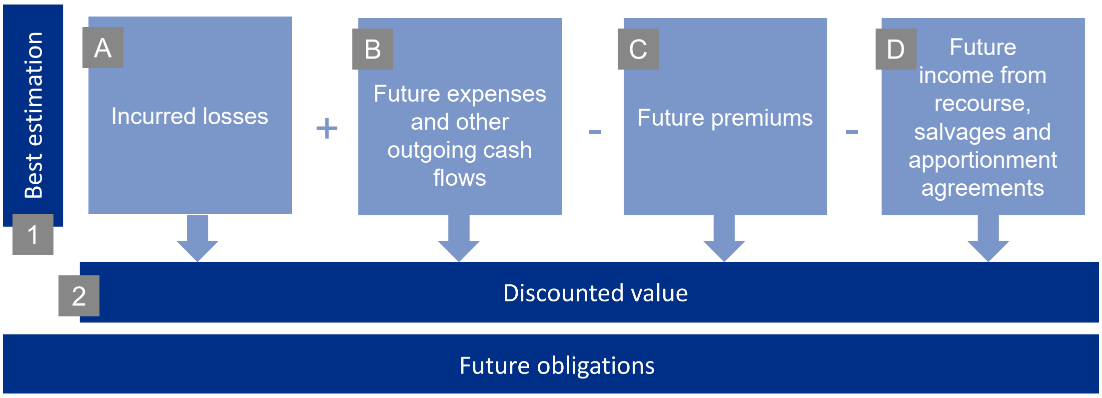
As the first step in calculating gross premium provisions, the degree of exposure – the not-yet earned premium components for all policies active as at the balance sheet date – is identified, regardless of whether the premiums were already due and payable before the balance sheet date or whether the premiums will become due and payable only after the balance sheet date. The accrued premium components are referred to below as Solvency II unearned premiums.

Based on the above, the best estimate for each of the individual components shown in the chart is calculated separately:

- Future claims: the expected loss ratio (excluding internal and external loss adjustment expenses) is applied to the Solvency II unearned premiums;
- The following components are used to calculate future expenses:
  - Not-yet-due portions of agent, broker and lead insurer commissions for existing policies;
  - Not-yet-due premium refunds and profit commissions;
  - Internal and external loss adjustment expenses: the expected loss adjustment expense ratio is applied to Solvency II unearned premiums;
  - Administrative costs: the expected administrative expense ratio is applied to Solvency II unearned premiums;
- Future premiums: premiums under existing policies that will not become due and payable until after the balance sheet date are always included; and
- Other incoming cash flows, if applicable.

Claim provisions

The following chart depicts the calculation of the gross claim provisions:



The undiscounted best estimates for the individual components shown in the chart above are calculated separately. IFRS approaches are used to calculate undiscounted specific case provisions and IBNR provisions:

- Incurred losses: these correspond to the total of specific case provisions + IBNR provisions (in both cases excluding loss adjustment expenses);
- Future expenses and other outgoing cash flows: these correspond to the total of specific case provisions + IBNR provisions for external loss adjustment expenses + provisions for internal loss adjustment expenses;
- Future premiums: reinstatement premiums for reserved damages; and
- Future income from recourse, salvages and apportionment agreements for damages already incurred as of the balance sheet date.

Below is a description of the calculation of IBNR provisions under IFRS and PGR for the various business segments as of 31 December 2020.

AGCS Switzerland and Dubai Division
Provisions are analysed in detail once a year in the third quarter based on data for the first quarter. In the fourth quarter, an update is calculated for all segments based on data for the third quarter. The results of the update – in particular for previous years – are rolled forward for the annual financial statement.

Business is divided into homogeneous reserving segments that are based primarily on the respective insurance division and allow a detailed analysis. The underlying currency is the euro. All other currencies are converted into euros using the exchange rates at the end of the quarter. Due to technical limitations, historical exchange rates are also used for some run-off triangles.

For reserving purposes, the external loss adjustment expenses and refunds from recourse, salvages and apportionment agreements are contained in the claims data (payments, specific case provisions, IBNR provisions). For accounting purposes, the external loss adjustment expenses are extracted from the IBNR provisions via percentage rates. The percentage rates are based on historical data.

The reserving approaches for claims during the fiscal year and for prior-year claims differ:

To forecast claims for the fiscal year, the claims data are divided into minor claims, major claims and catastrophe claims. Minor and major claims are based on the loss expense after facultative reinsurance across the various AGCS units. Minor claims are packaged into one joint run-off triangle per insurance division. For major claims, separate major claim run-off triangles are created. For catastrophe claims, all the relevant claims are combined, regardless of the claim amount. The threshold for major claims is EUR 5.0 million. For all claims from the aviation and energy insurance divisions, as well as all claims in which our units in the US or Canada were the lead underwriters of the underlying insurance policy, US dollar thresholds are used. In all other cases, claims classifications are euro-based.

The approaches for calculating IBNR provisions for the fiscal year distinguish between long-tail and short-tail insurance divisions. Long-tail insurance divisions include general liability, property damage liability insurance, aviation insurance subdivisions for manufacturer's risk, for airport liability and for reinsurance treaty business. The short-tail divisions include fire and other property insurance, technical insurance, aviation insurance subdivisions for airlines, general aviation, marine and transport insurance, energy risk insurance, and insurance for major events.

For long-tail divisions, IBNR provisions are generally calculated on the basis of the expected loss ratio. The expected loss ratios are reviewed by the actuarial function in a separate analysis using actuarial methods. The relevant parameters are part of the risk capital model and as such are approved by Allianz Group Actuarial. By way of exception to this principle, the Bornhuetter-Ferguson Method is used for minor claims in the aviation insurance subdivision for manufacturer's risk and airport liability and also in the Political Violence and Product Recall subdivisions of the general liability insurance Line of Business.

In the case of short-tail divisions, the IBNR provisions are generally calculated using the Bornhuetter-Ferguson Method – based on the expected loss ratio (see remarks above) and specific run-off patterns for the loss expense in accordance with the current annual reserve analysis.

The reserving approach for major claims is based on an analysis of the major claims run-off triangles. The Bornhuetter-Ferguson approach is used to calculate IBNR provisions for major claims in technical insurance, aviation insurance, marine and transport insurance, fire and other property insurance, energy risk insurance and the insurance of major events. In the case of general liability insurance and property damage liability insurance, the IBNR provisions are determined on the basis of an expected claims ratio.

For catastrophe claims, no IBNR provisions had been set up for unknown claims at the end of 2020, because it can be assumed that all losses incurred are already known. However, specific IBNR provisions were set up separately for events that were already known.

The methods described above are applied at the division level. A weighted completion factor is calculated for this purpose that is based on the factors for the individual underlying reserving segments (e.g. branch offices). The projected loss expenses serve as the weights. Reserving segments for which no completion factors were chosen during the annual analysis are not included when calculating the weighted completion factor for the division. In a second step, the IBNR provisions calculated at division level for the three relevant claims categories are allocated to the underlying reserving segments. Various weights can be chosen for the allocation, e.g. premiums earned, the projected loss expense or IBNR provisions according to the Bornhuetter-Ferguson method. However, the allocation method is usually coordinated with the method selected to calculate the IBNR provision. Finally, it is still necessary to review whether the gross IBNR provision for each reserving segment and each claims category is at least as high as the gross figure after facultative reinsurance and whether this, in turn, is at least as high as the net figure. If not, the IBNR provisions for the gross amount and/or the gross figure after facultative reinsurance will be raised accordingly.

The annual reserve analysis is based on run-off triangles and the following projection methods:

- Chain ladder for claim payments;
- Chain ladder for loss expense;
- Loss ratio method;
- Bornhuetter-Ferguson method for claim payments; and
- Bornhuetter-Ferguson method for loss expense.

The final selection is based both on an individual assessment of the results from the specific methods and on qualitative information from the Underwriting and Claims departments. The method chosen depends, among other things, on the insurance division, the available claims history and the paid claims status for the respective claim year.

For the annual financial statement, the results of the reserve analysis (updated based on third-quarter data) are rolled forward. The basic approach is to hold paid claims stable in the fourth quarter compared with the results of the reserve analysis for the third quarter. However, based on the comparison of actual and expected claims development in the fourth quarter alone, the run-off of prior-year claims will be adjusted if necessary, especially for short-tail divisions. The expected claims development is based on the run-off patterns chosen as part of the reserve analysis.

For segments that were not the subject of the reserve analysis, suitable alternative approaches are applied.

Amounts that can be recovered from reinsurers are calculated as best estimates based on the underlying contracts.

The following incoming and outgoing cash flows from contractually agreed reinsurance contracts are shown under amounts recoverable from reinsurance contracts.

Incoming cash flows:

- Amounts recoverable from reinsurance contracts for claim payments and corresponding expenses; and
- Reinsurance commissions and profit-sharing pursuant to the individual reinsurance contracts.

Outgoing cash flows:

- Future reinsurance premiums under existing contracts, including reinstatement premiums.

Internal Group Reinsurance and ART Division Business:
Specific (stochastic) actuarial models for reserving and risk-modelling are produced for the material transactions in this segment. The most suitable risk distributions and parameters are used for each transaction and the contractual arrangements, some of which are complex, are explicitly considered in the model. Smaller transactions are examined on a portfolio basis.

To calculate the IBNR provisions, the models are updated every quarter, every six months or at least every year, depending on the transaction and the availability of new data, and loss scenarios are simulated. The original assumptions from pricing and the actual claims experience are weighted using suitable credibility approaches in order to calculate the expected final loss burden as of the balance sheet date, which is then used to calculate and post the required IBNR provisions.

