Gothaer Allgemeine Versicherung AG

Annual Report 2023

Five-Year Summary

€ thousand	2023	2022	2021	2020	2019
Gross premiums written	2,414,613	2,156,515	2,021,879	1,941,005	1,853,007
Earned premiums net of reinsurance	1,949,460	1,738,275	1,673,138	1,646,847	1,608,737
Retention (in %)	81.6	81.4	83.2	85.4	85.8
Claims expenses net of reinsurance	1,377,180	1,177,047	1,165,222	1,046,055	1,064,040
In % of premiums earned	70.6	67.7	69.6	63.5	66.1
Underwriting expenses net of reinsurance	577,274	517,533	500,735	485,457	473,136
In % of premiums earned	29.6	29.8	29.9	29.5	29.4
Net income for the year 1)	56,243	76,442	80,199	102,054	142,164
Investments 2)	3,778,570	3,768,505	3,654,664	3,628,503	3,583,423
Net return (in %)	2.7	2.1	2.1	2.1	3.2
Gross underwriting reserves	3,859,241	3,864,660	3,846,863	3,410,231	3,337,471
In % of gross premiums written	159.8	179.2	190.3	175.7	180.1
Equity capital 3)	359,423	359,423	359,423	359,423	359,423
In % of premiums earned	18.4	20.7	21.5	21.8	22.3
Policies in force (in thousands)	6,355	6,305	6,322	6,333	6,342
Claims reported (in thousands)	337	338	334	337	361

1) Before transfer of profit and tax charged by the controlling company
2) Exclusive of outstanding deposits
3) Less outstanding contributions not called in

The Company

Gothaer Allgemeine Versicherung AG is part of the Gothaer Group. With around four million customers and premium income of € 4.9 billion, the Gothaer Group is one of Germany's major insurance groups and ranks among the country's largest mutual insurance associations. All lines of insurance are offered. In delivering them, Gothaer does more than just supply insurance products; it attaches great importance to providing high-quality personal and digital advice and policyholder support. As a leading partner for small and medium-sized enterprises, the Group aims to make its strong commitment to customers tangible. In addition to a wide range of cover concepts, Gothaer supports businesses' efforts to address issues of strategic importance for the future, such as employee retention or energy transition. For private customers, too, the Gothaer Group offers digital services and sophisticated health services in addition to traditional insurance cover. With a history stretching back more than 200 years, Gothaer is also one of the oldest mutual insurance companies in Germany.

As a mutual insurance company, Gothaer has obligations only to customers – not to shareholders. This independence enables the Group to act continually and sustainably in the interests of those it insures.

Ensuring and insuring a better future

Gothaer's ambition is to be credibly sustainable. Its sustainability strategy transparently defines the goals of core business, both for the Group and for its responsibility to society. Sustainability criteria are applied to investments, insurance products with sustainable product elements are developed, the carbon footprint of business operations is measured and reduced, solutions are sought for climate neutrality and, through the Gothaer Foundation in particular, commitment to society is promoted. To ensure the continuous development of sustainability management, Gothaer is signed up, amongst other things, to the following sustainability-related initiatives: It is a supporter of the UN Principles for Sustainable Insurance (UNEP FI PSI), signatory to the UN Principles for Responsible Investment (UN PRI) and a member of the Net Zero Asset Owner Alliance (NZAOA).

More information is available in German at www.gothaer.de/ueber-uns/nachhaltigkeit/, where the sustainability strategy, sustainability reports and declarations of compliance with the German Sustainability Code (DNK) can also be found.

Gothaer Allgemeine Versicherung AG is the largest risk carrier for property and casualty insurance in the Gothaer Group. Since it was established in 1820, it has ranked among the largest property insurers in the German insurance market. In addition to flexibly selectable, high-performance single-line products, the product portfolio of Gothaer Allgemeine Versicherung AG encompasses combined insurance concepts and multi-risk products for seamless all-round protection at high performance level. With solutions tailored to specific needs, Gothaer Allgemeine Versicherung AG is a reliable partner for both private customers and commercial clients in the SME and industrial sectors. Responding regularly to emerging trends and developments, Gothaer devises modern needs-based solutions and introduces them into the market in the form of innovative products.

At the same time, Gothaer Allgemeine Versicherung AG works constantly on the delivery of simple, digital and automated processes for its customers and sales partners. The company's special focus is on positioning itself as a leading partner for SMEs and thus strengthening what is already a robust brand position in that target group's awareness. It meets the diverse requirements of the various sectors with individual risk concepts, high expertise in sector-specific risks and a customized marketing approach. Great importance is also attached to sustainability – a megatrend that is integral to the strategy for growth. This is evidenced not least by the role of Gothaer Allgemeine Versicherung AG as a market innovator and one of leaders in the wind turbine insurance market. Sustainable solutions are also continuously added to all product ranges, for both private and corporate clients. The focus here is particularly on loss prevention – because nothing is as sustainable as preventing damage from occurring in the first place. However, Gothaer Allgemeine Versicherung AG goes a step further – a step beyond the role of a classic insurer. With targeted measures and its strong partner network, it helps corporate clients in the SME sector meet the challenges of energy transition. In doing so, it makes a positive contribution to the achievement of German climate targets.

Gothaer Allgemeine Versicherung AG

Report for the Financial Year as of 1 January to 31 December 2023

Registered Office
Gothaer Allee 1
50969 Cologne
Germany

Cologne Local Court, HRB 21433

Table of Contents

Corporate Governing Bodies
Supervisory Board 4
Management 5

Advisory Board 6

Report of Management
Management Report 7

Financial Statements
Balance Sheet as at 31 December 36
Income Statement 40
Notes to the Financial Statements 42

Independent Auditors‘ Report 73

Report of the Supervisory Board 80

Company Locations 83

NB: For better legibility, we have at times refrained from using gender-neutral language. All personal references are non-gender-specific.

Supervisory Board

Prof. Dr. Werner Görg Chairman	Lawyer, Tax Consultant
Thorsten Schlack *) Vice Chairman as of 29 March 2023	Employee, Chairman of the Central Works Council of Gothaer Krankenversicherung AG
Peter-Josef Schützeichel *) Vice Chairman up to 29 March 2023	Employee, Chairman of Group Works Council and Central Works Council of Gothaer Allgemeine Versicherung AG
Carl Graf von Hardenberg	Chairman of the Supervisory Board of Hardenberg-Wilthen AG
Dr. Judith Kerschbaumer *)	Trade Union Secretary of ver.di, Lawyer
Dr. Dirk Niedermeyer	Managing Director of NZD Grundbesitzverwaltung GmbH & Co. KG
Dr. Christine Prauschke	Chief Digital Officer, Enpal B.V.
Gesine Rades	Diplom-Kauffrau, Auditor/Tax Consultant Rades partnership
Simone Robens *)	Employee
Edgar Schoenen *)	Employee
Ulrich Heinz Wollschläger	Lawyer
Markus Wulfert *)	Employee, Head of Liability Claims Department

*) Elected by employees

Management

Thomas Bischof Chairman	Chairman of the Board of Management of Gothaer Allgemeine Versicherung AG and member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG
Oliver Brüß	Chief Sales Officer - member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG Gothaer Lebensversicherung AG
Dr. Mathias Bühring-Uhle	Chief Operating Officer - member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG Gothaer Lebensversicherung AG
Harald Epple	Chief Finance Officer - member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG Gothaer Lebensversicherung AG
Michael Kurtenbach Director of Industrial Relations	Chief Human Resources Officer - Chairman of the Board of Management of Gothaer Lebensversicherung AG and member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG (Director of Industrial Relations) Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG
Oliver Schoeller	Chairman of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG and member of the management boards of Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG Gothaer Lebensversicherung AG

Pursuant to section 285 no.10 of the German Commercial Code (HGB), the names of the members of the Supervisory Board and Management must also be disclosed in the Notes to the Financial Statements.

Advisory Board

Quentin Carl Adrian		Tax Consultant, partner of dhpg Wirtschaftsprüfer Rechtsanwälte Steuerberater GmbH & Co. KG
Christina Begale	up to 25. December 2023 †	Consultant
Wilm-Hendric Cronenberg		Managing Partner of Julius Cronenberg o.H.
Werner Dacol		Real Estate Valuer
Dr. Matthias Eickhoff		Member of the Management Board of Amevida SE
Dr. Jörg Friedmann		Lawyer, Law firm Dr. Friedmann & Partner mbB
Dr. Vera Nicola Geisel		Head of Human Resources & Legal of VDI GmbH
Birgit Heinzel		Master craftswoman in ophthalmic optics and auditory acoustics, Managing Director of HEINZEL Sehen + Hören
Knut Kreuch		Lord Mayor of the City of Gotha
Dr. Götz Kröner		Managing Director of Kröner Stärke GmbH
Regina Menger-Krug		Former Managing Director and owner of Sektgut Menger-Krug
Uwe von Padberg		Diplom-Kaufmann, Managing Director of Creditreform Cologne v. Padberg GmbH & Co. KG
Peter Riegelein		Diplom-Kaufmann, Managing Partner of Hans Riegelein + Sohn GmbH & Co. KG
Prof. Dr. Torsten Rohlfs		Technical University Köln, Institute of Insurance Studies (ivw Cologne)
Martin Schäfer		Managing Partner of Wirth Fulda GmbH
Jürgen Scheel		Chairman of the Management Board of Kieler Rückversicherungsverein a. G., (Retd.)
Astrid Schulte		Managing Director of Beate Heraeus Foundation as of 1 July 2023
Dr. Katrin Vernau		Administrative Director at WDR Westdeutscher Rundfunk Cologne as of 1 September 2023
Sabine Walser		Employee of private university funding of Goethe University Frankfurt as of 19 May 2023
Stefan Zant		Executive Vice President Growth & Portfolio of Sportradar Group AG as of 1 March 2023

Management Report

Gothaer and Barmenia merger

The conditions for corporate success have changed in both the insurance market and the competitive environment. Size and diversification of product range are increasingly important. Against this background, the Gothaer Group and the Barmenia Group are convinced that they can become stronger and better together.

The different strengths of the Gothaer Group and the Barmenia Group complement one other perfectly. A merger makes it possible for new markets to be accessed, sales power to be bundled and reach to be extended. It also permits even better protection against volatility through diversification. These advantages will be harnessed by a high-quality product range for the private and corporate client business segments and the "Gothaer" and "Barmenia" brands will remain visible in the market.

The merger will place the new alliance among the top ten insurance groups in Germany. At the same time, it will boost investment potential and risk-bearing capacity. Gothaer and Barmenia have a very similar culture. As mutual insurance companies with a long tradition, they share values such as sustainability, humanity and strong cooperation. The merger will also make them more attractive employers.

The planned merger will be on an equal footing, a joint solution for two equal partners. The intention to execute a possible merger was confirmed in December 2023 by a letter of intent. The results of the due diligence are currently being evaluated and the preliminary work necessary for the various regulatory approval procedures is being carried out.

Until the merger has been successfully concluded, the two groups will continue to be competitors. For this reason, the reporting contained in this Management Report, particularly as regards the outlook for 2024, relates exclusively to Gothaer Allgemeine Versicherung AG as it operates at present.

Developments in the property and casualty insurance sector

Trends in 2023

For property and casualty insurance as a whole, the German Insurance Association (GDV) calculates that premium revenues grew by 6.8 % to € 84.5 billion in 2023, driven especially by property insurance. Claims expenses were even more dynamic. Due to inflation and other drivers, claims expenditure during the financial year was 13.8 % higher than in the prior year. Significant upturns were noted here in both property and motor insurance. Because the increase in expenditure was not fully offset by higher premium revenues, the underwriting profit for the sector was only around € 0.60 billion and the combined ratio was just below the break-even point at 99 %.

In property insurance, premium income is expected to grow by 12.8 % to € 28.8 billion, fuelled by upturns in private and non-private property insurance of 13.5 % and able to comprehensive homeowners business; in non-private property insurance it was primarily due to industrial lines. The reasons for the dynamic premium growth lie in the continuing rise of inflation indices, which resulted in insurance sum adjustments. Greater demand for natural hazard cover also contributed to growth. Claims expenditure during the financial year increased by an estimated 17.8 % in 2023.

A particularly sharp increase is anticipated in comprehensive homeowners insurance as a result of the significant rise in inflation. Despite a number of notable natural hazard events, natural hazard claims experience was below average. The burden of major fire losses was moderately above average. For the property insurance sector as a whole, strong premium growth and increased claims expenditure will ultimately result in a small underwriting profit in 2023. The combined ratio is expected to be higher than in the prior year at around 99 %.

Motor insurance is the largest property and casualty insurance class, generating more than 36 % (€ 30.5 billion) of premium income. In 2023, premium growth is expected to reach 4.8 %. With the number of new vehicle registrations still low, portfolio growth provided limited stimulus. Average premium development was also weak. In collision & comprehensive insurance, average premiums are expected to rise by 4.0 % against the prior year, while in partial own damage insurance an upturn of 1.0 % is anticipated. In motor liability insurance, the average premium is expected to increase by 2.0 %. Claims frequency rose, presumably due to an increase in mobility. Furthermore, an above-average year for natural hazard losses is anticipated as a result of hail events. With regard to the average claim, a vigorous upturn is expected, due to high natural hazard losses, high inflation, very dynamic developments in vehicle spare parts prices and shortages of rental cars and repair shop capacities. In 2023, claims expenditure during the financial year is expected to rise significantly by 14.9 %. With the cost ratio unchanged and the run-off ratio somewhat lower, this will result in a high overall underwriting loss of around € 3.3 billion. Accordingly, the combined ratio will be higher than in the prior year, potentially around 111 %.