Discounting
Premium provisions and claim provisions are discounted for each claim year, insurance division, region and currency and for the following cash flows:

Gross:
- Future claim payments;
- Future expenses and other outgoing cash flows;
- Future premiums;
- Future incoming cash flows from recourse, salvages and apportionment agreements; and
- Other incoming cash flows.

Amounts recoverable from reinsurance contracts
The following parameters are used in the calculation:
- Undiscounted premium provision and claim provision by claim year, division, region and currency;
- Expected payment pattern per type of provision, division and region; and
- Risk-free yield curve per currency, plus volatility adjustment per currency and maturity.

The following principles apply:
- The yield curve is specified by the Allianz Group;
- Premium provision and claim provision are calculated separately. In addition, they are separated by claim year, reserving segment and primary currency (EUR, CHF, USD, GBP, AUD, CAD and others);
- The cash flow forecast is based on payment patterns that were selected as part of the annual reserve analysis for each reserving segment;
- To simplify, it is assumed that payouts from claim provisions are made at mid-year, on average;
- It is assumed that payouts (mainly for future claims) that are reserved in the premium provisions as of the balance sheet date will be made from the premium provisions at the end of the respective year on average;
- The same duration is used for technical provisions and the adjustment for potential bad-debt losses; and
- Gross provisions and reinsurance cession (facultative and obligatory) are discounted separately. No adjustments were made to the risk-free yield curve used within the meaning of Article 77 (2) VersAG.

Risk margin
There is no observable market value for technical provisions. Instead, an estimate is made of the amount that would have to be paid to sell the liabilities to an independent reference undertaking. The discounted best estimate plus a risk or market value margin (MVM) is used. The MVM represents the cost of the capital the acquiring company would have to provide during run-off.

The starting point for the cost of capital used is the Solvency Capital Requirement under Solvency II (SCR); however, this amount in each case only covers the capital requirement for a period of one year. A time series of future SCRs must therefore be estimated for the MVM. The cost of capital rate to be used is set at 6% (Delegated Regulation, Article 39), estimated as the cost of capital rate of the reference undertaking.

Initially, the MVM is calculated for ART AG as a whole. It is then allocated to the insurance lines of business specified under Solvency II, whereby the respective sums of the discounted risk time series for the insurance risks are used as weights. Within the insurance lines of business, there is an allocation to claim provision and premium provision, with the respective undiscounted provisions used as weights. In the final step, both portions are further allocated to reporting segments and regions, whereby the relevant provisions under IFRS serve as weights.

Overview of Technical Provisions

Because the internal calculations are carried out at the level of the reserving segments, which are different from the Solvency II segments, the latter are based on a suitable allocation. The table below shows technical provisions for non-life insurance under Solvency II as of 31 December 2020 in accordance with segmenting pursuant to Solvency II. Technical provisions decreased year on year from EUR 683 million to EUR 611 million, for the following reasons:

- A decline in premium provisions from EUR 68 million at the end of 2019 to EUR 58 million at the end of 2020. This decline is mainly a result of the higher premium income from existing policies in the internal group reinsurance segment as at the balance sheet date which are deducted when calculating premium provisions. With regard to actuarial assumptions, there were no material changes compared with the previous year when it came to calculating premium provisions.
- The claim provisions as at the year-end 2020 amount to EUR 490 million, down compared to the year-end 2019 (EUR 551 million), which is mainly attributable to intra-group reinsurance arrangements and the AGCS Switzerland and Dubai Division.

Transfers at the level of the Solvency II segments were driven by major claims.

Best estimate

EUR thousand	Premium provisions			Claim provisions						
	Gross	Amounts recoverable from reinsurance contracts	Net	Gross	Amounts recoverable from reinsurance contracts	Net	Total gross	Total net	Risk margin	Technical provisions
Direct insurance business										
Health insurance	335	106	228	1,472	1,400	72	1,806	300	155	454
Income replacement insurance	-11	-4	-6	140	41	98	129	92	11	103
Motor vehicle liability insurance	0	0	0	0	0	0	0	0	0	0
Other motor vehicle insurance	0	0	0	0	0	0	0	0	0	0
Marine, aviation and transport insurance	-430	-334	-96	46,056	23,359	22,697	45,626	22,602	2,214	24,815
Fire and other property insurance	2,822	511	2,310	25,023	11,537	13,486	27,844	15,796	159	15,955
General liability insurance	6,404	1,464	4,940	177,792	109,954	67,838	184,196	72,778	5,952	78,730
Credit and surety	2,313	0	2,313	215	0	215	2,528	2,528	252	2,780
Various financial losses	471	-375	846	8,845	1,531	7,314	9,317	8,160	907	9,067
Subtotal	**11,904**	**1,368**	**10,535**	**259,543**	**147,823**	**111,721**	**271,447**	**122,256**	**9,649**	**131,905**
Proportional reinsurance assumed										
Health insurance	1,127	-634	1,761	1,749	279	1,470	2,876	3,231	201	3,432
Income replacement insurance	4	1	2	83	21	63	87	65	5	70
Motor vehicle liability insurance	0	0	0	7,780	0	7,780	7,780	7,780	793	8,573
Other motor vehicle insurance	0	0	0	1,879	0	1,879	1,879	1,879	192	2,071
Marine, aviation and transport insurance	-1,848	-22	-1,825	9,466	2,241	7,225	7,618	5,399	656	6,055
Fire and other property insurance	50,596	51,581	-985	763,713	730,770	32,943	814,309	31,957	4,684	36,641
General liability insurance	12,476	8,009	4,467	167,324	126,454	40,870	179,800	45,337	6,008	51,344
Credit and surety	11,487	8,115	3,372	294	0	294	11,781	3,666	381	4,047
Various financial losses	-93	-618	525	6,677	1,203	5,474	6,584	5,999	529	6,528
Subtotal	**73,749**	**66,433**	**7,316**	**958,965**	**860,968**	**97,997**	**1,032,714**	**105,313**	**13,449**	**118,762**
Non-proportional reinsurance business assumed										
Non-proportional health reinsurance	2,354	0	2,354	4,777	0	4,777	7,132	7,132	729	7,860
Non-proportional accident reinsurance	31,664	-782	32,446	102,810	38,651	64,160	134,474	96,606	12,744	109,350
Non-proportional marine, aviation and transport reinsurance	381	1,050	-668	36,227	24,024	12,204	36,609	11,535	3,356	14,891
Non-proportional property reinsurance	5,816	66	5,750	305,116	105,917	199,198	310,932	204,948	23,181	228,129
Subtotal	**40,215**	**334**	**39,881**	**448,931**	**168,592**	**280,339**	**489,146**	**320,220**	**40,010**	**360,230**
Total non-life insurance obligations	**125,868**	**68,135**	**57,733**	**1,667,439**	**1,177,383**	**490,057**	**1,793,307**	**547,789**	**63,108**	**610,897**
Annuities from non-life insurance policies linked to obligations outside health insurance	0	0	0	0	0	0	0	0	0	0
Total	**125,868**	**68,135**	**57,733**	**1,667,439**	**1,177,383**	**490,057**	**1,793,307**	**547,789**	**63,108**	**610,897**

Risk of Change in Technical Provisions

ART AG, working jointly with AGCS SE, carries out an annual review of the risk of change to which the technical claim provision is exposed. The following approaches were applied in the various segments in 2020:

AGCS Switzerland and Dubai Division
The joint run-off triangles used are based on year-end data. The run-off patterns selected use the same basis – the gross figure or the gross figure after facultative reinsurance – as in the reserve analysis.

Two types of methods are generally used to determine the variance coefficients of the reserve risk: the bootstrapping technique (based on incurred Mack, paid Mack and paid over-dispersed Poisson) and a stochastic Bornhuetter-Ferguson method. The bootstrap procedures are essentially used for short-tail divisions and the Bornhuetter-Ferguson method for long-tail divisions. Both the suitability of the model and consistency with the reserve analysis play a role when selecting the method for the individual claims triangles analysed. For every claims triangle analysed, the standard error is calculated using the bootstrapping method and/or the Bornhuetter-Ferguson method. The suitability of the model is assessed based on the residuals and the comparison of simulated ultimate claim amounts with the results of the reserve analysis.

Internal Group Reinsurance and ART Division Business
The underwriting risk, which consists of a premium risk and a reserve risk, is calculated using transaction-based or portfolio-based stochastic models. When determining the reserve risk, the models for all policies are re-simulated from the beginning of the contract term in order to determine the reserve risk for past contract periods. To this end, the degree of progress in settling claims is taken into account: exposures from old claim years that have already been almost completely settled have only minor residual reserve risk, whereas relatively new exposures from recent claim years that are not yet settled have elevated reserve risk.

Results of the Analysis as at 31 December 2020
The table below shows the results of the most up-to-date analysis of the risk of a change in reserves. Naturally, uncertainty is greatest in the estimate of reserves for internal group reinsurance, as this involves non-proportional reinsurance for major claims. These uncertainties are driven in particular by reinsured long-term business: there is potential for IBNR claims, but the amount is highly uncertain, which makes it difficult to calculate reserves at “best estimate” level and means that the capital required for any deviations must be monitored on an ongoing basis.

EUR million	Reserve risk at the 99.5 % percentile	Undiscounted claim provisions	%
AGCS Switzerland and Dubai	-74.3	154.5	48.1
Internal group reinsurance	-67.9	88.7	76.6
ART division	-28.2	174.4	16.2

Discussion of Material Differences between Solvency II and PGR in Terms of the Valuation of Technical Provisions and Amounts Recoverable from Reinsurance Contracts

Both Solvency II and PGR are based on the Best-Estimate Principle. Nevertheless, there are some differences, which are described below.