Outlook 2024

Property and casualty insurance is expected to generate significant premium growth of 7.7 % in 2024. On the one hand, an appreciable slowdown in inflation is anticipated, easing the pressure for premium adjustments in many lines of business. On the other, increased claims costs will not always be offset by the upturns in premiums in 2023, so profit stabilization remains an important factor.

Premium income from private property insurance is expected to grow by 8.5 %. In homeowners insurance, premiums are adjusted annually in line with labour costs and construction prices to ensure that buildings are adequately insured. Premium growth of 10 % is anticipated here. In householders insurance, a premium upturn of 5.0 % is expected due to the adjustment of sums insured. Premium increases of 10.0 % are forecast for non-private property insurance. In the course of the energy transition, sustainability projects will continue to be of major importance. There is no expectation of a sizeable wave of insolvencies that would lead to a downturn in the number of policyholders.

On the premium side, motor insurance business will be shaped by catch-up effects. Rising claims averages and frequencies are likely to continue to have a negative impact on the underwriting result. Customers increasingly respond to premium increases by switching policies or insurers. The high pressure of competition could thus have a dampening effect. However, there is a great deal of transparency on cost increases in motor insurance, so there is pressure to increase profitability. Overall, premium revenues are expected to increase by 10.0 %.

Business developments in 2023

Within the framework of the Gothaer Group strategy Ambition25, we have set ourselves the goal of being one of the five fastest-growing companies in the property and casualty insurance market. To this end, we further improved Gothaer GewerbeProtect (GGP), the comprehensive carefree insurance for businesses. As well as extending the range of application for sustainability and cyber risks, we significantly increased the scope of cover in some cases. We are delighted with the GewerbePilot award for our business liability insurance and also by the fact that GGP has broken through the € 100 million annual net premium barrier this year. The basis for that success is our modern IT platform, which enables us to offer customizable cover with high process efficiency. We also started using the platform this year to market our new customizable accident insurance policies for the private customer segment, which received an excellent rating from Franke und Bornberg. In line with our strategy, we achieved above-average premium growth of 12.0 % to € 2,414.6 million.

The claims situation in the financial year was shaped by various factors. The burden of losses from natural disasters was still high and the situation with regard to major fire losses remained tense. In addition – like the industry as a whole – we registered a larger number of normal damage claims and higher average claims due to inflation. Gross claims expenditure rose accordingly by € 111.5 million to € 1,598.2 million. Nevertheless, the gross loss ratio improved to 67.0 % and the combined ratio – helped by a moderately lower gross cost ratio of 28.3 % – moved down to 95.3 %. The increase in claims expenditure was more than offset by the gratifying growth of premium income. Due to the increased cost of reinsurance cover for natural hazard damage and other risks, the underwriting account showed a profit of just € 2.3 million after reinsurance and adjustment of equalization reserves.

The central banks again raised key interest rates in 2023 – to a total of 4.0 % - to combat inflation. This makes it easier to generate adequate income from investments. However, the net return improved to 2.7 % in the financial year, partly due to price realizations. As a result of the significantly lower underwriting result, income before taxes produced a result of € 57.0 million.

Premium income

Gross premium income from direct written business increased by 10.9 % to € 2,197.0 million. Growth was thus stronger than the market average. The sharpest increases in premium income in the financial year were achieved in fire, comprehensive homeowners and certain types of other insurance, including other property insurance. Our growth strategy continues to be based on a profit-oriented underwriting policy and thus selective writing of new business.

Gross premiums from direct foreign business totalled € 109.4 million (PY: € 90.9 million), € 41.2 million of which (PY: € 35.1 million) was generated by our branch operation in France. Our local presence in France is a major prerequisite for the development of renewable energy business.

At year-end, policies in force comprised 6,354,583 (PY: 6,305,401) direct policies of at least one year's duration.

	Gross premiums written € million		In % of gross premiums written		Number of insurance policies in force	
	2023	2022	2023	2022	2023	2022
Accident	136.2	136.6	6.2	6.9	631,038	642,389
Liability	425.8	397.3	19.4	20.1	1,575,979	1,600,648
Motor liability	259.6	243.5	11.8	12.3	886,057	862,110
Other motor	178.8	166.3	8.1	8.4	703,430	679,698
Fire	142.3	120.0	6.5	6.1	106,777	106,390
Comprehensive householders	84.8	84.0	3.9	4.2	642,495	666,684
Comprehensive homeowners	304.1	249.7	13.8	12.6	409,081	397,080
Other property	390.6	342.7	17.8	17.3	702,860	676,987
Marine and aviation	91.5	77.0	4.2	3.9	30,830	29,791
Other insurance	183.4	163.9	8.3	8.3	666,036	643,624
Direct written business	2,197.0	1,981.0	100.0	100.0	6,354,583	6,305,401

Claims

On the claims side, 2023 was particularly marked by hail and severe precipitation events in the summer, Storm Zoltan shortly before Christmas and the flooding that occurred around Christmas. Even though the number of natural damage claims was significantly lower than in the prior year, the volume of claims expenditure for natural hazard losses was higher. In fire insurance, the major loss situation remains tense. Claims expenditure for newly reported major fire losses was moderately lower than in the prior year but the level remained high in 2023 at € 212 million.

In addi-tion, we noted a larger number of claims for normal losses – losses that are not classified as natural hazard losses or major losses – as well as higher average claims due to inflation. Motor insurance was one of the classes affected by these developments.

As a consequence, the number of claims reported fell from 338,266 to 336,954. At the same time, gross claims expenditure in direct written insurance business increased by € 80.7 million to € 1,469.9 million. The gross loss ratio in direct written business fell from 70.6 % in the prior year to 67.6 %. The loss reserve ratio – the ratio of provisions for outstanding claims to gross earned premiums – stood at 135.5 % (PY: 150.8 %).

	Gross claims expenses € million		In % of Gross premiums earned		Number of claims reported	
	2023	2022	2023	2022	2023	2022
Accident	71.2	58.8	52.2	43.0	14,602	14,404
Liability	156.1	189.6	36.7	47.9	63,959	65,782
Motor liability	193.6	168.5	74.7	69.2	43,353	40,030
Other motor	188.7	153.6	105.6	92.3	69,813	64,019
Fire	108.1	95.8	76.7	80.6	2,049	1,825
Comprehensive householders	35.8	31.3	42.5	37.2	22,546	23,282
Comprehensive homeowners	239.4	265.5	81.6	108.5	54,710	66,341
Other property	332.1	234.6	85.8	69.3	26,586	26,789
Marine and aviation	57.3	64.5	63.1	84.7	5,045	5,371
Other insurance	87.5	127.0	49.2	78.5	34,291	30,423
Direct written business	1,469.9	1,389.2	67.6	70.6	336,954	338,266

Underwriting expenses

Gross underwriting expenses in direct written business increased by € 49.7 million to € 617.9 million. Total underwriting expenses included € 358.8 million (PY: € 318.3 million) in acquisition costs and € 259.1 million (PY: € 250.0 million) in insurance policy management costs. Acquisition costs rose as a result of good production figures. In relation to gross earned premiums, the gross cost ratio in direct written insurance business ended moderately lower than in the prior year at 28.4 % (PY: 28.9 %).

Reinsurance business assumed

Gross written premiums from reinsurance business assumed totalled € 217.6 million (PY: € 175.5 million) and gross earned premiums amounted to € 210.6 million (PY: € 173.6 million). The upturn was essentially due to business with Gothaer Group companies.

Claims expenses also increased significantly to € 128.3 million (PY: € 97.6 million); underwriting expenses rose by € 7.6 million to € 56.1 million.

Unlike in the prior year, an amount of € 2.2 million needed to be allocated to the equalization reserve (PY: € 4.7 million withdrawal) across all lines of insurance. After deduction of reinsurers' shares, net underwriting profit thus totalled € 14.6 million

Reinsurance business ceded

We transfer risks to reinsurers in order to hedge our own positions. The structure of some of the contracts on which this transfer is based were adjusted in the financial year to take account of changes in risk positions due to inflation. As a result, the retention rates in property insurance rose. In addition to increases in the cost of individual contracts based on experience, the price of non-proportional insurance to protect against natural hazards rose again by a significant margin.

Premium shares totalling € 444.3 million (PY: € 401.4 million) were transferred to reinsurers in the financial year. This resulted in a retention rate of 81.6 % (PY: 81.4 %). At € 221.1 million, we ceded a significantly lower proportion of gross claims to reinsurers in the year under review. The prior-year figure – € 309.7 million – was comparatively high due to settlement relating to the highly reinsured flood event "Bernd". Reinsurance commissions, at € 96.8 million, remained almost at the prior-year level (€ 99.3 million). Overall, the reinsurance result was € 109.4 million in reinsurers' favour. In the prior year, the balance was € 10.7 million in our favour, largely due to relief relating to the "Bernd" loss event. This positive reinsurance result from the perspective of our reinsurers reflects the aforementioned increase in the cost of reinsurance cover for natural hazards and the fact that the main non-proportional reinsurance contracts were loss-free.

Underwriting result

Before adjustment of equalization reserves, the underwriting result net of reinsurance showed a loss in the year under review, standing at € -34.2 million in direct written insurance business (PY: € 15.4 million) and € -17.5 million in business overall (PY: € 29.5 million).

After adjustment of equalization reserves, the underwriting result improved to yield a profit of € 2.3 million (PY: € 42.9 million). In direct written business, a sum of € 21.9 million on balance needed to be withdrawn from equalization reserves in the year under review. While allocations due to claims shortfalls were made particularly in liability and transport insurance, withdrawals were mainly required in motor and other property insurance lines.

				€ million
	Change in equalization reserves		Underwriting result net of reinsurance	
	2023	2022	2023	2022
Accident	0.7	-3.3	16.3	36.1
Liability	7.0	2.3	93.9	46.3
Motor liability	-5.7	2.7	12.7	24.4
Other motor	-14.4	-10.3	-37.5	-12.1
Fire	4.2	8.4	-14.1	-24.9
Comprehensive householders	0.0	0.0	15.9	22.0
Comprehensive homeowners	0.2	-12.0	-46.2	-46.9
Other property	-22.4	11.9	-53.1	10.6
Marine and aviation	8.5	-6.8	-6.5	-7.2
Other insurance	0.0	-1.6	6.3	-24.2
Direct written business	**-21.9**	**-8.7**	**-12.3**	**24.1**

Investments

Gothaer Allgemeine Versicherung AG pursues an investment strategy that is primarily geared to generating a robust, sustained net return in a competitive environment while taking account of regulatory requirements that need to be met by investment earnings, liquidity, security and quality as well as Solvency II requirements. This is ensured by the systematic use of risk-adjusted and risk-balanced performance management aimed at optimizing the return/risk ratio of the investment portfolio. The Company's current investment strategy and the resulting strategic asset allocation should therefore be seen as the result of a continuous and comprehensive asset liability management process that also, and particularly, takes account of underwriting requirements. In the year under review, Gothaer Allgemeine Versicherung AG remained systematically committed to a long standing investment policy that is largely geared to stable current income. The two priorities of this strategy are to generate attractive returns in the current market environment and to ensure that risks are reduced overall by being spread as broadly as possible over the different types of investment. Investment decisions have also taken account of environmental, social and governance criteria – so-called sustainability criteria.

Global economic developments in the period under review were marked by the ongoing tightening of monetary policy in the US and Europe, falling inflation rates on both sides of the Atlantic and relatively weak economic stimuli from China. In the eurozone, the European Central Bank (ECB) raised key interest rates six times through to September 2023, boosting its deposit interest rate by a total of two percentage points to 4.0 %. The decision against further tightening in the final quarter was justified by the significant decline in inflationary pressure but was also motivated by the increased risk of recession. The braking effect of monetary policy was also unmistakable in the global context: global economic growth slowed to 3.1 % in 2023 (PY: 3.5 %). In Germany, economic output actually contracted by 0.3 %, falling short of the German Council of Economic Experts' forecast (-0.2 %) by a narrow margin.

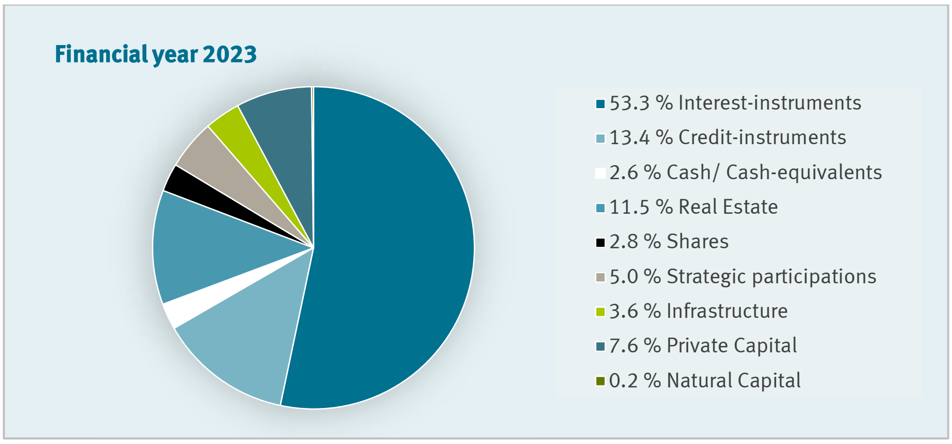
For long periods during the period under review, capital, interest rate and credit markets were under pressure from transatlantic monetary policy. The Fed and the ECB both emphasized the upside risks of inflation and their intention to keep key interest rates at a high level for a prolonged period ("higher for longer"). The tide did not turn until the fourth quarter of the year, when, for the first time, the Fed held out the prospect of interest rates being eased back for 2024. In November and December, the markets made up the losses that had accumulated in the previous ten months and gave investors a distinctly positive performance for the year.

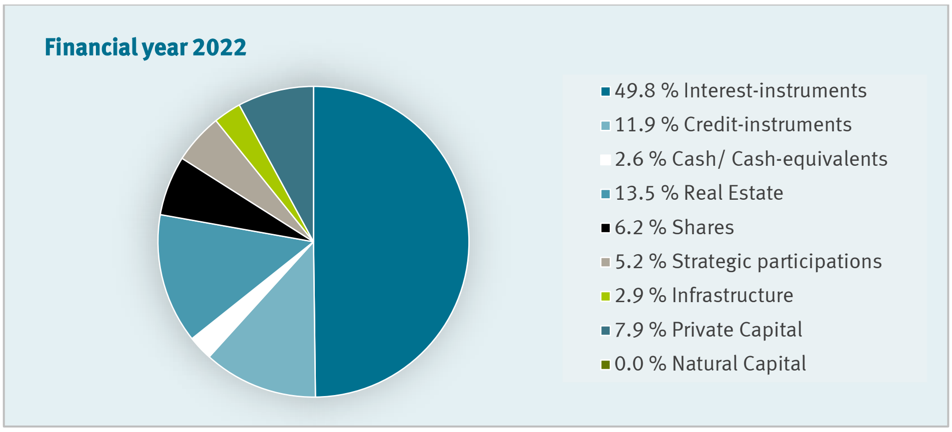
Yields on German government bonds traced a volatile upward curve from January onwards. Accordingly, German federal bonds (Bundesanleihen) achieved a positive total yield of +5.6 % over the year. The performance of US government bonds was largely in line with German government bonds. At +7.2 %, total yield on the US market was slightly higher than on the German bond market. The yield differential between ten-year US and German government bonds widened from 143 basis points to 185 basis points over the course of the year. Given the difficult interest rate environment, 2023 also proved to be a surprisingly good year for equity investors. While the annual performance of the S&P500 Total Return Index in USD stood at 26.3 %, the total return of European dividend stocks (EuroStoxx50 Total Return Index) was up by 22.2 % and the German Dax Performance Index by 20.3 %.

The book value of the Gothaer Allgemeine Versicherung AG investment portfolio increased by around € 15.2 million to € 3,813.1 million in the year under review (PY: € 3,797.9 million). Hidden liabilities resulted largely from the sustained high level of interest rates and decreased to € 295.1 million (PY: € 366.0 million). This development was essentially driven by the pension fund portfolio and interest rate instruments.

Composition of investments

At balance sheet date, the composition of the investment portfolio of Gothaer Allgemeine Versicherung AG on the basis of market values and after review of the fund portfolio was as follows:





There was no significant change in the asset allocation of the Company in the past year. Along with shifts due to changes in market value, there was a partial cutback in equity investment. In addition, 2023 saw the first calls made in the natural capital asset class. The percentage of investments held in the fund portfolio increased to 64.4 % by book value (PY: 61.7 %). Duration was reduced over the course of the year from 6.3 to 5.4.

Investment income increased significantly to € 102.0 million (PY: € 78.5 million). With the investment portfolio showing moderate growth at the same time, this made for a higher net return of 2.7 %. Extraordinary income, at € 10.2 million, was positive against the prior year (PY: € -5.3 million), largely as a result of capital gains realized in real estate.

Net income for the year

Including other income and expenses, income before taxes totalled € 57.0 million, as against € 78.1 million in the prior year. After taxes, the entire profit of € 56.2 million (PY: € 76.4 million) was transferred as a tax allocation and profit transfer to our parent company, Gothaer Finanzholding AG, Cologne, under the existing profit transfer and tax allocation agreement.

Shareholders' equity

At € 359.4 million, shareholders' equity in the Company was unchanged at the end of 2023. The equity ratio – defined here as the ratio of equity to premiums earned net of reinsurance – thus reached 18.4 % (PY: 20.7 %).

Comparison of business developments in 2023 with the forecast made in 2022

Premium income was substantially higher than anticipated in 2023. Direct written business with corporate clients registered particularly dynamic growth beyond projections. The private client business assumed also registered growth significantly beyond projections.

On the claims side, the projected economic impacts of major losses and claims inflation were greater than anticipated in 2023. The appreciable increase in loss ratios had an unprojected impact on the gross underwriting result, which was significantly lower than projected as a result.

Operating costs were moderately higher than the projected figure as a result of investment in strategic gearing. Owing to strong premium growth, the operating cost ratio edged below the projected level.

The cost of reinsurance was significantly higher than projected in 2023. This was largely due to changes in reinsurance conditions, which were modified as a result of the higher claims expenditure arising from natural events in recent years.

Owing to the level of claims, a significant withdrawal from equalization reserves was made instead of the projected allocation to equalization reserves. Investment income was significantly above the projected level. Overall, income before taxes was moderately higher than anticipated.

Insurance lines and coverages

- **Health insurance**[2)]

- **Accident insurance**
  Personal accident, group accident, clinical trials, motor accident, accident insurance with premium return, other general accident insurance

- **Liability insurance**
  Personal, employers' and professional malpractice, environmental, property damage, carriers liability, radiation and nuclear plant, fire, marine, inland and river shipping[1)], other liability insurance

- **Motor insurance**
  Motor liability, other motor insurance (collision and comprehensive, and partial own damage coverage)

- **Aviation insurance**[2)]

- **Legal expenses insurance**[2)]

- **Fire insurance**
  Fire industrial, agricultural and other fire insurance

- **Comprehensive householders insurance**

- **Comprehensive homeowners insurance**

- **Transport Insurance**
  Hull, goods in transit, valuables (commercial)[1)], war risk[1)], other transport insurance[1)]

- **Credit and surety insurance**
  Surety[1)], delcredere insurance[1)]

- **Motorist assistance insurance**
  Motor travel service[1)]

- **Aviation and spacecraft liability insurance**[2)]

- **Other property insurance**
  Burglary and robbery, water damage, glass, storm, engineering insurance (machinery, electronic, erection all risks, contractor's all risks[1)] and other engineering insurance), stock in transit[1)], insurance of extended coverage for fire and fire business interruption insurance (EC), business interruption insurance (fire business interruption, engineering and other business interruption insurance)

- Other non-life insurance
  Other property damage insurance, other financial loss, other combined insurance, fidelity insurance[1)]

[1)] only direct written insurance business
[2)] only reinsurance business assumed

Membership in associations and similar organizations

The Company is a member of the following associations:

- Gesamtverband der Deutschen Versicherungswirtschaft e. V., Berlin
- Arbeitgeberverband der Versicherungsunternehmen, Munich
- Der Versicherungsombudsmann e. V., Berlin
- Verein Hanseatischer Transportversicherer e. V., Hamburg and Bremen
- Verkehrsopferhilfe e. V., Hamburg

We also belong to the following European associations:

- Fédération Française de l'Assurance (FFA), Paris
- France Énergie Éolienne, Paris
- L'Office franco-allemand pour la transition énergétique (OFATE)
- Verband der Versicherungsunternehmen Österreichs VVO, Wien

Employees

Qualified, motivated employees are crucially important for the Company. Their skills, their dedication and their outstanding commitment are the basis for our success. In view of digitalization and the challenges of the market, capacity for change is increasingly important, both for the organization as a whole and for each individual employee.

The Gothaer Group strategy Ambition25 clearly defines cornerstones and core objectives, establishing a basic frame of reference for HR action. The goals set out in the Team Capacity for Change strategy module are a particular focus. They comprise the following lines of action:

- New Work
- Agile Organization
- Mindset and Diversity
- Skill Portfolio and Personal Development
- Attractive Employer

Mobile and flexible working, the promotion of innovativeness and transformational leadership are hugely important for the organization's capacity for change. We meet the challenges of mobile and flexible working through home office solutions, modern office concepts and innovative processes and techniques. After the end of the coronavirus pandemic, Gothaer thus succeeded in establishing a viable model for combining office and home office work. The success of these measures is evidenced by the very good outcomes of the 2022 Group Dialogue and the extensive use of mobile working opportunities by employees.

With regard to the capacity for innovation and change required from employees, we invest special efforts in upgrading leadership and change management skills. Cross-departmental networking, embedding agile methods in project management and piloting agile organizational models are also key topics.

Absolute priority is assigned in our HR operations to personnel recruitment, development and retention in line with corporate strategy. This has become even more important in the light of the current labour market situation. Both internal and external employer attractiveness is crucial for the retention and recruitment of employees. The establishment of a consistent employer brand and competitive employment benefits are thus an important focus of HR management. The success of these efforts can be clearly measured: internally via the Group Dialogue, which shows a very high – and rising – willingness to recommend Gothaer as an employer, externally by its successful recertification as a "Top Employer 2024".

As in the economy as a whole, the challenges of retaining employees are growing in the insurance industry. Although Gothaer – like the industry at large – notes an increasing number of employee departures, Gothaer's personnel turnover rate (based on the latest available market data) remains well below the overall market average, demonstrating the success of the measures taken to retain employees.

Our efforts are also geared at present to making Gothaer demographic-proof, maintaining staff performance and heightening job satisfaction. In addition to commercially viable financial incentives, we here rely on targeted development and training programmes as well as specialist career models such as the project leader career programme. Qualitative and quantitative demographic management, multiple award-winning company health management and affirmative action for the advancement of women are naturally elements of our human resource management.

Gender diversity

As a company subject to parity codetermination, Gothaer Allgemeine Versicherung AG is required under the Act to Supplement and Amend the Regulations for Equal Participation of Women in Management Positions in the Private and Public Sector to set recurrent gender quotas for the Supervisory Board, the Management Board and the first two tiers of management below the Management Board.

The following chart shows the targets and actual status in the financial year 2023 as well as the targets set by the Company for the various groups in 2026. The 2026 targets are set in numbers of persons; the percentages shown are for information only.

				in %
	Target 30.06.2023	Status 30.06.2023	Target 31.12.2026 in persons	Target 31.12.2026
Supervisory Board	33.3	33.3	4 (of 12)	33.3
- Shareholder side	16.7	16.7	2 (of 12)	16.7
- Staff side	16.7	16.7	2 (of 12)	16.7
Management Board/ management	20.0	0.0	2 (of 6)	33.3
Managerial staff				
- Management tier 1	20.0*	31.3*	6 (of 16)	37.5
- Management tier 2	20.0*	20.3*	20 (of 64)	31.3

*) Target/status at 31.12.2023

The target set for the proportion of women on the Supervisory Board of Gothaer Allgemeine Versicherung AG was met. However, the gender diversity target for the Management Board was not achieved. The decision that needed to be made to fill the position of Management Board chair, which fell vacant during the period under review, was made on the basis of best personal and professional qualifications, not gender, and resulted in the selection of the present incumbent. No further appointments needed to be made in the reporting period.

The targets set for the two management tiers below the Management Board were achieved.

To support the achievement of targets, a series of measures were developed and implemented as part of the Ambition25 Group strategy in the areas "attitude", "recruiting", "promotion & development" and "working conditions". They included workshops on unconscious bias, a 50:50 gender quota for internal and external appointments, active sourcing (specifically addressing female talent) and the option of tandem leadership (two people in one management position), in conjunction with onboarding support. In addition, a half-yearly reporting system was set up to monitor progress.

The increase in the proportion of women in management positions will continue to be actively promoted in the future by the continued implementation of time-tested measures and the development of new ones, as well as regular controlling and discussion of developments at the highest Group management level.

The above statements simultaneously constitute the declarations required for compliance with section 289f paragraph 4 of the German Commercial Code (HGB).

Brand

A strong brand is a critical success factor, especially for an insurance company. The decision to buy an intangible asset such as insurance cover is based on the trust associated with the brand. Gothaer is among the ten best-known insurance brands in Germany and remains a relevant and attractive brand even 200 years after its foundation. Our brand image is supported by contemporary advertising communication. The modern target-group-oriented approach, coupled with an efficient integrated mix of digital and classical media as well as other brand communication tools, give Gothaer a contemporary brand presence.

Code of conduct for sales and distribution

Business success for Gothaer depends crucially on the trust that is placed in us by our customers. Those customers, with their needs and expectations, are therefore at the heart of our sales and marketing activities. Insurance agents play an important and responsible role here as a link between customers and the insurance companies.

Since becoming part of the two insurance industry initiatives "GDV-Verhaltenskodex für den Vertrieb von Versicherungsprodukten" and "gut beraten" in 2013, Gothaer has consistently implemented the relevant requirements within the framework of a Compliance Management System. All employees and agents have been informed of the fact. At the same time, Gothaer has implemented the requirements of the Insurance Distribution Directive (IDD), which became mandatory in Germany in February 2018. The GDV Code of Conduct has also been updated for alignment with the new legal framework.