Premium Provisions (undiscounted)
Under Solvency II, premium provisions are set up for expected future claims and expenses under existing insurance policies. The provisions are calculated by multiplying the expected loss ratio, the expected loss adjustment expense ratio and the expected administrative expense ratio from the internal actuarial model by the PGR unearned premiums. In addition, the premium income under contracts in existence as of the balance sheet date is deducted from the premium provision and the related, closing expenses are added to the premium provision. Commission due before or as of the balance sheet date is allocated to the premium provisions under Solvency II. Under Solvency II, the entire profit margin from existing insurance policies is reported in own funds.

Claim Provisions (undiscounted)
There are essentially no differences between specific case provisions and IBNR provisions under Solvency II and PGR. For relevant segments, IBNR provisions are calculated using year-under-review data in order to separate a claim year's newly reported claims from the development of already known claims.

Discounting
While no discounting is stipulated for the non-life insurance business under PGR, the Present-Value Principle applies under Solvency II. That means that future cash flows are discounted using a discount curve specified by the Allianz Group.

Counterparty default risk
Under Solvency II, the adjustment for counterparty default risk is calculated using the simplified approach in accordance with Article 61 of Delegated Regulation (EU) 2015/35. This adjustment is not made under PGR.

Risk margin
Under Solvency II, the risk margin reflects the cost of capital derived as part of the fair value in a theoretical transfer of obligations to a third party due to the uncertainty in the run-off of the technical provisions. Solvency II assumes a cost of capital rate of 6% in this case. Under PGR, there is no provision for a risk margin.

Volatility Adjustment
ART AG uses a volatility adjustment (VA). A change in the volatility adjustment to zero would have only a minor impact on the company's financial situation.

Technical Provisions

EUR thousand	Technical provisions under PGR	Reclassifications (reinstatement premiums)	Revaluation of premium provisions (undiscounted) incl. due receivables / payables	Revaluation of claim provisions (undiscounted)	Discounting of future cash flows	Adjustment for counterparty default risk (credit risk)	Risk margin under Solvency II	Technical provisions under Solvency II	Lower provisions under Solvency II vs. PGR
Direct insurance business									
Health insurance	357	0	-61	0	4	0	155	454	-97
Industrial accident insurance	0	0	0	0	0	0	0	0	0
Income replacement insurance	103	0	-12	0	1	0	11	103	0
Motor vehicle liability insurance	0	0	0	0	0	0	0	0	0
Other motor vehicle insurance	0	0	0	0	0	0	0	0	0
Marine, aviation and transport insurance	23,432	0	-657	0	-181	7	2,214	24,815	-1,383
Fire and other property insurance	17,037	0	-1,324	0	42	41	159	15,955	1,083
General liability insurance	79,374	0	-6,840	0	165	81	5,952	78,730	643
Credit and surety	3,256	0	-711	0	-16	0	252	2,780	475
Travel assistance insurance	0	0	0	0	0	0	0	0	0
Various financial losses	8,050	0	67	0	43	1	907	9,067	-1,017
Subtotal	**131,610**	**0**	**-9,540**	**0**	**56**	**130**	**9,649**	**131,905**	**-296**
Proportional reinsurance assumed									
Health insurance	2,600	0	604	0	27	0	201	3,432	-832
Industrial accident insurance	0	0	0	0	0	0	0	0	0
Income replacement insurance	72	0	-7	0	0	0	5	70	2
Motor vehicle liability insurance	8,365	0	-562	0	-23	0	793	8,573	-209
Other motor vehicle insurance	1,324	0	562	0	-6	0	192	2,071	-747
Marine, aviation and transport insurance	8,330	28	-2,914	0	-44	0	656	6,055	2,275
Fire and other property insurance	37,637	1,554	-7,251	0	-154	172	4,684	36,641	995
General liability insurance	37,010	0	8,040	0	37	250	6,008	51,344	-14,334
Credit and surety	4,341	0	-659	0	-24	8	381	4,047	294
Travel assistance insurance	0	0	0	0	0	0	0	0	0
Various financial losses	7,130	27	-150	-1,000	-7	0	529	6,528	602
Subtotal	**106,809**	**1,608**	**-2,338**	**-1,000**	**-195**	**430**	**13,449**	**118,762**	**-11,953**
Non-proportional reinsurance business assumed									
Non-proportional health reinsurance	7,168	0	0	0	-36	0	729	7,860	-692
Non-proportional liability reinsurance	133,245	0	-7,886	-29,119	365	1	12,744	109,350	23,895
Non-proportional marine, aviation and transport reinsurance	43,348	0	-10,347	-21,712	245	1	3,356	14,891	28,457
Non-proportional property reinsurance	286,128	0	-59,243	-21,249	-704	16	23,181	228,129	57,999
Subtotal	**469,889**	**0**	**-77,476**	**-72,080**	**-130**	**18**	**40,010**	**360,230**	**109,659**
Total non-life insurance obligations	**708,308**	**1,608**	**-89,354**	**-73,080**	**-270**	**578**	**63,108**	**610,897**	**97,410**
Annuities from non-life insurance policies linked to obligations outside health insurance	0	0	0	0	0	0	0	0	0
Total	**708,308**	**1,608**	**-89,354**	**-73,080**	**-270**	**578**	**63,108**	**610,897**	**97,410**

D.3 Valuation of Other Liabilities

Below are separate descriptions of the bases, methods and main assumptions used to value each major group of other liabilities for solvency purposes, as well as comparisons with PGR principles.

Pension commitments
The pension provision contains net obligations arising from company pensions, whereby all existing pension commitments are classed as so-called defined benefit plans within the meaning of IAS 19. Pension commitments are offset against cover funds. If cover funds exceed pension commitments, there will be no pension provision; instead, there will be an excess of pension benefits.

Assumptions must be made about future developments in interest rates and wages in order to measure pension commitments and cover funds. These are reviewed each year and adjusted if necessary. The Solvency Overview in principle contains the amounts in accordance with IFRS.

PGR: There is no pension provision, as company pensions have been outsourced to an external institution.

Provisions other than technical provisions
Under IAS 37, they are measured at the amount that an entity would rationally pay to settle the obligation at the balance sheet date (best estimate). For provisions with a maturity of greater than one year, a present-value approach is advisable if discounting will significantly affect the amount stated. Under Solvency II, these provisions are discounted using a market interest rate, pursuant to IAS 37.

PGR: Non-technical provisions are always stated at the expected settlement amount. The expected settlement amount is derived from the best estimate.

Deposits by reinsurers
These are recorded at face value less repayments, unless the market value is different.

PGR: These are recorded at the repayment amount less repayments.

Deferred tax liabilities
Deferred taxes are calculated for temporary differences in the values of individual assets and liabilities on the Solvency II balance sheet and the balance sheet prepared for tax purposes. Deferred tax liabilities are liabilities that will lead to income tax expenses in future periods.

PGR: No deferred tax liabilities are included.

Financial liabilities other than liabilities to banks
These are measured at fair value pursuant to IAS 39 and Article 14 of Delegated Regulation 2015/35, without taking into account changes in own default risk. Receivables and liabilities are netted where permitted by contract.

PGR: These are recorded at the repayment amount.

Liabilities to insurance companies and intermediaries
These are measured at fair value pursuant to IAS 39 and Article 14 of Delegated Regulation 2015/35, without taking into account changes in own default risk. Receivables and liabilities are netted where permitted by contract.

PGR: These are recorded at the repayment amount.

Liabilities to reinsurers
These are measured at fair value pursuant to IAS 39 and Article 14 of Delegated Regulation 2015/35, without taking into account changes in own default risk. Receivables and liabilities are netted where permitted by contract.

Not-yet-due liabilities (e.g. for reinstatement premiums) are shown under technical provisions.

PGR: These are recorded at the repayment amount. Receivables and liabilities are netted where permitted by contract.

This item also includes provisions for reinstatement premiums for outstanding reinsurance reserves.

Payables (trade, not insurance)
These are measured at fair value pursuant to IAS 39 and Article 14 of Delegated Regulation 2015/35, without taking into account changes in own default risk. Receivables and liabilities are netted where permitted by contract.

PGR: These are recorded at the repayment amount.

Other liabilities not shown elsewhere
These are measured at fair value pursuant to IAS 39 and Article 14 of Delegated Regulation 2015/35, without taking into account changes in own default risk. Receivables and liabilities are netted where permitted by contract.

PGR: These are recorded at the repayment amount.

D.4 Alternative Valuation Methods

As there are no listed market prices for ART AG's participating interests, these are valued using the adjusted equity method.

D.5 Other Disclosures

All relevant disclosures regarding ART AG's valuation for solvency purposes are contained in the preceding notes.

E Capital Management

E.1 Own Funds

E.1.1 Targets, Guidelines and Processes

ART AG's capital base is a central resource for sustainable business activity and corporate management. Capital management encompasses all ART AG activities aimed at ensuring that the company and its branches have an adequate capital base in terms of legal requirements, the capital requirements set by rating agencies, market specifications and the risk-tolerance level specified in the risk strategy.

Capital management principles and processes are defined in AGCS's Global Capital Management Policy, which is implemented by ART AG. In addition to specifications for controlling and planning the capital base and dividends, the policy also includes definitions of relevant duties and processes. It is closely linked with the company's risk strategy, which defines risk-bearing capacity and risk tolerance in the form of a target capitalisation and a minimum capitalisation.

ART AG's capital base is reviewed at least once a quarter for compliance with all relevant requirements. The review includes current consistency with the target and/or minimum capitalisation and consideration of developments and measures that might affect future capitalisation, as well as an assessment of their impact. All results, valuations and capital control measures are reported to the Executive Board on a regular basis in order to ensure prompt countermeasures can be taken in the event of non-compliance with the target capital requirement.