As far as sales and distribution are concerned, the requirements of the GDV Code of Conduct are designed to ensure objective customer information and needs-based counselling in the customer's best interest so that the customer is in a position to make a well-informed decision. Special importance is thus attached to the advisory expertise and further training of agents, in whom Gothaer has traditionally invested heavily.

Non-financial Declaration

We claim exemption on grounds of group membership under section 289b (2) of the German Commercial Code (HGB). To meet the requirements that need to be fulfilled by the non-financial declaration, Gothaer Versicherungsbank VVaG prepares a Declaration of Compliance with the German Sustainability Code (DNK) for the Gothaer Group. This is published in accordance with section 315 (3) of the German Commercial Code (HGB) at https://www.gothaer.de/ueber-uns/nachhaltigkeit/ and together with the consolidated financial statements in the Federal Gazette.

Outlook for 2024

Proviso

The forecasts and estimates contained in this annual report are based on the information available to us in December 2023 and, as stated previously, do not take account of possible impacts on the Company of the Gothaer Group's planned merger with the Barmenia Group. Moreover, the limits of forecasting accuracy that generally prevail are further constrained by the current geopolitical and economic environment. In addition, the outlook described below may be affected by developments in the capital markets, unanticipated major and accumulation losses, changes in the legal or tax environment and changes in the competitive situation of the Company.

Premium income

Our corporate strategy in the coming year will continue to focus on stable and substantial sales performance. We anticipate positive premium growth in 2024, with strong growth projected for direct written business in particular. Inflation is likely to continue to play a central role in property and casualty insurance in the year ahead.

In private property insurance we continue to expect significant growth impulses from comprehensive homeowners insurance. Rising construction work prices will again impact on homeowners insurance in 2024, so premium adjustments are anticipated.

In non-private property insurance, our focus in 2024 continues to be on broad-based growth. A significant upturn in premiums is also expected due to the inflation-driven development of claims. In light of a marked hardening of the market in commercial property and other lines, we anticipate vigorous increases in premium income. Growth impulses are also projected for industrial property insurance.

In motor insurance, significant premium growth is expected in 2024. The increase will mainly be due to premium adjustments prompted by an appreciable rise in claims expenses. The economic recovery that is anticipated should also help bring new vehicle registrations to a normal level.

For reinsurance business assumed, the coming year is expected to bring a significant downturn in premium income.

Claims

Claims expenditure is expected to increase significantly in the wake of higher premium income. The generally growing risk presented by natural disasters is hedged by appropriate reinsurance programmes. Given our portfolio structure, we expect the gross loss ratio in 2024 to be significantly lower than in 2023.

Underwriting expenses

Investment in strategic planning will again contribute to a moderate increase in operating costs in the coming year. However, ongoing vigorous premium growth may improve the chances of a moderately lower operating cost ratio.

Underwriting result

Due to the level of claims forecast, the gross underwriting result will be significantly higher than in the prior year. The gross combined ratio will again fall below the 95 % mark. The cost of reinsurance is expected to rise only moderately in the coming year. We thus project a significantly higher net underwriting result before adjustment of equalization reserves.

Investments

The global economy is initially expected to remain weak in 2024. The risk of a recession in Europe and North America is currently considered to be low but it will not be ruled out until the middle of the year – and then only if monetary policy brings about a transition to lower interest rates. In emerging economies, key interest rate cuts could begin earlier, in the spring, and provide initial positive impetus for the global economy. Nevertheless, global economic growth is expected to slow by 0.4 percentage points in 2024 to +2.7 %. In November, the German Council of Economic Experts forecast moderate GDP growth of 0.7 % for Germany and a sharp fall in average annual inflation to 2.6 %. Consensus expectations are now only +0.2 % for GDP and 2.5 % for inflation.

For bond markets, 2024 is likely to be another year of high uncertainty, with macroeconomic risks shifting from inflation to growth. Market participants' expectations of the onset of monetary easing are not likely to stabilize until early summer. Yields on government bond markets in the US, eurozone and Germany are thus expected to be volatile, resulting in lower yield levels from the second quarter onwards. Yields on ten-year German government bonds are likely to range between 1.7 % and 2.6 %, while yields on ten-year US Treasuries are likely to be between 3.0 % and 4.6 %.

In the coming year, the focus of investment activities will continue to be on selective risk-return optimization of the investment portfolio, so no major changes in asset allocation are projected. Overall, an appreciably lower net return is anticipated in 2024.

Income before taxes

We anticipate a substantial allocation to equalization reserves in the coming year and other non-underwriting income significantly better than in the prior year. Overall, we expect a recessive but distinctly positive net profit for the year.

In light of the projected income, Gothaer Allgemeine Versicherung AG will continue to be able to meet its obligations towards private and commercial clients in the SME and industrial sectors and thus remain a reliable partner in 2024.

Opportunities and risks of future developments

Risk-oriented management concept

The purpose of the risk management system is to identify and limit potential risks at an early stage to create scope for action that can help provide a long-term guarantee of existing and future success potential. To this end, corporate governance across the Group is geared to the "safety first" principle and value-based management. The operational framework in which the companies in the Group accept risks and do business is defined by risk principles approved by the Management. Furthermore, internal and external standards need to be observed relating to risk-bearing capacity. Risk tolerance, i.e. the limit of permissible risk exposure, is defined with the following in mind:

- From a regulatory perspective, minimum standards are in place to ensure that risk capital requirements are met at all times. This applies to both Pillar I (standard model) and Pillar II (company-specific total solvency capital requirement identified in the ORSA process) risk capital requirements.
- From a rating perspective (financial strength rating), we seek to maintain a capital adequacy ratio that, in conjunction with the other rating factors, is sufficient for at least an A-category rating.

Risk management organization

The risk management unit at Gothaer Finanzholding AG has central responsibility for Gothaer risk management. Central guidelines ensure that uniform standards are applied throughout the Group. Group Risk Management also consults regularly with subsidiaries that have their own decentralized risk management systems in order to perform support and monitoring tasks.

Risk management is regarded as a process consisting of five phases:

- risk identification
- risk analysis
- risk assessment
- risk control and management
- risk monitoring

The risk management process focuses on the risks quantified in the Standard Formula, which include market risk, underwriting risk, counterparty default risk and operational risk. However, it also examines other, non-Standard Formula risks such as strategic risk, reputational risk and legal risks, which are identified, reviewed and assessed in the course of risk inventories.

To facilitate the Group-wide identification of risks in risk inventories, risk officers have been designated at the operative units to define duties, responsibilities, deputation arrangements and authority for dealing with risks while ensuring separation of functions. They also assess risks in terms of foreseeable damage and probability of occurrence. Operational risks that are not identified in risk inventories are deemed insignificant. The risk management function (second line of defence) is performed by the central risk controlling unit at Gothaer Finanzholding AG, which is supported in its work by the actuarial departments of the Group companies and the Middle/Back Office of Gothaer Asset Management AG.

Risk management principles, methods, processes and responsibilities are documented in accordance with the Risk Management Guideline.

The risk management process implemented includes an annual systematic inventory of risks, a qualitative and quantitative risk assessment, various risk management measures and risk monitoring by the operative units and risk controlling. An internal monitoring system (IMS) is in place for this purpose. Its aim is to prevent or reveal damage to assets and to ensure proper, reliable business activity and financial reporting. The IMS comprises both organizational security measures such as access authorizations, use of the four-eye principle or proxy arrangements, for example, and process-integrated and cross-company controls. A central compliance function and the actuarial function have also been set up as key functions in compliance with the Solvency II Directive. Regular risk reporting and ad hoc reports on specific developments make for a transparent risk situation and provide pointers for targeted risk management.

Representatives of Gothaer Asset Management AG, the actuarial functions and representatives of other specialist departments sit on the risk committee established at Group level. Its responsibilities include monitoring risks from a Group perspective by means of an indicator-based early warning system and further developing uniform risk assessment and management methods and processes across the Group.

The efficacy of the risk management system, checks and balances and management and monitoring processes is constantly improved. Gothaer organization and procedures meet the requirements of the three Solvency II pillars in full. Compliance with those requirements is regularly monitored and assessed by the Group internal auditing unit. A review of the risk early-warning system is also part of the audit of the annual financial statements performed by our auditors.

Opportunities and risks for the Company

Gothaer Allgemeine Versicherung AG writes insurance for both private and corporate clients, especially motor, liability, accident, property, engineering, transport, D&O and cyber insurance, mostly as direct business but also as indirect business. It thus has a diversified risk portfolio. Major risks are analyzed and rated on the basis of the frequency with which they are expected to occur and the anticipated maximum scale of loss. Major risks are defined as risks that could have an existential or sustained negative impact on the Company's net assets, financial position and earnings. They are analyzed in detail, continuously monitored and actively managed by proactive portfolio management. Risks are controlled and minimized by limit systems, underwriting guidelines, underwriting authorities and the exclusion of specific risks. Regular risk reports are prepared by Risk Management providing executives with assessments of the current risk situation and changes in its makeup as well as supplemental information about any new or newly detected major risks.

One of the biggest issues in the financial year 2023 was inflation, especially in Germany. We constantly analyze the situation in detail and have put together a comprehensive package of measures that works along the entire value chain. This means we are strongly positioned even in the face of this development.

We see opportunities for continued premium growth for the Company in increasingly dynamic fields such as cyber insurance, surety insurance as well as in existing sectors. Increasingly frequent extreme weather events – especially the low-pressure system "Bernd" in July 2021 –continue to push up demand from both corporate and private clients for protection against property risks.

Higher customer satisfaction levels will continue to be achieved in future by effective use of Lean Six Sigma tools and efficiency gains will be seen as a result of improvements to processes. In addition, the increasing use of robotics solutions will facilitate the rapid processing of standardized, repetitive transactions. Various projects for digitizing communication with customers and sales partners have been set up throughout the Group and are being stringently developed further.

Underwriting risks

Assumption of risk lies at the core of our business activities. We assume that underwriting risk will be substantially and enduringly influenced by major natural losses in the future as a result of climate change. We will therefore continue to place greater emphasis on reinsurance for natural events. Furthermore, the risk of natural hazards is countered by making systematic use of ZÜRS, the zoning classification system developed by the GDV to identify exposure to natural hazards, as well as by arranging for each individual underwriting risk to be separately assessed by our risk engineers. This strategy ensures that the Company is well prepared even for extreme natural events, as demonstrated by the way the effects of the "Bernd" flood event were handled in 2021.

To limit premium and loss risk, we regularly monitor operations in the individual lines of insurance, check the individual and overall contribution margins of relationships and verify the adequacy of underwriting provisions. As a result, we are able to adapt our tariffs and underwriting policy swiftly to changes in circumstances. General premium risk is reduced by a standardized product development process, binding acceptance and underwriting guidelines as well as authorization and competency rules. In new business, this means we can adjust prices promptly to a new claims situation. In portfolio business, we can ensure premiums commensurate with risk by working, on the one hand, with contractually agreed premium adjustment and index clauses and, on the other, with individual policy adjustments.

Our tariffs are calculated on the basis of actuarial models. Provisions are established on the basis of HGB standards. The adequacy of both loss reserves and reserve run-off are reviewed on a yearly basis. We are thus able to guarantee the long-term fulfilment of our obligations. To even out fluctuations, we form equalization reserves calculated on the basis of the statutory requirements stipulated for insurers.

To counter the significant overestimation of premium and reserve risk in the Solvency II standard formula, Gothaer Allgemeine Versicherung AG applies undertaking-specific parameters (USP). This significantly reduces premium and reserve risk and thus has a positive effect on the solvency ratio.

In new business, underwriting practice is based on the underwriting guidelines in which our clearly structured, profit-oriented underwriting policy is documented. Furthermore, where claims experience is very poor, existing policies are terminated or restructured on renewal. Compliance with underwriting guidelines is monitored by the use of special controlling instruments. Thanks to a comprehensive controlling system that identifies negative developments as well as deviations from projected figures, we are in a position to counteract undesirable developments promptly. In addition, active claims management and reinsurance are used as instruments of insurance risk management. To guard against major and accumulation losses as well as fluctuations in earnings, we pursue an active reinsurance policy. The effects of natural catastrophes, accumulation losses and major losses are substantially mitigated by the structure of Gothaer Allgemeine Versicherung AG reinsurance. A good credit and company rating are a prime requirement for any reinsurer selected. In order to identify hazards and risks to earning capacity, we also model the impacts of different loss scenarios on our portfolio within the framework of our internal risk model. Apart from this, measures are taken to keep the impacts on the gross side as low as possible. Rates are thus set as far as possible on the basis of actuarial methods. In addition, underwriting policy provides for targeted use of instruments such as deductible models, sublimits and coverage limitation agreements.

In the private client segment, competition is still intense for high-margin products. The situation is characterized by growing market transparency on prices and terms due to online comparison platforms as well as the undiminished major significance of the internet direct insurance model and the consequent high level of attrition rates. Overall, underwriting margins are under increasing pressure. We respond to these market requirements with a profit-oriented policy on prices and conditions. End-to-end portfolio management enables us to monitor the portfolio continuously and to respond with individual measures to improve earnings where policies perform particularly poorly. Furthermore, a new product and pricing strategy was implemented for the private client segment in property, liability and casualty insurance. It permits flexible marketing of up to five product lines depending on the state of the market for the various types of insurance, allowing new target group segments to be developed.

Our corporate client portfolio is well spread across types and classes of insurance products. However, it is naturally more exposed to individual risks and thus appreciably more volatile than the private client portfolio. We thus assign high priority to premiums commensurate with risks and to responsible underwriting. Accordingly, we attach particular importance to ensuring that our underwriters remain highly qualified. To ensure long-term high standards here and steadily improve our performance, we have implemented a professional training and young talent concept for underwriters. Here, too, potential risks are limited by mandatory underwriting guidelines and authorities for each line of insurance. Because of the competitive dynamics of this segment, professional supervision is provided annually by relevant product managers to ensure the relevance and strict observance of underwriting guidelines. In the case of special and particularly large risks, we reduce exposure by involving other insurers as risk partners or concluding risk-specific facultative reinsurance treaties. One factor of our success in the corporate client segment is profit-oriented portfolio management, which also means that we consciously terminate unprofitable risks or insurance portfolios.

Reinsurance

In the renewal of reinsurance contracts for property risks, particularly in lines of business exposed to natural hazards, a considerable slowdown was seen in the price trend compared to the previous two years. Although reinsurers continued to be very reluctant to underwrite contracts with low trigger points and contracts covering high-frequency risks, per-event covers that met providers' expectations could be placed without friction and competition was again seen for layers with very low probabilities of occurrence. It is not yet possible to say with any certainty how much this competition will do to bring down prices again in the future and thus ease the earnings situation, which is currently under pressure from high reinsurance premiums. However, initial commentators on market developments believe that reinsurance conditions have peaked.

In response to the growth of underlying exposures and to market expectations, Gothaer again needed to significantly increase its retentions for natural catastrophe

(NatCat) events. The contract with limited risk transfer that was concluded in 2023 to protect the increased retentions – a contract structured to spread adverse fire and NatCat claims frequency over a multi-year period – was carried forward and supplemented by a further contract responding to the renewed increase in NatCat retentions.

Particularly in light of the hardening of the market seen in the property sector, Gothaer continues to monitor the opportunities and options offered by transferring risk to the capital market. Although the structures and prices of non-traditional reinsurance solutions have moved closer to those of conventional reinsurance, conventional reinsurance is still the more appropriate solution for Gothaer. Should that change, Gothaer would be prepared to restructure accordingly. This would be possible thanks largely to the exchange of expertise with partners that already successfully practise alternative risk transfer in the international insurance network Eurapco.

Owing to the process of renewal that typically takes place within the industry, there is a possible but very unlikely risk of a temporal mismatch between primary insurance and reinsurance protection. This is due to the fact that negotiation of a reinsurance treaty does not normally begin until the primary insurer has already confirmed cover to policyholders for the coming year and/or can no longer cancel it. In the historically unprecedented event of a total collapse of reinsurance capacities, e.g. in the case of a global financial crisis coinciding with the occurrence of an extreme incidence of natural catastrophes, our risk exposure would significantly increase.

As regards the concentration of insurance risks, Gothaer makes a distinction between various scenarios, such as loss events that produce infrequent but large individual claims and events that result in a large number of individual claims (accumulation losses). Accumulation losses can affect several lines of insurance and/or geographical areas. Sufficient reinsurance protection is in place for all scenarios. In addition, potential scenarios are constantly monitored.

Claims

The following chart shows a ten-year summary of the changes in Gothaer Allgemeine Versicherung AG loss ratios and run-off results across all areas of direct domestic business net of reinsurance:

Claims		in %
	Loss ratio after run-off	Run-off results of initial reserves
2014	67.0	10.8
2015	69.1	10.4
2016	67.4	9.7
2017	62.9	12.3
2018	69.5	11.6
2019	64.7	11.2
2020	64.3	8.3
2021	71.3	9.6
2022	68.7	10.7
2023	70.7	8.5

Risks arising from reinsurance assumed

Within the Gothaer Group, Gothaer Allgemeine Versicherung AG acts as a reinsurance provider for small property and casualty insurers. This activity predominantly involves small business and private client lines. Terms are negotiated annually and are in line with current market conditions.

Risks arising from fronting agreements

Gothaer acts as a fronting partner in Germany for selected foreign companies or captives, i.e. it writes risks and reinsures them to the fronting partner in their entirety. If a partner were unable or unwilling to meet its contractual obligations under the reinsurance contract, Gothaer would in some cases face high liabilities because such business is not ceded under obligatory reinsurance contracts. To avoid exposure to incalculable risks, a set of rules has been created, identifying the kind of companies that may be accepted as cooperation partners, the kind of security checks that need be conducted and the maximum liability that Gothaer is allowed to assume for each line of insurance.

Loss of receivables risk

Accounts receivable from policyholders and insurance agents in connection with direct written insurance business totalled € 139.6 million for Gothaer Allgemeine Versicherung AG at balance sheet date. € 62.9 million of the aggregate total of accounts receivable handled by our central collection systems has been due for more than 90 days. The average collection loss (unsuccessful court orders) in the last three years was € 3.1 million, which represented an average of 0.1 % of gross premiums written.

We cede reinsurance only to high-class reinsurers. 98 % of our reinsurance premiums are ceded to reinsurers with a rating of A- or better. Accounts receivable in connection with assumed and ceded reinsurance business totalled € 121.8 million at balance sheet date. The volume of receivables for ceded reinsurance operations showed the following breakdown by rating category:

Rating class	€ million
AA	49.4
A	68.9
BBB	0.6
Not rated	0.4
Total	119.3

As a result of our security policy, loss of receivables in past years has been insignificant.

Investment risks

Risk strategy

The risk strategy for investments derives directly from the business strategy implemented by Gothaer Allgemeine Versicherung AG. At its heart is the guarantee of the Company's risk-bearing capacity for its selected risk tolerance, which needs to be viewed in direct relation to capitalization, equity requirements under Solvency II and the target rating sought. Investment risk strategy is embedded in a risk-adjusted management policy that takes account of potential earnings opportunities against the backdrop of any risks. This presupposes an effective risk management system employing modern controlling systems to meet the requirements introduced under regulatory legislation and ensure that the additional – and in some cases more restrictive – risk limits set by the Company itself are also observed. In the context of diversification and to avoid excessive concentrations of risks, Gothaer Allgemeine Versicherung AG continues to attach great importance to broad diversification within and across the various asset classes.

Risk situation and management

• Market change risk
Investments are exposed to the risk of possible changes in value due to fluctuations in interest rates, share prices or exchange rates in the international financial markets. Management of market price risks is supported by regular stochastic and deterministic model calculations. The investment portfolio is subjected to stress scenarios at regular intervals in order to measure risk potential.

Simulation of changes in market value within a month showed the following at balance sheet date:

Interest rate und spread stress	Modified Duration	Stress factor in %	Change in market value € million
Interest rate instruments	6.9	0.3	-38.6
Credit instruments	3.0	0.8	-11.4
Other debt investments	3.0	0.8	-10.4

Equity stress	Beta faktor	Stress factor in %	Change in market value € million
Equities	1.0	-12.0	-11.9
Infrastructure	0.6	-7.2	-6.3
Strategic participations	1.0	-12.0	-8.8
Private equity	0.8	-9.6	-15.7
Real estate	0.7	-8.4	-17.8
Natural capital	0.8	-9.6	-0.5

The interest rate and spread stress is based on two standard deviations of the changes in historical monthly interest rates and spreads. For fixed-interest securities and alternative debt securities, interest rate sensitivity is measured by modified duration. The spread stress is applied to credit instruments and other debt investments. The equity stress is based on two standard deviations of the historical monthly log returns on Eurostoxx50. For alternative equity positions and natural capital, the stresses are adjusted by applying beta factors.

Exchange rate risk continues to be almost fully hedged by forward exchange contracts.

• Credit risk
Credit risk is the risk of insolvency or late payment; it also includes the risk of a negative change in the creditworthiness of a debtor or issuer. In the interest of risk management, bonds can be acquired only when a qualified and cross-checked assessment of creditworthiness by external agencies or a qualified internal risk assessment

is available. Credit risks are also broadly diversified to avoid concentration risks. As well as supervisory requirements, supplementary, more restrictive internal limits are in place to keep credit and concentration risk within reasonable bounds at individual loan, issuer and portfolio level.

All critical names are constantly monitored in both the Front and Middle Office of Gothaer Asset Management AG. Regular credit analyses are also performed by Front Office to verify the value of investments that come under pressure during the course of the year in the wake of downgrades or market evaluations. Where these analyses show impairment, depreciation is applied on the fair or market value of the individual bonds. Such value adjustments in the financial year were negligible.

Owing to rating changes and additions and disposals during the course of the year, the spread of ratings in the fixed-interest portfolio changed as follows:

Rating class		**in %**
	2023	**2022**
AAA	25.3	26.3
AA+	6.3	6.5
AA	5.6	10.4
AA-	8.1	8.5
A+	5.4	2.6
A	6.6	7.7
A-	10.4	8.0
BBB+	8.9	10.6
BBB	8.6	7.8
BBB-	5.6	5.0
Speculative Grade (BB+ to D)	2.5	1.7
Not rated	6.7	4.9

- **Liquidity risk**

Liquidity risk is the risk of being unable to secure sufficient funds to meet payment obligations or only being able to secure such funds at high cost.

With the help of our liquidity risk management concept, regular analyses of liquidity sources and cover ratios can be performed and, in particular, liquidity stress tests carried out. In addition, a viable liquidity planning and management system is a prime requirement for effective investment management. Group-wide liquidity planning, which encompasses both investment and underwriting, ensures precise day-by-day projection of cash balances. When payment peaks are indicated, control measures can be taken at an early stage. Moreover, capital available for investment can be promptly identified.

In the course of ALM analysis, underwriting commitment flows and the liquidity flows of investment planning are compared in a medium- and long-range projection. No liquidity bottlenecks are foreseen in any of the years considered.

In the past year, no material losses had to be realised despite a tense liquidity situation in the interim.

Operational and other risks

IT risks

In order to maintain business operations it has become necessary to digitalize business processes and upgrade existing IT infrastructures. The growing professionalization of cybercrime – a phenomenon that has been observed for a number of years – has thus become increasingly focused on these new circumstances in an attempt to identify and exploit any organizational or technological vulnerabilities that may have arisen. The outbreak of the war in Ukraine has also led to a renewed intensification of the cyber threat situation worldwide. In response to these circumstances and to the increasing regulatory requirements that need to be met by insurance companies, Gothaer has reviewed the effectiveness of existing information and IT security measures and strengthened its overall cyber resilience. The resulting IT risks are thus a key aspect of Group-wide risk management.

Under the certified information security management system (ISMS), the Gothaer Group continuously assesses its threat situation and the effectiveness of existing protections. The focus here is on maintaining business processes by risk-oriented protection of the confidentiality, integrity, availability and authenticity of the information assets involved. New protective measures are aligned with recognized standards, the state of the art and regulatory requirements in order to continuously improve the level of security. In addition, business processes critical to the Company, including the resources required for them, are safeguarded by further IT emergency management and Business Continuity Management (BCM) measures.

In this way, Gothaer broadly ensures compliance with the "Insurance Supervisory Requirements for IT" of the German Federal Financial Supervisory Authority and other statutory requirements. We also fundamentally guarantee compliance with the provisions of the General Data Protection Regulation (GDPR), the German Federal Data Protection Act (Bundesdatenschutzgesetz) and the code of conduct ("Verhaltensregeln für den Umgang mit personenbezogenen Daten durch die deutsche Versicherungswirtschaft") agreed by representatives of data protection agencies, consumer watchdog Verbraucherzentrale Bundesverband e.V. and the insurance industry to raise data protection standards.

The ongoing adequacy and effectiveness of the ISMS are additionally ensured by regular and ad hoc internal and external reviews. Reporting on risk management, security levels and significant events makes it possible for risk-minimizing measures to be managed in accordance with regulatory requirements. Furthermore, certification to ISO/IEC 27001 is in place and verified annually by TÜV Nord.

HR risks

The management of HR risks (scarcity, departure, motivation, adaptation and loyalty risks) and the identification and utilization of opportunities are major constituents of Gothaer HR management. Key points of reference are the Ambition25 Group strategy including the strategy module "Team Capacity for Change", change processes within the Group, the economic situation and external factors such as market developments, digitalization and changes in population demographics.

The HR topics of primary importance at present are as follows:

- acquisition and retention of employees
- ensuring the health and safety of employees
- securing the skills critical for Gothaer's future
- strengthening capacity for change across the Gothaer Group.

Gothaer HR management has a comprehensive set of analytical instruments at its disposal for measuring, assessing and managing risks. The data and analyses thus generated are important HR tools. At the same time, the managements of the specialist departments are important players in HR risk management. The HR department therefore supports them in this role by providing data (e.g. in the form of cockpits) and by conducting joint analyses and activities (e.g. quantitative and qualitative analyses for demographic risk management).

A very close eye is kept on the adjustment risks connected with the implementation of the Group strategy and changes in the Group companies. Monitoring tools here include the Group Dialogue – last conducted in 2022 – and, where applicable, follow-up surveys on the Group Dialogue. This permits a differentiated analysis of the views of employees and management on matters such as strategy, customer orientation, leadership, cooperation and sustainable commitment.