The effects of projected business performance on compliance with the target capital requirement are also examined as part of the three-year business plan. At the same time, the target and minimum capital requirements themselves are reviewed. The results of capital and dividend planning are approved by ART AG's Chief Financial Officer and reported to the Executive Board.

E.1.2 Reconciliation of the Excess of Assets over Liabilities in the PGR and Market Value Balance Sheets

The excess of assets over liabilities in the Market Value Balance Sheet totals EUR 516.2 million, while the excess of assets over liabilities in the PGR balance sheet (shareholders' equity) amounts to EUR 546.0 million. The differences between the excess of assets over liabilities under Solvency II (basic own funds) compared with PGR shareholders' equity are due to the differing recognition and valuation requirements under the two guidelines. Detailed explanations of the main differences in valuations of individual balance sheet items can be found in Chapter D of this report. The following overview shows the main items for which the valuation and recognition requirements differ under PGR accounting and Solvency II.

EUR thousand	Dec. 31, 2020	Dec. 31, 2019	Change
PGR shareholders' equity	**546,037**	**476,645**	**69,392**
Revaluation of investments	27,576	60,712	-33,136
Revaluation of participating interests	1,497	2,814	-1,317
Adjustments to technical provisions (net)	253,987	353,045	-99,058
Inclusion of risk margin in market value balance sheet	-63,108	-64,602	1,494
Revaluation of deferred tax receivables (net)	9,306	8,388	918
Revaluation of other asset/liability items	-259,063	-377,940	118,877
Solvency II excess of assets over liabilities	**516,232**	**459,063**	**57,169**

E.1.3 Amount and Composition of Own Funds

EUR thousand	Dec. 31, 2020	Dec. 31, 2019	Change
Excess of assets over liabilities	516,232	459,063	57,169
Less expected dividend payments	-72,528	-3,212	-69,316
Total basic own funds	443,704	455,851	-12,147
Plus ancillary own funds	131,529	131,529	0
Total own funds	**575,233**	**587,380**	**-12,147**

Total own funds amount to EUR 575.2 million and are composed of EUR 443.7 million of basic own funds and EUR 131.5 million of ancillary own funds. Basic own funds are equal to the excess of assets over liabilities from the Market Value Balance Sheet after deducting the expected dividend payment of EUR 72.5 million. They consist of the company's paid-in share capital, the statutory reserve, the reconciling entry and net deferred tax assets, which break down as shown in the table below. The company has no subordinated liabilities.

EUR thousand	Dec. 31, 2020	Dec. 31, 2019	Change
Paid-in share capital	131,529	131,529	0
Statutory reserve	131,529	131,529	0
Reconciling entry	171,339	184,404	-13,065
Net deferred tax assets	9,306	8,388	918
Total basic own funds	**443,704**	**455,851**	**-12,147**

Ancillary own funds come to EUR 131.5 million and consist exclusively of the unpaid 50% portion of subscribed share capital. The debtors of the capital that has not yet been called in are AGCS Holding International B.V., which accounts for 60%, and Allianz Global Corporate & Specialty SE, which accounts for 40% (see also the overview of the corporate legal structure in Chapter A.1). AGCS Holding International B.V. acquired the 60% stake in 2016 from Allianz Global Corporate & Specialty SE and issued a declaration of liability in connection with the acquisition for the unpaid equity attributable to the acquired stake. This obligation is also backed by a directly enforceable guarantee from Allianz Global Corporate & Specialty SE. Equity capital that has not been called in may be called in to absorb losses and, through regulatory approval, is eligible to be used as ancillary own funds.

E.1.4 Classification of Own Funds into Quality Tiers

The items are classified into tiers in accordance with the criteria described in Articles 93 to 96 of Solvency II Directive 2009/138/EC and Articles 69 to 78 of Delegated Regulation (EU) 2015/35. The rough aim of this classification is to categorise own funds as to whether they (i) are available in the long term to absorb potential losses, (ii) are subordinate to claims of the company's creditors, (iii) are free from any claims of third parties, (iv) do not give rise to any ongoing expenses and (v) do not offer any incentive to repay the funds to the investor.

Tier 1 refers to own funds that are subject to stricter requirements than Tier 2; Tier 2, in turn, is subject to stricter requirements than Tier 3. This classification is carried out separately for basic own funds and ancillary own funds.

Basic own funds consist of EUR 434.4 million of Tier 1 own funds and EUR 9.3 million of Tier 3 own funds. These funds are uncommitted and can be used without restrictions to cover losses.

The paid-in share capital, the statutory reserve and the reconciling entry are classified as Tier 1, unrestricted own funds.

The amount equal to the value of net deferred tax assets is classified as Tier 3 own funds.

The full amount of ancillary own funds, which comes to EUR 131.5 million, is classified as Tier 2. Classification, amount and composition are unchanged compared with the prior year.

The table below shows the classification of basic own funds by tier:

EUR thousand	Total	Tier 1 unrestricted	Tier 3
Paid-in share capital	131,529	131,529	0
Statutory reserve	131,529	131,529	0
Reconciling entry	184,404	184,404	0
Value of net deferred tax assets	8,388	0	8,388
Basic own funds as at December 31, 2019	**455,851**	**447,463**	**8,388**
Paid-in share capital	131,529	131,529	0
Statutory reserve	131,529	131,529	0
Reconciling entry	171,339	171,339	0
Value of net deferred tax assets	9,306	0	9,306
Basic own funds as at December 31, 2020	**443,704**	**434,398**	**9,306**
Change vs. previous year	**-12,147**	**-13,065**	**918**

E.1.5 Eligible Own Funds

Eligible own funds are those own funds that are available to fulfil the Solvency Capital Requirement (SCR) and/or the Minimum Capital Requirement (MCR) if quantitative maximum limits for tiers are applied to the available own funds.

After these maximum limits for tiers are applied, the total amount of own funds of EUR 575.2 million is available to meet the Solvency Capital Requirement (SCR) as at 31 December 2020. This results in a solvency ratio of 148.3% if we compare eligible own funds with the Solvency Capital Requirement as at 31 December 2020.

The own funds available to meet the Minimum Capital Requirement consist of Tier 1 basic own funds of EUR 434.4 million.

EUR thousand	Total	Tier 1 unrestricted	Tier 2	Tier 3
Eligible to meet the SCR	575,233	434,398	131,529	9,306
Eligible to meet the MCR	434,398	434,398	0	0

E.1.6 Changes in Own Funds

Total own funds decreased by EUR 12.1 million year on year. The ancillary own funds remained unchanged. Unrestricted Tier 1 basic own funds decreased by EUR 13.1 million, while Tier 3 basic own funds rose by EUR 0.9 million.

Of basic own funds, the paid-in share capital and the statutory reserve remained unchanged year on year. The reconciling entry fell by EUR 13.1 million, while net deferred tax assets increased by EUR 0.9 million.

EUR thousand		2020	2019	Change
Tier 1	Paid-in share capital	131,529	131,529	0
	Statutory reserve	131,529	131,529	0
	Reconciling entry	171,339	184,404	-13,065
Tier 3	Value of net deferred tax assets	9,306	8,388	918
Total	**Own funds**	**443,704**	**455,851**	**-12,147**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

ART AG uses the standard formula to calculate the Solvency Capital Requirement. To determine exposure to counterparty default risk, the amounts recoverable from reinsurance contracts were calculated using the simplified calculation stipulated in Article 107 of Delegated Regulation 2015/35. The company-specific parameters referred to in Article 59 VersAG were not used.

The table summarises the Solvency Capital Requirements at year-end 2020.

The diversified Solvency Capital Requirement after tax amounted to EUR 388.0 million at the end of 2020. Non-life underwriting risks, counterparty default risks and market risks accounted for the largest share of risk, as the breakdown in the table below shows. The Solvency Capital Requirement declined by 2% year on year, primarily owing to lower underwriting and counterparty default risks, which were partially offset by higher operational risks.

EUR thousand	Dec. 31, 2020	Dec. 31, 2019	Change
Market risk	96,964	98,374	-1,410
Counterparty default risk (credit risk)	98,300	103,572	-5,272
Non-life underwriting risk	231,465	249,526	-18,061
Health underwriting risk	2,741	8,250	-5,509
Undiversified Basic Solvency Capital Requirement	**429,470**	**459,722**	**-30,252**
Diversification	-95,319	-103,659	8,340
Diversified Basic Solvency Capital Requirement	**334,151**	**356,062**	**-21,911**
Operational risk	53,807	38,801	15,006
Diversified capital requirement before taxes	**387,958**	**394,863**	**-6,905**
Tax effect	0	0	0
Diversified capital requirement incl. taxes	**387,958**	**394,863**	**-6,905**

At year-end 2020, the Minimum Capital Requirement was EUR 111.8 million.

In addition to the Solvency Capital Requirement, the calculation of the Minimum Capital Requirement is based on technical provisions excluding the risk margin, after deducting the amounts recoverable from reinsurance contracts and premiums written for insurance and reinsurance obligations in the last twelve months after deducting premiums for reinsurance contracts.

The Solvency Capital Requirement at the end of 2020 was calculated using the Solvency II standard formula, as in the previous year.

E.3 Use of the Duration-Based Equity Risk Submodule to Calculate the Solvency Capital Requirement

No duration-based equity risk submodule pursuant to Article 18 VersAV is used to calculate the Solvency Capital Requirement.

E.4 Differences between the Standard Formula and any Internal Models Used

ART AG does not use an internal model.

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

ART AG was in compliance with the Minimum Capital Requirement and the Solvency Capital Requirement at all times in 2020.

E.6 Other Disclosures

All relevant disclosures regarding ART AG's capital management are contained in the preceding notes.