Scarcity risks in the acquisition of external know-how carriers are primarily addressed by appropriate HR marketing tools. At the same time, an attempt is made to counter the risks by means of internal development programmes. Analysis of candidate management data and verification of Gothaer's attractiveness as an employer are also important instruments for managing scarcity risks. In 2021, Gothaer also commissioned external market research into Gothaer's attractiveness as an employer in the external applicant market. This formed an important basis for the launch of Gothaer's enhanced employer brand, which has already received endorsement in the form of significantly improved key indicators, such as use of the careers website.

Demographic change management is particularly relevant. This is because demographic change not only pushes up the number of employees leaving Gothaer because of their age but also reduces the number of qualified applicants available in the external labour market. It thus fundamentally increases scarcity and departure risks – even more so in the Cologne local market (location of Group headquarters), with its dense cluster of insurance companies competing for human resources. Gothaer long ago identified these risks both internally (e.g. by calculating scenarios) and externally (e.g. by taking part in employer rankings) and thus possesses an extensive risk management database. Gothaer's enhanced employer marketing activities as well as projects such as "Frauen in Führung" (Women in Leadership) help successfully counter the risks described above.

Regulatory compliance of financial statements

Accounting controls have been set up and other organizational arrangements made to guarantee the regulatory compliance of annual and consolidated financial statements. Among the organizational arrangements, special mention should be made of our accounting principles, clear assignment of responsibilities for accounting systems and data interfaces, detailed time scheduling and monitoring as well as regular backing-up of data bases. General observance of the four-eye principle, clear regulation and verification of authority as well as clear assignment of responsibility for bookkeeping systems are key elements of the internal monitoring system. The units involved in the reporting process continue to be integrated in the Gothaer Group risk management system. Verification of these elements is performed by the Internal Auditing unit. By conducting legal monitoring and running constant staff development and training programmes, we also respond to challenges arising from changes in accounting rules. These currently include the impending changes to the rules on non-financial reporting contained in the Corporate Sustainability Reporting Directive (CSRD).

Legal risks

The flood of regulatory activities by legislators, largely driven by Brussels, continued undiminished in 2023. The financial services sector is particularly affected by this in many different ways. What is more, there is no sign of the trend slowing down; in fact, the opposite is likely to be the case in the future. Against this backdrop, comprehensive, targeted legal monitoring focused on significant legal risks is becoming increasingly important for insurance companies.

The application and implementation of the Supply Chain Due Diligence Act (LkSG) in Germany, which has been in force since the beginning of 2023, ties up resources. Given that diverse detailed legal aspects have yet to be fully clarified, this topic will continue to pose a challenge for obligated companies in the coming years. Insurers in particular are regarded as suppliers within the meaning of the legislation both by their commercial customers and by larger agents and thus face a steadily growing number of requests to submit contractually to highly heterogeneous codes of conduct.

With regard to the "Schrems II" decision (ECJ judgment) and the widespread turbulence it has caused, particularly over its implications for data protection law, the European Commission's adequacy decision on the EU-US Data Privacy Framework previously agreed between the EU and the USA provides at least temporary reassurance.

Other major future issues, for which considerable regulatory activities are already underway, will also be a focus in the coming years: the use of artificial intelligence, data and information security, corporate communication and sustainability activity reporting.

Money laundering

Internal guidelines and safeguards are in place to prevent life insurance, refund-of-premium accident insurance or loans with insurance companies being used to launder money or finance terrorism. For mortgage loans in the portfolio, run-off is handled centrally. No new mortgage loans are granted. The internal guidelines and safeguards are also used – alongside a wide range of work instructions – to minimize risks.

Business Continuity Management

Gothaer has a functioning business continuity management (BCM) system that constantly evolves and adapts to the current risk situation. To this end, sustainability risks have been assessed and new crisis scenarios such as cyber attacks, sustained pandemic situations and severe precipitation scenarios have been taken into account. Thanks to the development of targeted crisis management plans, Gothaer's operational ability to conduct business is guaranteed and employees are protected. The structures and processes in place are constantly refined.

Summary of the risk situation

Gothaer Allgemeine Versicherung AG is both very well capitalized and highly diversified in terms of products and business segments. In conjunction with good market positioning, disciplined business practices and a sufficiently conservative risk policy, this ensures adequate risk-bearing capacity.

The main risk identified for Gothaer Allgemeine Versicherung AG comes from natural catastrophes. We hedge that risk through selective reinsurance agreements.

Risk controlling is performed by quantitative and qualitative analysis. The control mechanisms, instruments and analytical processes described above ensure effective risk management. The result is a risk profile that is accurate and stable over time. This assessment is supported inter alia by the following:

Gothaer Allgemeine Versicherung AG fulfils the regulatory solvency requirements set out in the German Insurance Supervision Act (VAG). The Company's available capital exceeds the solvency requirements. A detailed description of those requirements and the way they are met by Gothaer Allgemeine Versicherung AG is found in the Solvency and Financial Condition Report (SFCR), which is also published on the Gothaer website (www.gothaer.de).

In 2023, Standard & Poor’s confirmed the A rating with stable outlook of Gothaer Allgemeine Versicherung AG. In addition to the high resilience of the Group and good capitalization, the rating agency highlighted the Company's strong competitive position, especially in the small and medium-sized enterprise segment, as well as its diversified product portfolio and broad distribution channel network.

At the time the financial statements were prepared, nothing was seen in the risk situation of Gothaer Allgemeine Versicherung AG that might jeopardize the fulfilment of commitments assumed under insurance contracts.

Balance Sheet as at 31 December 2023

Assets

				€ thousand
			2023	2022
A. Intangible assets				
I. Acquired concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets		110,500		55,337
II. Payments in advance		24,379		60,832
			134,879	116,168
B. Investments				
I. Investments in affiliated companies and associates				
1. Shares in affiliated companies	52,307			66,028
2. Loans to affiliated companies	100,000			100,000
3. Investments in associated companies	188,098			195,654
4. Loans to associated companies	121			19
		340,526		361,700
II. Other investments				
1. Shares, investments in unit trust and funds and other non-fixed-interest securities	2,561,827			2,513,545
2. Bearer bonds and other fixed-interest securities	544,335			572,398
3. Mortgages, liens on real property and annuities	374			420
4. Other loans	284,956			298,090
5. Bank deposits	46,550			22,350
6. Miscellaneous investments	2			2
		3,438,044		3,406,805
III. Deposits made in connection with reinsurance business assumed		34,496		29,352
of which from affiliated companies: €34,294 thousand (PY: €29,184 thousand)				
			3,813,066	3,797,857

				€ thousand
			2023	2022
C. Accounts receivable				
I. Accounts receivable in connection with direct insurance business from:				
1. Policyholders	37,227			33,047
2. Insurance agents	102,395			80,843
		139,621		113,890
II. Accounts receivable in connection with reinsurance business		121,758		85,080
of which from affiliated companies: €1,199 thousand (PY: €1,401 thousand)				
of which from associated companies: €1,189 thousand (PY: €0 thousand)				
III. Other accounts receivable		50,183		47,049
of which from affiliated companies: €7,948 thousand (PY: €9,731 thousand)				
of which from associated companies: €440 thousand (PY: €965 thousand)				
			311,562	246,019
D. Other assets				
I. Tangible assets and inventories		6,052		5,502
II. Current credit balances with banks, checks and cash on hand		24,535		24,570
III. Miscellaneous assets		1,039		930
			31,627	31,002
E. Prepaid expenses				
I. Prepaid interest and rent		11,753		12,464
II. Other prepaid expenses		408		523
			12,161	12,987
F. Excess of plan assets over pension liability			298	2,395
Total assets			4,303,593	4,206,428

Shareholders‘ equity and liabilities

					€ thousand
		2023			2022
A. Shareholders’ equity					
I. Called-in capital					
Subscribed capital	153,388				153,388
Less outstanding contributions not called in	10,226				10,226
		143,162			143,162
II. Capital reserve		216,256			216,256
III. Revenue reserve					
Statutory reserve		5			5
			359,423		359,423
B. Subordinate liabilities			250,000		250,000
C. Underwriting reserves					
I. Unearned premiums					
1. Gross amount	318,097				287,909
2. less: amounts ceded	31,960				22,650
		286,137			265,258
II. Aggregate policy reserve					
Gross amount		25,457			28,800
III. Reserve for outstanding claims					
1. Gross amount	3,161,025				3,172,191
2. less: amounts ceded	581,632				681,858
		2,579,393			2,490,333
IV. Reserve for performance-related and non-performance-related premium refunds					
1. Gross amount	4,336				4,051
2. less: amounts ceded	117				115
		4,219			3,936
V. Equalization reserves and similar reserves		343,300			363,042
VI. Other underwriting reserves					
1. Gross amount	7,025				8,667
2. less: amounts ceded	-5,919				-9,296
		12,944			17,963
			3,251,452		3,169,331

				€ thousand
			2023	2022
D. Other accruals				
I. Accruals for pensions and similar obligations		550		539
II. Accruals for taxes		2,500		3,350
III. Miscellaneous accruals		27,290		28,759
			30.340	32,648
E. Deposits held in connection with reinsurance business ceded			42,506	44,476
F. Other liabilities				
I. Accounts payable in connection with direct insurance business to				
1. Policyholders	107,914			101,204
2. Insurance agents	54,717			43,603
		162,631		144,807
II. Accounts payable in connection with reinsurance business		68,892		53,094
of which to affiliated companies: €4,695 thousand (PY: €3,728 thousand)				
III. Miscellaneous liabilities		138,349		152,648
of which: for taxes: €23,342 thousand (PY: €20,480 thousand) toward affiliated companies: €90,271 thousand (PY: €105,246 thousand) toward associated companies: €737 thousand (PY: €2,339 thousand)				
			369,871	350,549
Total shareholders' equity and liabilities			**4,303,593**	**4,206,428**

I hereby confirm that the aggregate policy reserve for accident insurance with premium return shown under Shareholders' Equity and Liability line item C.II. and the annuity reserve for claims under Shareholders' Equity and Liability line item C.III. on the balance sheet were calculated in compliance with sections 341f and 341g of the German Commercial Code (HGB) and the statutory instrument issued pursuant to section 88 (3) of the German Insurance Supervision Act (VAG); in the case of older accident insurance policies with premium return within the meaning of section 336 VAG, the aggregate policy reserve was calculated on the basis of the authorized current business plan.

Cologne, 4 March 2024

Dr. Land
Appointed actuary

I hereby certify pursuant to section 128 (5) VAG that the assets recorded in the list of assets have been invested in compliance with legal and regulatory requirements and are kept in proper custody.

Cologne, 4 March 2024

zur Mühlen
Trustee

Income Statement
for the Year ended 31 December 2023

				€ thousand
			2023	2022
I. Underwriting account				
1. Earned premiums net of reinsurance				
a) Gross premiums written	2,414,613			2,156,515
b) Reinsurance premiums ceded	444,274			401,381
		1,970,339		1,755,134
c) Change in gross unearned premiums	-30,188			-16,563
d) Change in gross unearned premiums ceded	-9,309			296
		-20,879		-16,859
			1,949,460	1,738,275
2. Technical interest net of reinsurance			1,867	2,021
3. Other underwriting income net of reinsurance			2,499	1,147
4. Claims expenses net of reinsurance				
a) Claims paid				
aa) Gross amount	1,616,135			1,473,153
bb) Amount ceded	321,809			379,667
		1,294,327		1,093,486
b) Change in reserve for outstanding claims				
aa) Gross amount	-17,889			13,625
bb) Amount ceded	-100,742			-69,936
		82,853		83,561
			1,377,180	1,177,047
5. Change in other net underwriting reserves				
a) Net aggregate policy reserve		3,342		3,468
b) Other net underwriting reserves		5,018		-1,327
			8,361	2,141
6. Expenses for performance-related and non-performance-related premium refunds net of reinsurance			3,361	2,355
7. Underwriting expenses net of reinsurance				
a) Gross underwriting expenses		674,047		616,796
b) less: commissions and profit sharing received on reinsurance business ceded		96,773		99,263
			577,274	517,533
8. Other underwriting expenses net of reinsurance			21,842	17,099
9. Subtotal			-17,470	29,550
10. Change in equalization reserves and similar reserves			19,742	13,396
11. Underwriting result net of reinsurance			2,272	42,946

				€ thousand
			2023	2022
II. Non-underwriting account				
1. Investment income				
a) Income from investments of which from affiliated companies: €770 thousand (PY: €26,710 thousand)	5,117			32,648
b) Income from other investments of which from affiliated companies: €6.473 thousand (PY: €6,855 thousand)	93,985			58,438
c) Income from write-ups	4,400			3,268
d) Proceeds from the disposal of investments	16,164			20,794
		119,666		115,148
2. Investment expenses				
a) Cost of portfolio management, interest expenses and other expenses in connection with investments	7,222			7,267
b) Amortization of investments	9,845			22,372
c) Losses from the disposal of investments	567			7,005
		17,634		36,644
			102,032	78,504
3. Technical interest			-2,230	-2,392
			99,803	76,112
4. Other income		66,176		66,717
5. Other expenses		111,268		107,681
			-45,091	-40,964
6. Income before taxes			56,983	78,094
7. Taxes on income	585			1,564
Tax charged by the controlling company	31,667			34,937
		32,253		36,501
8. Other taxes		154		88
			32,407	36,589
9. Profit transferred on the basis of a profit-transfer or pooling agreement			24,576	41,505
10. Net income for the year			0	0

Notes to the Financial Statements Accounting and Valuation Policies

Introduction

The financial statements have been prepared in accordance with the rules of the German Commercial Code (HGB), the Stock Corporation Act (AktG), the Insurance Supervision Act (VAG) and the Insurance Accounting Regulation (RechVersV).