Annex I

Selected Reporting Templates (QRT)

In accordance with Article 4 of Implementing Regulation (EU) 2015/2452 of 2 December 2015, insurance and reinsurance companies must publish the following reporting templates as a minimum, as part of their Solvency and Financial Condition Report:

a) Reporting template S.02.01.b

b) Reporting template S.05.01.b

c) Reporting template S.05.02.b

d) Reporting template S.12.01.b no disclosures

e) Reporting template S.17.01.b

f) Reporting template S.19.01.b

g) Reporting template S.22.01.b

h) Reporting template S.23.01.b

i) Reporting template S.25.01.b

j) Reporting template S.25.02.b no disclosures

k) Reporting template S.25.03.b no disclosures

l) Reporting template S.28.01.b

m) Reporting template S.28.02.b no disclosures

You can find these reporting templates (QRT) in this order on the following pages. Tables in which it is not possible to provide any information are not attached.

Appendix I:

S.02.01.b

Reporting unit: RC780
Qualifying date: 2020-12-31
Export date: 2021-03-30 / 08:45:07

Balance sheet

Assets		Solvency II value	Statutory accounts value
		C0010	C0020
Goodwill	R0010		
Deferred acquisition costs	R0020		
Intangible assets	R0030	0.00	
Deferred tax assets	R0040	9,306,010.00	
Pension benefit surplus	R0050		
Property, plant & equipment held for own use	R0060	3,782,730.00	1,310,819.00
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	957,550,760.00	928,478,313.00
Property (other than for own use)	R0080		
Holdings in related undertakings, including participations	R0090	47,464,010.00	45,967,267.00
Equities	R0100	1,373,060.00	1,373,055.00
Equities - listed	R0110		
Equities - unlisted	R0120	1,373,060.00	1,373,055.00
Bonds	R0130	900,797,570.00	873,590,839.00
Government Bonds	R0140	273,747,570.00	264,449,274.00
Corporate Bonds	R0150	627,050,000.00	609,141,565.00
Structured notes	R0160		
Collateralised securities	R0170	0.00	
Collective Investments Undertakings	R0180		
Derivatives	R0190	5,504,140.00	5,135,176.00
Deposits other than cash equivalents	R0200	2,411,980.00	2,411,976.00
Other investments	R0210		
Assets held for index-linked and unit-linked contracts	R0220		
Loans and mortgages	R0230	71,568,170.00	71,568,165.00
Loans on policies	R0240		
Loans and mortgages to individuals	R0250		
Other loans and mortgages	R0260	71,568,170.00	71,568,165.00
Reinsurance recoverables from:	R0270	1,245,517,690.00	1,338,986,865.00
Non-life and health similar to non-life	R0280	1,245,517,690.00	1,338,986,865.00
Non-life excluding health	R0290	1,244,306,530.00	1,338,986,865.00
Health similar to non-life	R0300	1,211,160.00	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310		
Health similar to life	R0320		
Life excluding health and index-linked and unit-linked	R0330		
Life index-linked and unit-linked	R0340		
Deposits to cedants	R0350	52,309,210.00	52,309,225.00
Insurance and intermediaries receivables	R0360	200,109,430.00	320,951,810.00
Reinsurance receivables	R0370	80,995,710.00	154,323,772.00
Receivables (trade, not insurance)	R0380	6,710,760.00	6,727,179.00
Own shares (held directly)	R0390		

Appendix I:

S.02.01.b

Reporting unit: RC780

Qualifying date: 2020-12-31

Export date: 2021-03-30 / 08:45:07

Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400		
Cash and cash equivalents	R0410	89,288,810.00	89,288,809.00
Any other assets, not elsewhere shown	R0420	0.00	
Total assets	R0500	2,717,139,280.00	2,963,944,957.00

		Solvency II value	Statutory accounts value
Liabilities		C0010	C0020
Technical provisions - non-life	R0510	1,856,414,800.00	2,047,294,393.00
Technical provisions - non-life (excluding health)	R0520	1,843,283,770.00	2,047,294,393.00
Technical provisions calculated as a whole	R0530		
Best Estimate	R0540	1,781,276,670.00	
Risk margin	R0550	62,007,100.00	
Technical provisions - health (similar to non-life)	R0560	13,131,030.00	
Technical provisions calculated as a whole	R0570		
Best Estimate	R0580	12,030,360.00	
Risk margin	R0590	1,100,670.00	
Technical provisions - life (excluding index-linked and unit-linked)	R0600		
Technical provisions - health (similar to life)	R0610		
Technical provisions calculated as a whole	R0620		
Best Estimate	R0630		
Risk margin	R0640		
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650		
Technical provisions calculated as a whole	R0660		
Best Estimate	R0670		
Risk margin	R0680		
Technical provisions - index-linked and unit-linked	R0690		
Technical provisions calculated as a whole	R0700		
Best Estimate	R0710		
Risk margin	R0720		
Other technical provisions	R0730		
Contingent liabilities	R0740		
Provisions other than technical provisions	R0750	8,320,760.00	8,320,731.00
Pension benefit obligations	R0760	19,357,400.00	
Deposits from reinsurers	R0770	-1,560,000.00	-1,559,997.00
Deferred tax liabilities	R0780	1,122,870.00	
Derivatives	R0790	446,210.00	
Debts owed to credit institutions	R0800		
Financial liabilities other than debts owed to credit institutions	R0810	24,280,340.00	21,805,299.00
Insurance & intermediaries payables	R0820	226,649,860.00	224,190,795.00
Reinsurance payables	R0830	27,943,440.00	79,925,807.00
Payables (trade, not insurance)	R0840	679,140.00	678,144.00
Subordinated liabilities	R0850		
Subordinated liabilities not in Basic Own Funds	R0860		
Subordinated liabilities in Basic Own Funds	R0870		
Any other liabilities, not elsewhere shown	R0880	37,252,960.00	37,252,939.00

Appendix I:

S.02.01.b

Reporting unit: RC780

Qualifying date: 2020-12-31

Export date: 2021-03-30 / 08:45:07

Total liabilities	R0900	2,200,907,780.00	2,417,908,111.00
Excess of assets over liabilities	R1000	516,231,500.00	546,036,846.00

Appendix I:
S.05.01.b

Reporting unit: RC780
Qualifying date: 2020-12-31
Export date: 2021-03-30 / 08:46:53