Balance sheet, income statement and notes to the financial statements are prepared in thousand euros. The figures in the financial statements are rounded to one decimal place. The addition of individual items may therefore result in rounding differences.

Currency translation

Foreign currency positions have been translated into euros at the foreign exchange reference rate as at balance sheet date.

Intangible assets

Acquired intangible assets are recognized at cost less straight-line depreciation based on an anticipated economic life of 2 to 20 years for the relevant asset. Where permanent impairment is anticipated, write-downs are performed in accordance with section 253 (3) HGB.

An inventory analysis conducted in the financial year revealed that the actual useful life of certain intangible assets differed significantly from the estimated useful life of 3 to 10 years generally defined at the time of capitalization. The effect of the adjustment of useful lives amounts to € 3,627.7 thousand.

Investments

Shares in affiliated and associated companies are recognized at cost in line with section 341b (1) HGB unless permanent impairment is anticipated, in which case they are recognized at the lower fair value in accordance with section 253 (3) HGB. Where the reason for impairment no longer exists, a write-up is performed to at most the amortized cost defined in section 253 (5) HGB.

Where no stock exchange value is available, shares in affiliated and associated companies are valued as a matter of principle in accordance with IDW RS HFA 10 in conjunction with IDW S1. An exception is made in the case of various private capital participations and indirect real estate participations held as long-term investments. Here, fair values are established on the basis of net asset value or a cash flow based net asset value.

Loans to affiliated and associated companies are recognized at cost, unless permanent impairment is anticipated, in which case they are recognized at the lower fair value. If the reason for impairment no longer exists, write-ups are performed up to at most the amortized cost. Differences between the cost and repayment amount of these securities are amortized by the effective interest method.

For investments in unit trusts and funds, bearer bonds and other fixed interest securities that represent a long-term commitment, we choose to exercise the option offered by section 341b (2) half-sentence 2 HGB to treat the investments as fixed assets and apply the moderated lower-of-cost-or-market principle as a rule.

Investments in unit trusts and funds that are classed as fixed assets are recognized at cost. In accordance with section 253 (3) HGB, depreciation is applied only in the case of permanent impairment, with fair value determined by means of a fund review. Where the reason for impairment no longer exists, write-ups to fair value are performed pursuant to section 253 (5) HGB. Fair value is determined on the basis of stock market prices or redemption prices.

Investments in unit trusts and funds that are not intended to be held as long-term investments are recognized at cost on the strict lower-of-cost-or-market principle, where appropriate taking into account write-downs to stock exchange value or redemption price pursuant to section 253 (4) HGB. Where the reason for impairment no longer exists, write-ups are performed in accordance with section 253 (5) HGB.

Bearer bonds and other fixed-interest securities classed as fixed assets are valued at cost. Differences between the cost and repayment amount of these securities are amortized by the effective interest method. In line with section 253 (3) HGB, depreciation is applied only where impairment is permanent. If the reason for impairment no longer exists, a write-up is performed pursuant to section 253 (5) HGB. Fair value is established on the basis of stock exchange values or redemption prices.

Bearer bonds and other fixed-interest securities that are not intended to be held as long-term investments are recognized at cost on the strict lower-of-cost-or-market principle, like current assets, and written down to stock exchange value in the case of impairment. Where values recover, write-ups are performed in accordance with section 253 (5) HGB.

Mortgages, liens on real property and annuities, registered securities, receivables covered by promissory notes and loans as well as loans and advance payments on insurance policies are recognized at cost. Differences between the cost and repayment amount of these securities are amortized by the effective interest method.

Mortgages, liens on real property and annuities, registered securities, receivables covered by promissory notes and loans as well as loans and advance payments on insurance policies are regularly checked for impairment. Where permanent impairment is anticipated, write-downs are performed to fair value. Where impairment no longer exists, appreciation is applied up to at most the amortized cost.

The fair value of all standard mortgages, liens on real property and annuities, registered securities, receivables covered by promissory notes and loans as well as loans and advance payments on insurance policies is established by mark-to-model valuation. All the relevant securities are valued on the basis of an appropriate swap curve at balance sheet date plus a security-specific spread. Securities that cannot be assigned as standard to one of the pre-defined groups (e.g. “Namensgenussscheine”) are subjected to special individual mark-to-model valuation.

For all structured interest rate products, a precise analysis of cash flow structures is performed and the products divided into the underlying basic elements.

Mark-to-model valuation is performed on the basis of market data at balance sheet date (swap curve, volatilities), as well as current forward rates. The actual valuation, including optional components, is performed by discounting all anticipated future cash flows while taking into account security-specific spreads and illiquidity premiums.

Derivative financial instruments are recognized on a daily basis at market values obtained from market information systems. Alternatively, in the case of OTC derivatives, they are precisely discounted on the basis of cash flow-based models, using financial mathematical methods and appropriate swap curves at balance sheet date.

Valuation units between investments exposed to a foreign exchange risk (underlying transactions) and foreign exchange sale contracts (hedging instruments) are formed in the same currency. The valuation units exist for the projected holding period of the underlying transaction. Hedges are rolled as a matter of principle, i.e. as forward contracts near maturity, they are prolonged by a new hedge. The forward component, which is the difference between the spot exchange rate and the forward exchange rate, is not included in the offsettable portion of compensatory valuation but deferred over the term of the foreign exchange sale contract and recognized in profit or loss as interest earned or interest paid. Cash flows from the prolongation of contracts are offset in equity against the book values of the relevant underlying transactions, provided that the amount relates to the effective part of the hedge (net hedge presentation method). Please also refer to the disclosures pursuant to section 285 no. 23 HGB (disclosures on valuation units) in the notes to the financial statements in this report.

Other loans and other investments are recognized at cost. In the case of permanent impairment, write-downs are performed to fair value. Where values recover, write-ups are performed to at most cost.

The fair value of other loans and other investments is established by means of a discounted cash flow method with factor premium model; alternatively, an individual mark-to-model valuation can be performed.

Bank deposits are carried at nominal value.

Deposits with ceding companies are recognized at nominal value.

Accounts receivable in connection with direct insurance business

Receivables due from policyholders and insurance agents in connection with direct insurance business are recognized at nominal value less reasonable individual and/or flat-rate value adjustments.

Tangible assets and inventories

Operating and office equipment was capitalized at cost less straight-line depreciation based on an anticipated economic life of 1 to 15 years for the assets. Low-cost assets with a cost value up to € 250 are written down directly.

Surplus from offsetting

The surplus resulting from the offsetting of plan assets and related pension accruals and similar obligations is stated at fair value.

Other assets

Other asset items not mentioned individually are recognized at nominal value as a matter of principle.

Underwriting reserves

Underwriting reserves are recognized in compliance with the provisions of sections 341e to 341h HGB.

The volume of unearned premiums from direct insurance activities is predominantly established by the 360/360-method on the basis of statistic premiums from policies in force. Other methods are applied to a limited extent. In the engineering and transport insurance lines, the flatrate method is used to quantify unearned premiums. The costs that need to be deducted from unearned premiums are calculated in accordance with the letter from the Federal Ministry of Finance dated 30 April 1974. Reinsurers' shares are established on the basis of contractual agreements.

In the case of reinsurance assumed, unearned premiums are established on the basis of information from cedants.

Aggregate policy reserves for accident insurance with premium return and the annuity reserves are determined in compliance with the relevant legal provisions, in particular the German Insurance Accounting Regulation (RechVersV). Aggregate policy reserves are determined on the basis of individual policies using the prospective method and taking into account future expenses. Reported losses incurred and losses incurred but not reported (IBNR) are identified and calculated individually.

Following the amendment of the Policy Reserve Ordinance (DeckRV) on 1 March 2011 to take account of the low-interest environment, an additional policy reserve (Zinszusatzreserve) is formed for policies where actuarial interest is above the reference interest rate. For new policies, the additional policy reserve is based on the reference interest rate at balance sheet date (subject to the amendments to the DeckRV as of 23 October 2018) and taking conservative account of lapse probabilities. For existing policies, reserving is based on the “business plan for strengthening existing policy interest rates”.

The reserve for losses (with the exception of annuities) included in the reserves for outstanding claims in connection with direct insurance business was determined on the basis of the anticipated requirement and calculated individually. The reserve for losses incurred but not yet reported was determined on a flatrate basis in compliance with section 341g (2) HGB. It is based on previous years' figures and takes account of the specific requirements of individual lines and types of insurance.

The reserve for loss adjustment expenses is determined on the basis of the letter from the Federal Ministry of Finance dated 2 February 1973.

Reserves for outstanding claims in connection with reinsurance business assumed are consistently established in amounts equal to those provided by ceding companies plus any necessary increases.

Accepted actuarial methods are used to determine the amount for terminal bonuses to be included in the reserve for premium refunds. The calculation rules are recorded in the authorized basic business plan for the payment of surplus bonuses (old policies within the meaning of section 336 of the Insurance Supervision Act (VAG)) or meet the requirements of section 28 (7) RechVersV (new policies within the meaning of section 336 VAG).

The reserves established to compensate for annual fluctuations in the need for funds (equalization reserves) are calculated on the basis of section 29 RechVersV and the Annex to section 29 RechVersV.

Reserves for major risks in connection with pharmaceutical product liability insurance are determined in compliance with section 341h HGB and section 30 (1) RechVersV.

Reserves for nuclear facilities are made in compliance with section 341h HGB and section 30 (2) RechVersV.

Reserves for terrorism risks are made in compliance with section 341h HGB and section 30 (2a) RechVersV.

Reserves for anticipated losses from insurance business are made in compliance with section 341e (2) No. 3 HGB and section 31 (1) no. 2 RechVersV.

The reserve established for unused premiums from suspended motor insurance policies is equal to the premium credited for the time elapsed between the date of interruption of insurance coverage and the reporting date. Premium credits are determined separately for each individual policy.

Reserves for obligations in connection with membership in “Verkehrsopferhilfe e.V.”, an association that assists victims of accidents caused by uninsured drivers, is based on the amount assessed by the association.

The reserve for cancellations is determined separately for each individual type of insurance on the basis of past experience.

The reserve for contractual premium adjustments is based on a general allowance pursuant to article 9 of the Fire Business Interruption Insurance Conditions (FBUB).

The reserve for premium refunds in connection with reinsurance assumed is established on the basis of information from the ceding company.

Reinsurers’ shares of underwriting liabilities are determined on the basis of the respective reinsurance treaties.

Accruals for pensions and similar obligations

For non-insurance-based commitments, pension accruals were calculated by the projected unit credit method on the basis of the 2018 G mortality tables developed by Heubeck-Richttafeln-GmbH. Accruals were discounted at the average rate of interest over the last ten years in line with the Regulation on the Discounting of Provisions (RückAbzinsV), assuming a residual term of 15 years. The difference between valuations at average interest over the last ten years and that over the last seven years is shown in the notes on "Other accruals" in the notes to the financial statements. The effects of the change in the actuarial interest rate are recognized in the interest result.

Pension accruals at balance sheet date were calculated on the basis of the following actuarial parameters:

• Actuarial interest		1.82 %
• Wage and salary trend		2.30 %
• Pension progression rate		2.20 %
• Fluctuation	up to age 35	6.00 %
	up to age 45	3.00 %
	up to age 60	1.00 %

The adjustment backlog resulting from the provisions of the BetrAVG led to an increase in accruals for pensions for the first time in the financial year. For this purpose, a premium was applied to the pension trend, which is based on the average consumer price index of the last 25 years. The size of the premium was calculated on the basis of cash equivalency and was established at 0.6 percentage points.

Use was made of the option under section 67 (1) EGHGB to accumulate at least one fifteenth of the allocation resulting from the switch to the BilMoG valuation method in each financial year through to 31 December 2024 at the latest.

The option set out in section 28 (1) EGHGB was exercised.

Miscellaneous accruals

The reserve for obligations in connection with pre-retirement employment agreements, which is recognized under miscellaneous accruals, is determined by applying actuarial principles. Calculation is based on the 2018 G mortality tables developed by Heubeck-Richttafeln-GmbH, taking account of a wage and salary trend of 2.30 % and actuarial interest of 1.05 %. Reinsurance contracts are concluded for pre-retirement employment obligations as a safeguard against insolvency. Claims arising from the reinsurance contracts are offset against the reserve for pre-retirement employment obligations in accordance with section 246 (2) HGB.

Investment fund certificates are held as fixed assets to cover obligations arising from working time accounts. The carrying value of the certificates is determined exclusively by their fair value. Pursuant to section 253 (1) HGB, accruals are recognized at the fair value of the investment fund certificates or the guaranteed minimum return, whichever is higher. In the case of certificates with a residual term of more than a year, the guaranteed minimum return is discounted at the average market interest rate over the past seven years. In accordance with section 246 (2) HGB, the fair value of the investment fund certificates is offset against miscellaneous accruals from working time assets. The effects of changes in the fair value of the cover assets are recognized in the interest result, unless they needed to be offset. Insolvency protection for employees' claims arising from working time assets is guaranteed in accordance with section 7e SGB lV (trustee model).