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	129,310.90	340,155.49		0.00	0.00	17,900,446.06	24,875,995.17	84,640,350.65	0.00			9,079,397.78					136,965,656.05
Gross - Proportional reinsurance accepted	R0120	4,487,036.99	43,303.35		0.00	0.00	15,339,599.77	777,122,113.95	203,224,717.02	2,330,708.20			8,994,101.53					1,011,541,580.81
Gross - Non-proportional reinsurance accepted	R0130													-21,554.12	52,694,393.66	49,309,592.69	112,736,315.35	214,718,747.58
Reinsurers' share	R0140	4,121,778.90	111,468.33		0.00	0.00	17,723,077.49	777,734,413.60	254,231,325.35	2,203,632.10			12,907,516.71	0.00	8,749,393.46	20,698,963.40	39,121,582.84	1,137,603,152.18
Net	R0200	494,568.99	271,990.51		0.00	0.00	15,516,968.34	24,263,695.52	33,633,742.32	127,076.10			5,165,982.60	-21,554.12	43,945,000.20	28,610,629.29	73,614,732.51	225,622,832.26
Premiums earned																		
Gross - Direct Business	R0210	312,662.49	345,124.56		0.00	0.00	17,976,854.11	23,844,431.02	72,921,107.36	1,181,302.45			10,974,203.04					127,555,685.03
Gross - Proportional reinsurance accepted	R0220	4,927,819.66	44,238.99		0.00	0.00	15,776,674.29	790,755,025.96	184,595,113.65	3,282,284.35			10,105,043.34					1,009,486,200.24
Gross - Non-proportional reinsurance accepted	R0230													-21,554.12	57,713,312.38	51,607,878.62	115,179,316.85	224,478,953.73
Reinsurers' share	R0240	4,151,735.02	102,766.37		0.00	0.00	18,050,818.62	783,911,427.22	223,696,049.67	2,882,526.18			14,766,044.55	0.00	8,694,976.36	20,205,526.98	38,593,642.09	1,115,055,513.06
Net	R0300	1,088,747.13	286,597.18		0.00	0.00	15,702,709.78	30,688,029.76	33,820,171.34	1,581,060.62			6,313,201.83	-21,554.12	49,018,336.02	31,402,351.64	76,585,674.76	246,465,325.94
Claims incurred																		
Gross - Direct Business	R0310	122,518.83	-243,806.54		0.00	0.00	19,810,817.05	28,774,494.48	41,231,219.31	206,359.30			9,932,474.85					99,834,077.28
Gross - Proportional reinsurance accepted	R0320	1,114,209.96	128.08		4,712,582.04	1,312,560.05	4,090,963.68	522,649,086.33	43,549,835.11	-743,924.52			-8,576,219.93					568,109,220.80
Gross - Non-proportional reinsurance accepted	R0330													951,355.95	17,868,128.63	20,350,112.85	300,108,059.13	339,277,656.56
Reinsurers' share	R0340	1,158,233.09	-56,670.86		-0.03	0.00	9,941,197.46	552,419,852.98	66,149,002.45	-518,983.65			2,482,761.59	0.00	30,505,659.20	18,429,168.54	228,416,901.95	908,927,122.72
Net	R0400	78,495.70	-187,007.60		4,712,582.07	1,312,560.05	13,960,583.27	-996,272.17	18,632,051.97	-18,581.57			-1,126,506.67	951,355.95	-12,637,530.57	1,920,944.31	71,691,157.18	98,293,831.92
Changes in other technical provisions																		
Gross - Direct Business	R0410	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00			0.00					0.00
Gross - Proportional reinsurance accepted	R0420	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00			0.00					0.00
Gross - Non-proportional reinsurance accepted	R0430													0.00	0.00	0.00	0.00	0.00
Reinsurers' share	R0440	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Net	R0500	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Expenses incurred	R0550	186,667.67	-546.89		158,161.95	41,854.96	3,420,163.03	5,156,734.99	12,705,642.33	23,894.71			648,033.62	18,133.27	1,139,360.70	783,052.12	8,226,781.08	32,507,933.54
Administrative expenses																		
Gross - Direct Business	R0610	0.00	0.00		0.00	0.00	620,149.21	2,718,657.82	1,274,238.30	0.00			0.00					4,613,045.33
Gross - Proportional reinsurance accepted	R0620	0.00	0.00		0.00	0.00	316,233.95	8,891,417.82	1,121,086.43	0.00			6.23					10,328,744.43
Gross - Non-proportional reinsurance accepted	R0630													0.00	0.00	0.00	0.00	0.00
Reinsurers' share	R0640	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Net	R0700	0.00	0.00		0.00	0.00	936,383.16	11,610,075.64	2,395,324.73	0.00			6.23	0.00	0.00	0.00	0.00	14,941,789.76
Investment management expenses																		
Gross - Direct Business	R0710	0.00	0.00		7,991.26	0.00	46,341.67	107,287.88	146,590.43	12,441.77			184,024.79					504,677.80
Gross - Proportional reinsurance accepted	R0720	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00			0.00					0.00
Gross - Non-proportional reinsurance accepted	R0730													6,088.14	170,982.23	37,114.66	247,517.31	461,702.34
Reinsurers' share	R0740	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Net	R0800	0.00	0.00		7,991.26	0.00	46,341.67	107,287.88	146,590.43	12,441.77			184,024.79	6,088.14	170,982.23	37,114.66	247,517.31	966,380.14
Claims management expenses																		
Gross - Direct Business	R0810	3,150.76	-5,341.18		0.00	0.00	1,075,293.55	4,670,040.58	5,458,945.44	6,382.26			287,334.64					11,495,806.05
Gross - Proportional reinsurance accepted	R0820	2,859.80	3.98		150,170.69	41,854.96	53,529.96	31,566,462.77	1,369,553.66	-23,008.02			21,291.25					33,182,719.05
Gross - Non-proportional reinsurance accepted	R0830													16,047.63	204,798.21	86,136.90	-158,499.43	148,483.31
Reinsurers' share	R0840	5,649.08	-99.49		0.00	0.00	517,979.59	30,690,900.96	1,319,008.78	-16,051.04			34,500.91	0.00	-137,222.84	2,086.75	-18,132.13	32,398,620.57
Net	R0900	361.48	-5,237.71		150,170.69	41,854.96	610,843.92	5,545,602.39	5,509,490.32	-574.72			274,124.98	16,047.63	342,021.05	84,050.15	-140,367.30	12,428,387.84
Acquisition expenses																		
Gross - Direct Business	R0910	63,673.80	25,964.82		0.00	0.00	1,910,220.64	4,009,688.77	7,829,748.15	0.00			361,680.72					14,200,976.90
Gross - Proportional reinsurance accepted	R0920	334,018.06	7,297.29		0.00	0.00	1,928,184.44	38,988,174.95	12,087,552.95	49,066.14			1,370,555.12					54,764,848.95
Gross - Non-proportional reinsurance accepted	R0930													-4,002.50	1,864,737.47	935,856.43	9,095,956.75	11,892,548.15
Reinsurers' share	R0940	211,385.67	28,571.29		0.00	0.00	2,011,810.80	55,104,094.64	15,263,064.25	37,038.48			1,542,358.22	0.00	1,238,380.05	273,969.12	976,325.68	76,686,998.20
Net	R1000	186,306.19	4,690.82		0.00	0.00	1,826,594.28	-12,106,230.92	4,654,236.85	12,027.66			189,877.62	-4,002.50	626,357.42	661,887.31	8,119,631.07	4,171,375.80
Overhead expenses																		
Gross - Direct Business	R1010																	
Gross - Proportional reinsurance accepted	R1020																	
Gross - Non-proportional reinsurance accepted	R1030																	
Reinsurers' share	R1040																	
Net	R1100																	
Other expenses	R1200																	
Total expenses	R1300																	32,507,933.54

Appendix I:

S.05.01.b

Reporting unit: RC780

Qualifying date: 2020-12-31

Export date: 2021-03-30 / 08:46:53

Premiums, claims and expenses by line of business

		Line of Business for: life obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410									
Reinsurers' share	R1420									
Net	R1500									
Premiums earned										
Gross	R1510									
Reinsurers' share	R1520									
Net	R1600									
Claims incurred										
Gross	R1610									
Reinsurers' share	R1620									
Net	R1700									
Changes in other technical provisions										
Gross	R1710									
Reinsurers' share	R1720									
Net	R1800									
Expenses incurred	R1900									
Administrative expenses										
Gross	R1910									
Reinsurers' share	R1920									
Net	R2000									
Investment management expenses										
Gross	R2010									
Reinsurers' share	R2020									
Net	R2100									
Claims management expenses										
Gross	R2110									
Reinsurers' share	R2120									
Net	R2200									
Acquisition expenses										
Gross	R2210									
Reinsurers' share	R2220									
Net	R2300									
Overhead expenses										
Gross	R2310									
Reinsurers' share	R2320									
Net	R2400									
Other expenses	R2500									
Total expenses	R2600									
Total amount of surrenders	R2700									

Appendix I:

S.05.02.b.non-life

Reporting unit: RC780
Qualifying date: 2020-12-31
Export date: 2021-03-30 / 08:47:42

Premiums, claims and expenses by country

		Home Country	Total Top 5 and home country	Top 5 countries (by amount of gross premiums written) - non-life obligations				
	R0010			(US) United States	(DE) Germany	(CH) Switzerland	(CN) China	(CA) Canada
		C0080	C0140	C0090	C0090	C0090	C0090	C0090
Premiums written								
Gross - Direct Business	R0110	8,993,948.98	123,608,565.56	100,210.81	2,027,957.69	112,473,544.93	7,102.93	5,800.22
Gross - Proportional reinsurance accepted	R0120	-107,304.28	814,673,916.13	709,726,081.54	51,267,045.25	6,004,553.83	24,008,824.50	23,774,715.29
Gross - Non-proportional reinsurance accepted	R0130	0.00	165,632,365.11	4,134,149.36	161,443,179.19	22,500.71	32,535.85	0.00
Reinsurers' share	R0140	-317,796.72	938,132,156.79	701,150,790.24	100,279,093.03	89,336,657.84	23,911,655.71	23,771,756.69
Net	R0200	9,204,441.42	165,782,690.01	12,809,651.47	114,459,089.10	29,163,941.63	136,807.57	8,758.82
Premiums earned								
Gross - Direct Business	R0210	9,062,729.64	113,047,347.25	-36,933.91	2,062,764.66	101,952,880.80	6,807.49	-901.43
Gross - Proportional reinsurance accepted	R0220	-108,860.49	820,483,532.04	711,520,704.13	57,201,727.26	6,647,234.41	22,536,256.26	22,686,470.47
Gross - Non-proportional reinsurance accepted	R0230	0.00	175,394,013.98	4,171,392.54	171,164,279.47	25,806.12	32,535.85	0.00
Reinsurers' share	R0240	-87,797.84	940,100,556.83	708,143,068.59	99,260,225.75	85,111,119.11	23,903,602.41	23,770,338.81
Net	R0300	9,041,666.99	168,824,336.44	7,512,094.17	131,168,545.64	23,514,802.22	-1,328,002.81	-1,084,769.77
Claims incurred								
Gross - Direct Business	R0310	17,237,834.93	88,217,707.67	71,024.26	-9,388.62	70,918,237.25	-0.15	0.00
Gross - Proportional reinsurance accepted	R0320	11,806,840.09	492,786,652.37	366,810,286.76	76,752,993.31	23,061,154.11	14,579,323.05	-223,944.95
Gross - Non-proportional reinsurance accepted	R0330	15,138,130.11	338,251,893.80	184,839,659.34	125,140,049.65	12,934,850.83	199,203.87	0.00
Reinsurers' share	R0340	-19,937,274.79	757,959,501.65	558,224,486.81	125,778,516.29	79,292,581.06	14,601,192.28	0.00
Net	R0400	64,120,079.92	161,296,752.19	-6,503,516.45	76,105,138.05	27,621,661.13	177,334.49	-223,944.95
Changes in other technical provisions								
Gross - Direct Business	R0410	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross - Proportional reinsurance accepted	R0420	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross - Non-proportional reinsurance accepted	R0430	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Reinsurers' share	R0440	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net	R0500	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expenses incurred	R0550	1,587,401.93	19,279,987.86	-5,117,068.40	15,212,634.14	5,992,286.74	855,766.48	748,966.96
Other expenses	R1200							
Total expenses	R1300		19,279,987.86					

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Reporting unit: RC780

Qualifying date: 2020-12-31

Export date: 2021-03-30 / 08:48:20

Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	R0010																	
Direct business	R0020																	
Accepted proportional reinsurance business	R0030																	
Accepted non-proportional reinsurance	R0040																	
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0050																	
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross - Total	R0060	1,461,470.00	-7,070.00				-2,277,670.00	53,427,880.00	18,926,680.00	13,799,910.00			378,380.00	2,354,220.00	31,616,790.00	381,330.00	5,805,680.00	125,867,600.00
Gross - direct business	R0070	334,500.00	-10,850.00				-429,960.00	2,831,690.00	6,450,720.00	2,313,030.00			471,400.00					11,960,530.00
Gross - accepted proportional reinsurance business	R0080	1,126,970.00	3,780.00				-1,847,710.00	50,596,190.00	12,475,960.00	11,486,880.00			-93,020.00					73,749,050.00
Gross - accepted non-proportional reinsurance business	R0090													2,354,220.00	31,616,790.00	381,330.00	5,805,680.00	40,158,020.00
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100	-527,160.00	-3,090.00				-354,240.00	52,114,210.00	9,487,270.00	8,122,840.00			-992,360.00		-782,335.00	1,049,900.00	66,181.00	68,181,216.00
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110	-527,160.00	-3,090.00				-354,240.00	52,114,210.00	9,487,270.00	8,122,840.00			-992,360.00		-987,680.00	1,049,900.00	78,440.00	67,988,130.00
Recoverables from SPV before adjustment for expected losses	R0120														205,345.00		-12,259.00	193,086.00
Recoverables from Finite Reinsurance before adjustment for expected losses	R0130																	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-527,240.00	-3,090.00				-356,400.00	52,092,880.00	9,472,800.00	8,115,070.00			-992,470.00		-782,350.00	1,049,760.00	66,120.00	68,135,080.00
Net Best Estimate of Premium Provisions	R0150	1,988,710.00	-3,980.00				-1,921,270.00	1,335,000.00	9,453,880.00	5,684,840.00			1,370,850.00	2,354,220.00	32,399,140.00	-668,430.00	5,739,560.00	57,732,520.00
Claims provisions																		
Gross - Total	R0160	3,221,020.00	223,400.00		7,779,790.00	1,879,250.00	55,522,270.00	788,735,420.00	345,116,090.00	509,200.00			15,522,040.00	4,777,340.00	102,810,400.00	36,227,320.00	305,115,910.00	1,667,439,450.00
Gross - direct business	R0170	1,471,890.00	139,950.00				46,056,330.00	25,022,760.00	177,792,210.00	214,920.00			8,845,340.00					259,543,400.00
Gross - accepted proportional reinsurance business	R0180	1,749,130.00	83,450.00		7,779,790.00	1,879,250.00	9,465,940.00	763,712,660.00	167,323,880.00	294,280.00			6,676,700.00					958,965,080.00
Gross - accepted non-proportional reinsurance business	R0190													4,777,340.00	102,810,400.00	36,227,320.00	305,115,910.00	448,930,970.00
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200	1,679,310.00	62,320.00				25,605,300.00	742,498,970.00	236,724,350.00				2,734,210.00		38,651,970.00	24,024,300.00	105,933,400.00	1,177,914,130.00
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210	1,679,310.00	62,320.00				25,605,300.00	742,498,970.00	236,724,350.00				2,734,210.00		38,651,970.00	24,024,300.00	105,933,400.00	1,177,914,130.00
Recoverables from SPV before adjustment for expected losses	R0220																	
Recoverables from Finite Reinsurance before adjustment for expected losses	R0230																	
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	1,679,170.00	62,320.00				25,600,150.00	742,307,200.00	236,408,130.00				2,733,670.00		38,650,750.00	24,023,700.00	105,917,500.00	1,177,382,590.00
Net Best Estimate of Claims Provisions	R0250	1,541,850.00	161,080.00		7,779,790.00	1,879,250.00	29,922,120.00	46,428,220.00	108,707,960.00	509,200.00			12,788,370.00	4,777,340.00	64,159,650.00	12,203,620.00	199,198,410.00	490,056,860.00
Total Best estimate - gross	R0260	4,682,490.00	216,330.00		7,779,790.00	1,879,250.00	53,244,600.00	842,163,300.00	364,042,770.00	14,309,110.00			15,900,420.00	7,131,560.00	134,427,190.00	36,608,650.00	310,921,590.00	1,793,307,050.00
Total Best estimate - net	R0270	3,530,560.00	157,100.00		7,779,790.00	1,879,250.00	28,000,850.00	47,763,220.00	118,161,840.00	6,194,040.00			14,159,220.00	7,131,560.00	96,558,790.00	11,535,190.00	204,937,970.00	547,789,380.00
Risk margin	R0280	355,890.00	15,910.00		793,420.00	191,740.00	2,869,410.00	4,846,580.00	11,961,150.00	633,140.00			1,436,150.00	728,880.00	12,742,380.00	3,355,720.00	23,177,400.00	63,107,770.00
Amount of the transitional on Technical Provisions																		
TP as a whole	R0290																	
Best estimate	R0300																	
Risk margin	R0310																	
Technical provisions - total																		
Technical provisions - total	R0320	5,038,380.00	232,240.00		8,573,210.00	2,070,990.00	56,114,010.00	847,009,880.00	376,003,920.00	14,942,250.00			17,336,570.00	7,860,440.00	147,169,570.00	39,964,370.00	334,098,990.00	1,856,414,820.00
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	1,151,930.00	59,230.00				25,243,750.00	794,400,080.00	245,880,930.00	8,115,070.00			1,741,200.00		37,868,400.00	25,073,460.00	105,983,620.00	1,245,517,670.00
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340	3,886,450.00	173,010.00		8,573,210.00	2,070,990.00	30,870,260.00	52,609,800.00	130,122,990.00	6,827,180.00			15,595,370.00	7,860,440.00	109,301,170.00	14,890,910.00	228,115,370.00	610,897,150.00
Line of Business: further segmentation (Homogeneous Risk Groups - HRG)																		
Premium provisions - Total number of homogeneous risk groups (HRGs)	R0350	3	5		1	1	16	33	37	3		1	30	2	11	3	10	
Claims provisions - Total number of homogeneous risk groups (HRGs)	R0360	4	3		3	2	14	26	31	3			23	2	12	7	13	
Cash-flows of the Best estimate of Premium Provisions (Gross)																		
Cash out-flows																		
Future benefits and claims	R0370	1,305,050.00	72,870.00				7,665,440.00	69,468,400.00	46,547,530.00	12,931,560.00			2,389,920.00		12,431,970.00	6,981,330.00	9,594,800.00	169,388,870.00
Future expenses and other cash-out flows	R0380	179,740.00	16,710.00				1,155,380.00	9,124,760.00	4,448,520.00	868,370.00			1,116,140.00	2,354,220.00	23,851,240.00	1,692,900.00	53,852,850.00	98,660,830.00
Cash in-flows																		
Future premiums	R0390	23,320.00	96,640.00				11,098,490.00	25,165,280.00	32,069,360.00				3,127,690.00		4,666,420.00	8,292,890.00	57,641,970.00	142,182,060.00
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0400																	
Cash-flows of the Best estimate of Claims Provisions (Gross)																		
Cash out-flows																		
Future benefits and claims	R0410	3,063,480.00	219,180.00		7,560,840.00	1,826,300.00	49,329,700.00	773,729,020.00	327,341,210.00	493,920.00			14,950,110.00	4,742,000.00	101,973,050.00	36,089,120.00	303,185,350.00	1,624,503,280.00
Future expenses and other cash-out flows	R0420	157,530.00	4,220.00		218,950.00	52,960.00	6,192,580.00	15,006,410.00	17,774,880.00	15,280.00			571,920.00	35,340.00	837,360.00	138,200.00	1,930,560.00	42,936,190.00
Cash in-flows																		

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Reporting unit: RC780

Qualifying date: 2020-12-31

Export date: 2021-03-30 / 08:48:20

Future premiums	R0430																	
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0440							10.00					-10.00					0.00
Percentage of gross Best Estimate calculated using approximations	**R0450**												0.00					0.00
Best estimate subject to transitional of the interest rate	**R0460**	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Technical provisions without transitional on interest rate	R0470	5,038,380.00	232,240.00		8,573,210.00	2,070,990.00	56,114,010.00	847,009,880.00	376,003,920.00	14,942,250.00			17,336,570.00	7,860,440.00	147,169,570.00	39,964,370.00	334,098,990.00	1,856,414,820.00
Best estimate subject to volatility adjustment	**R0480**	4,682,490.00	216,330.00		7,779,800.00	1,879,250.00	53,244,600.00	842,163,280.00	364,042,760.00	14,309,110.00			15,900,380.00	7,131,560.00	134,427,200.00	36,608,650.00	310,921,590.00	1,793,307,000.00
Technical provisions without volatility adjustment and without others transitional measures	R0490	5,046,770.00	233,100.00		8,605,850.00	2,079,130.00	56,299,410.00	850,262,780.00	377,351,290.00	15,036,780.00			17,429,050.00	7,891,330.00	147,558,520.00	40,052,120.00	335,088,830.00	1,862,934,960.00

Annex I:
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Non-life Insurance Claims Information

Reporting unit: RC780
Qualifying date: 31.12.2020
Export date: 30.03.2021 / 11.00

Accident year / Underwriting year	Z0010	1 - Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											126
N-9	R0160	0	0	2’187	37’753	2’229	1’707	372	192	114	807	
N-8	R0170	0	69’730	69’645	6’977	25’506	588	612	7’949	7’558		
N-7	R0180	42’137	148’651	-8’568	11’519	7’347	1’268	678	1’666			
N-6	R0190	79’679	76’230	59’134	8’408	6’062	2’167	5’608				
N-5	R0200	77’932	77’928	92’935	44’185	-6’676	9’285					
N-4	R0210	120’563	90’660	37’094	72’120	17’842						
N-3	R0220	370’305	460’479	207’153	161’192							
N-2	R0230	242’227	548’444	124’103								
N-1	R0240	52’599	123’062									
N	R0250	59’169										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	126	126
	R0110	807	45’361
	R0170	7’558	188’566
	R0180	1’666	204’700
	R0190	5’608	237’287
	R0200	9’285	295’588
	R0210	17’842	338’280
	R0220	161’192	1’199’129
	R0230	124’103	914’774
	R0240	123’062	175’661
	R0250	59’169	59’169
Total	R0260	**510’419**	**3’658’643**

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											18’098
N-9	R0160	0	137’942	110’589	62’013	44’727	18’762	13’406	1’594	986	879	
N-8	R0170	196’334	325’217	103’384	89’874	31’921	20’346	9’675	4’428	2’610		
N-7	R0180	66’586	120’844	115’339	54’066	36’977	28’607	24’402	14’937			
N-6	R0190	273’316	244’135	117’376	87’956	84’345	82’189	78’925				
N-5	R0200	262’595	244’694	154’474	87’759	95’097	60’874					
N-4	R0210	210’189	185’361	136’430	48’623	91’735						
N-3	R0220	883’097	482’093	1’427’322	154’739							
N-2	R0230	280’715	-876’162	193’710								
N-1	R0240	380’109	350’910									
N	R0250	695’180										

		Year end (discounted
		C0360
	R0100	18’074
	R0110	887
	R0170	2’630
	R0180	14’909
	R0190	78’930
	R0200	68’089
	R0210	91’770
	R0220	154’488
	R0230	193’454
	R0240	350’665
	R0250	693’544
Total	R0260	**1’667’439**

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Reporting unit: RC780

Qualifying date: 2020-12-31

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Impact of long term guarantees measures and transitional

		Amount with Long Term Guarantee measures and transitionals	Impact of the Long Term Guarantee measures and transitionals (Step-by-step approach)								
			Without transitional on technical provisions	Impact of transitional on technical provisions	Without transitional on interest rate	Impact of transitional on interest rate	Without volatility adjustment and without other transitional measures	Impact of volatility adjustment set to zero	Without matching adjustment and without all the others	Impact of matching adjustment set to zero	Impact of all LTG measures and transitionals
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions	R0010	1,856,414,800.00	1,856,414,800.00	0.00	1,856,414,800.00	0.00	1,862,934,982.00	6,520,182.00	1,862,934,982.00	0.00	6,520,182.00
Basic own funds	R0020	443,703,870.00	443,703,870.00	0.00	443,703,870.00	0.00	442,352,685.83	-1,351,184.17	442,352,685.83	0.00	-1,351,184.17
Excess of assets over liabilities	R0030	516,231,500.00	516,231,500.00	0.00	516,231,500.00	0.00	514,880,315.83	-1,351,184.17	514,880,315.83	0.00	-1,351,184.17
Restricted own funds due to ring-fencing and matching portfolio	R0040	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Eligible own funds to meet Solvency Capital Requirement	R0050	575,233,140.00	575,233,140.00	0.00	575,233,140.00	0.00	573,881,955.83	-1,351,184.17	573,881,955.83	0.00	-1,351,184.17
Tier I	R0060	434,397,860.00	434,397,860.00	0.00	434,397,860.00	0.00	432,760,061.00	-1,637,799.00	432,760,061.00	0.00	-1,637,799.00
Tier II	R0070	131,529,270.00	131,529,270.00	0.00	131,529,270.00	0.00	131,529,270.00	0.00	131,529,270.00	0.00	0.00
Tier III	R0080	9,306,010.00	9,306,010.00	0.00	9,306,010.00	0.00	9,592,624.83	286,614.83	9,592,624.83	0.00	286,614.83
Solvency Capital Requirement	R0090	387,958,364.94	387,958,364.94	0.00	387,958,364.94	0.00	388,442,194.82	483,829.88	388,442,194.82	0.00	483,829.88
Eligible own funds to meet Minimum Capital Requirement	R0100	434,397,860.00	434,397,860.00	0.00	434,397,860.00	0.00	432,760,061.00	-1,637,799.00	432,760,061.00	0.00	-1,637,799.00
Minimum Capital Requirement	R0110	111,812,292.40	111,812,292.40	0.00	111,812,292.40	0.00	112,134,731.78	322,439.38	112,134,731.78	0.00	322,439.38

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Reporting unit: RC780
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Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35		C0010	C0020	C0030	C0040	C0050
Ordinary share capital (gross of own shares)	R0010	131,529,270.00	131,529,270.00		0.00	
Share premium account related to ordinary share capital	R0030	131,529,270.00	131,529,270.00		0.00	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	171,339,320.00	171,339,320.00			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	9,306,010.00				9,306,010.00
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that shall 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 shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	443,703,870.00	434,397,860.00		0.00	9,306,010.00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	131,529,270.00			131,529,270.00	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400	131,529,270.00			131,529,270.00	
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	575,233,140.00	434,397,860.00		131,529,270.00	9,306,010.00
Total available own funds to meet the MCR	R0510	434,397,860.00	434,397,860.00		0.00	
Total eligible own funds to meet the SCR	R0540	575,233,140.00	434,397,860.00		131,529,270.00	9,306,010.00
Total eligible own funds to meet the MCR	R0550	434,397,860.00	434,397,860.00		0.00	
SCR	R0580	387,958,364.94				
MCR	R0600	111,812,292.40				
Ratio of Eligible own funds to SCR	R0620	148.2719%				
Ratio of Eligible own funds to MCR	R0640	388.5064%				

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Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	516,231,500.00
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	72,527,630.00
Other basic own fund items	R0730	272,364,550.00
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	171,339,320.00
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	31,721,810.00
Total EPIFP	R0790	31,721,810.00

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Solvency Capital Requirement - for undertakings on Standard Formula

Article 112? (Y/N)	Z0010	(2) Regular reporting

Basic Solvency Capital Requirement

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	96,964,291.09	96,964,291.09	
Counterparty default risk	R0020	98,299,770.78	98,299,770.78	
Life underwriting risk	R0030	0.00	0.00	
Health underwriting risk	R0040	2,740,636.62	2,740,636.62	
Non-life underwriting risk	R0050	231,465,449.09	231,465,449.09	
Diversification	R0060	-95,319,008.44	-95,319,008.44	
Intangible asset risk	R0070	0.00	0.00	
Basic Solvency Capital Requirement	R0100	334,151,139.14	334,151,139.14	

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Reporting unit: RC780

Qualifying date: 2020-12-31

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Article 112? (Y/N)	Z0010	(2) Regular reporting

Calculation of Solvency Capital Requirement		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	0.00
Operational risk	R0130	53,807,225.80
Loss-absorbing capacity of technical provisions	R0140	0.00
Loss-absorbing capacity of deferred taxes	R0150	0.00
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0.00
Solvency Capital Requirement excluding capital add-on	R0200	387,958,364.94
Capital add-on already set	R0210	0.00
Solvency capital requirement	R0220	387,958,364.94
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	(4) No adjustment
Net future discretionary benefits	R0460	0.00

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Article 112? (Y/N)	Z0010	(2) Regular reporting			
		Yes/No	Before the shock	After the shock	LAC DT
Approach to tax rate		C0109	C0110	C0120	C0130
Approach based on average tax rate	R0590	(1) Yes			
Calculation of loss absorbing capacity of deferred taxes					
DTA	R0600		9,306,010.00		
DTA carry forward	R0610		4,927,190.00		
DTA due to deductible temporary differences	R0620		4,378,820.00		
DTL	R0630		1,122,870.00		
LAC DT	R0640				
LAC DT justified by reversion of deferred tax liabilities	R0650				
LAC DT justified by reference to probable future taxable economic profit	R0660				
LAC DT justified by carry back, current year	R0670				
LAC DT justified by carry back, future years	R0680				
Maximum LAC DT	R0690				

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	111,812,292.40

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	3,530,923.41	492,178.37
Income protection insurance and proportional reinsurance	R0030	157,334.55	258,407.58
Workers' compensation insurance and proportional reinsurance	R0040	0.00	0.00
Motor vehicle liability insurance and proportional reinsurance	R0050	7,779,790.64	0.00
Other motor insurance and proportional reinsurance	R0060	1,879,253.81	0.00
Marine, aviation and transport insurance and proportional reinsurance	R0070	28,017,184.90	14,764,975.59
Fire and other damage to property insurance and proportional reinsurance	R0080	47,810,086.80	21,496,974.98
General liability insurance and proportional reinsurance	R0090	118,187,218.64	32,433,889.79
Credit and suretyship insurance and proportional reinsurance	R0100	6,194,048.45	119,157.52
Legal expenses insurance and proportional reinsurance	R0110	0.00	0.00
Assistance and proportional reinsurance	R0120	0.00	0.00
Miscellaneous financial loss insurance and proportional reinsurance	R0130	14,159,446.63	4,316,929.61
Non-proportional health reinsurance	R0140	7,131,554.34	0.00
Non-proportional casualty reinsurance	R0150	96,560,590.04	47,803,288.86
Non-proportional marine, aviation and transport reinsurance	R0160	11,535,339.88	28,180,919.30
Non-proportional property reinsurance	R0170	204,938,160.74	46,506,672.89

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Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	0.00

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0.00	
Obligations with profit participation - future discretionary benefits	R0220	0.00	
Index-linked and unit-linked insurance obligations	R0230	0.00	
Other life (re)insurance and health (re)insurance obligations	R0240	0.00	
Total capital at risk for all life (re)insurance obligations	R0250		0.00

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Overall MCR calculation		C0070
Linear MCR	R0300	111,812,292.40
SCR	R0310	387,958,364.94
MCR cap	R0320	174,581,264.22
MCR floor	R0330	96,989,591.24
Combined MCR	R0340	111,812,292.40
Absolute floor of the MCR	R0350	3,700,000.00
Minimum Capital Requirement	R0400	111,812,292.40

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