Accruals for taxes and all other reserves are recognized at the settlement amount dictated by prudent business judgement. Reserves with a residual term of more than a year are discounted over the rest of their life at the average rate of market interest over the last seven years.

Other liabilities

Deposits held in connection with reinsurance business ceded and miscellaneous liabilities are recognized at settlement amounts pursuant to section 253 (1) HGB.

Notes to the Balance Sheet

Assets

Changes in assets in the financial year 2023

				Carrying amounts previous year
A.		Intangible assets		
		1.	Acquired concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets	55,337
		2.	Payments in advance	60,832
		3.	**Subtotal A.**	**116,168**
B	I.	Investments in affiliated companies and associates		
		1.	Shares in affiliated companies	66,028
		2.	Loans to affiliated companies	100,000
		3.	Investments in associated companies	195,654
		4.	Loans to associated companies	19
		5.	**Subtotal B I.**	**361,700**
B	II.	Other investments		
		1.	Shares, investments in unit trusts and funds and other non-fixed-interest securities	2,513,545
		2.	Bearer bonds and other fixed-interest securities	572,398
		3.	Mortgages, liens on real property and annuities	420
		4.	Other loans	
			a) Registered bonds	199,912
			b) Promissory notes and loans	88,176
			c) Loans and advance payments on insurance policies	2
			d) Other miscellaneous loans	10,000
		5.	Bank deposits	22,350
		6.	Miscellaneous investments	2
		7.	**Subtotal B II.**	**3,406,805**
Total				3,884,673

Additions	Reclassifications	Disposals	Reversals	Amortization	Carrying amounts Financial year
					€ thousand
287	63,918	0	0	9,041	110,500
27,465	-63,918	0	0	0	24,379
27,752	0	0	0	9,041	134,879
0	0	8,075	0	5,646	52,307
60,000	0	60,000	0	0	100,000
3,873	0	14,262	4,400	1,567	188,098
102	0	0	0	0	121
63,975	0	82,336	4,400	7,213	340,526
112,445	0	61,547	0	2,616	2,561,827
224,003	0	252,049	0	17	544,335
0	0	46	0	0	374
1	0	13,510	0	0	186,404
446	0	72	0	0	88,550
0	0	0	0	0	2
0	0	0	0	0	10,000
24,200	0	0	0	0	46,550
0	0	0	0	0	2
361,096	0	327,224	0	2,632	3,438,044
452,822	0	409,560	4,400	18,886	3,913,449

Carrying amounts and fair value of investments

				€ thousand
		Carrying amounts	Fair values	Valuation reserves
B.I.	Investments in affiliated companies and associates			
	1. Shares in affiliated companies	52,307	54,269	1,962
	2. Loans to affiliated companies	100,000	101,655	1,655
	3. Investments in associated companies	188,098	205,722	17,624
	4. Loans to associated companies	121	121	0
B.II.	Other investments			
	1. Shares, investments in unit trusts and funds and other non-fixed-interest securities	2,561,827	2,305,268	-256,559
	2. Bearer bonds and other fixed-interest securities	544,335	499,036	-45,299
	3. Mortgages, liens on real property and annuities	374	366	-8
	4. Other loans			
	a) Registered bonds	186,404	177,563	-8,841
	b) Promissory notes and loans	88,550	83,901	-4,649
	c) Loans and advance payments on insurance policies	2	2	0
	d) Other miscellaneous loans	10,000	9,034	-966
	5. Bank deposits	46,550	46,550	0
	6. Miscellaneous investments	2	2	0
B.III.	Deposits in connection with reinsurance business assumed	34,496	34,496	0
Total		3,813,066	3,517,985	-295,081

B. II. 1. and 2. include investment fund certificates, bearer bonds and other fixed-interest securities with a carrying amount of € 3,045,938 thousand that are classified as long-term assets pursuant to section 341b (2) HGB. The fair value of these assets comes to a total € 2,722,406 thousand. Hidden liabilities amounted to € 326,445 thousand.

For the methods used to establish fair values, please refer to our comments under Accounting and Valuation Policies.

Total investments included for purposes of payment of surplus bonuses

In the case of accident insurance with premium refunds, investments carried at a cost of € 35,346 thousand with a fair value of € 35,269 thousand are included for purposes of payment of surplus bonuses. As of 31 December 2023, the difference between cost and fair value came to € -77 thousand.

Information on financial instruments with a book value higher than the fair value

			€ thousand
		Carrying amount	Fair value
B.I.3.	Investments in associated companies	45,960	42,041
B.II.1.	Shares, investments in unit trusts and funds and other non-fixed-interest securities	2,453,951	2,175,717
B.II.2.	Bearer bonds and other fixed-interest securities	466,350	418,139
B.II.3.	Mortgages, liens on real property and annuities	350	341
B.II.4.a)	Registered bonds	148,848	139,682
B.II.4.b)	Promissory notes and loans	86,689	82,040
B.II.4.d)	Other miscellaneous loans	10,000	9,034

In the case of one investment in an associated company, depreciation was waived because the charge resulted from a change in accounting standards and is not considered permanent. In the case of investments in unit trusts and funds with an annuity component or of a mixed nature, bearer bonds and other fixed-income securities, mortgage, land charge and annuity debt claims, registered bonds, promissory notes and loans as well as other loans, depreciation was waived because impairment was temporary, due to interest rate movements or credit risk/price fluctuations.

Information on valuation units

					€ thousand
		Trading/Nominal volume		Carrying amount	Fair value
B. I. 3.	Investments in associated companies			13,083	12,736
	Forward currency sales	15,520	TUSD		363
	Forward currency purchases	370	TUSD		-3
	Micro valuation unit	**15,150**	**TUSD**	**13,083**	**13,096**
B. I. 3.	Investments in associated companies			35,353	52,068
	Forward currency sales	65,380	TUSD		1,540
	Forward currency purchases	8,140	TUSD		-37
	Portfolio valuation unit	**57,240**	**TUSD**	**35,353**	**53,571**
B. I. 3.	Investments in associated companies			20,258	23,370
	Forward currency sales	9,170	TGBP		25
	Portfolio valuation unit	**9,170**	**TGBP**	**20,258**	**23,395**
B. II. 2.	Bearer bonds			14,030	13,719
	Forward currency sales	15,000	TUSD		351
	Micro valuation unit	**15,000**	**TUSD**	**14,030**	**14,070**
B. II. 2.	Bearer bonds			14,921	14,305
	Forward currency sales	16,000	TUSD		374
	Portfolio valuation unit	**16,000**	**TUSD**	**14,921**	**14,679**

Forward exchange contracts are used to hedge exchange rate risks. Identical basis, currency and maturity ensure that the resulting compensating changes in value and cash flows can be expected to neutralize one another completely by the time the transaction matures.

Effectiveness is measured by the Critical Terms Match Method. Furthermore, the hedging relationship, the risk management targets set and the strategy adopted for the conclusion of various hedging transactions are documented at individual contract level.

Hedging effectiveness is verified at the beginning of the hedging relationship and on a continuous basis thereafter, i.e. regular checks are performed to establish whether the fluctuations in the value of the derivative financial instruments used for the hedging transaction largely counterbalance the fluctuations in the fair value or cash flows of the underlying transaction hedged.

Hedges are reported in the balance sheet exclusively by the net hedge presentation method.

Information on investment fund certificates with a share ownership of more than 10 %

					€ thousand
Type of fund/ investment objective	**Carrying amount**	**Fair value**	**Difference**	**Payout**	**Redemption option**
Pension fund	820,372	695,015	-125,357	35,261	daily or within one month
Other	1,575,161	1,433,219	-141,941	25,000	daily

Pension funds and Other funds are valued on the moderate lower-of-cost-or-market principle according to section 341b (2) HGB.

Shareholders’ equity and liabilities

Shareholders’ equity

		€ thousand	
		2023	**2022**
I.	**Called-in capital**		
	Subscribed capital	153,388	153,388
	Less outstanding contributions not called in	10,226	10,226
	The subscribed capital in the amount of €153,387,564.36 consists of 300,000 registered shares of €511.29 each (see bylaws of 19.12.2011). Gothaer Finanzholding AG has informed our Company that it controls a majority of the voting rights pursuant to section 20 (4) AktG.		
	Total	**143,162**	**143,162**
II.	**Capital reserve**	**216,256**	**216,256**
	of which pursuant to section 272 (2) no. 4 HGB	51,821	51,821
III.	**Revenue reserve**		
	Statutory reserve	5	5
Total		**359,423**	**359,423**

Gross underwriting reserves

	€ thousand	
	2023	**2022**
Accident	314,271	308,691
Liability	1,161,517	1,182,032
Motor liability	548,652	561,855
Other motor	48,611	55,864
Fire and property	1,116,723	1,070,647
Of which:		
Fire	203,294	195,738
Comprehensive householders	42,644	42,104
Comprehensive homeowners	348,358	352,059
Other property	522,428	480,747
Marine and aviation	124,820	110,520
Other insurance	197,690	246,323
Direct insurance business	3,512,284	3,535,933
Reinsurance business assumed	346,957	328,726
Total	**3,859,241**	**3,864,660**

Of which gross reserves for outstanding claims

		€ thousand
	2023	2022
Accident	265,767	256,941
Liability	1,010,108	1,037,001
Motor liability	511,892	519,096
Other motor	45,933	38,815
Fire and property	841,934	793,023
Of which:		
Fire	161,640	159,670
Comprehensive householders	18,252	18,189
Comprehensive homeowners	211,880	225,806
Other property	450,163	389,357
Marine and aviation	105,816	100,760
Other insurance	163,966	219,964
Direct insurance business	2,945,416	2,965,599
Reinsurance business assumed	215,609	206,592
Total	3,161,025	3,172,191

The evaluation of the figures of gross reserves for outstanding claims has taken into account salvage, subrogation and loss sharing agreements in the amount of € 9,455 thousand (PY: € 8,871 thousand).

Reserve for performance-related and non-performance-related premium refunds

		€ thousand
Performance-related	2023	2022
Opening balance	1,053	959
Withdrawals	180	183
Additions	245	277
Final balance	1,117	1,053

The reserve for premium refunds in connection with accident insurance with premium return includes

- € 115 thousand (PY: € 149 thousand) for current surplus bonuses that have already been fixed but not yet distributed
- € 27 thousand (PY: € 35 thousand) for terminal bonuses that have already been fixed but not yet distributed
- € 0 thousand (PY: € 0 thousand) for amounts that have already been fixed but not yet distributed for participation in valuation reserves

The terminal bonus fund amounts to € 85 thousand (PY: € 109 thousand).

The terminal bonus fund is calculated for each individual policy. The value of the terminal bonus fund per policy is the discounted final value of terminal bonuses, the final value being the sum of eligible return premiums multiplied by the terminal bonus rate declared. The discount rate is 2.5 %.

The following rates apply for surplus bonuses due in the calendar year 2024 on the basis of contractual provisions. Where rates have changed against 2023, the prior-year rates are shown in brackets:

- **Old policies**

Interest on bonus	8.50 %	on the eligible aggregate policy reserve of basic insurance
	0.00 %	on the eligible aggregate policy reserve of bonus insurance
Basic bonus	6.00 %	on the annual return premium
Terminal bonus	8.00 %	on total eligible return premiums

- **New policies**

Policies with rates BR-E, BR-K, BR-S, BR/E, BR/K, BR/S

Interest on bonus	0.00 %	on the eligible aggregate policy reserve
Basic bonus	0.00 %	on the annual return premium
Terminal bonus	0.00 %	on total eligible return premiums

Policies with rates BR#E, BR#K, BR#S

Interest on bonus	0.00 %	on the eligible aggregate policy reserve of basic insurance
	0.00 %	on the eligible aggregate policy reserve of bonus insurance
Basic bonus	0.00 %	on the annual return premium
Terminal bonus	0.00 %	on total eligible return premiums

Policies with rates BRE1, BRK1, BRS1, BRT1

Interest on bonus	0.00 %	on the eligible aggregate policy reserve of basic insurance
	0.00 %	on the eligible aggregate policy reserve of bonus insurance
Basic bonus	0.00 %	on the annual return premium
Terminal bonus	0.00 %	on total eligible return premiums

Policies with rates BRE2, BRK2, BRS2, BRT2

Interest on bonus	0.00 %	on the eligible aggregate policy reserve of basic insurance
	0.00 %	on the eligible aggregate policy reserve of bonus insurance
Basic bonus	0.00 %	on the annual return premium
Terminal bonus	0.00 %	on total eligible return premiums

Increase in policy reserve for interest rate risk (Zinszusatzreserve)

As of the financial year 2011, the German Policy Reserve Ordinance (DeckRV) requires that a calculation be performed comparing guaranteed interest rates with an average current yield of public investments. Where the amount of the comparative policy reserve is greater, an additional policy reserve needs to be formed for the relevant insurance policies. The funds required for this are charged on net profit for the year and are thus no longer available for surplus bonuses. The amount of surplus bonus rates determined takes account of this subject to all supervisory regulations and contractual arrangements.

In the financial year, all refund-of-premium accident insurance policies were affected.

This additional policy reserve (Zinszusatzreserve) is not assigned to individual policies but to the relevant portfolio on a flatrate basis.

Participation in valuation reserves

Since 1 January 2008, holders of accident insurance with premium return policies have participated in the valuation reserves of the guarantee assets for accident insurance with premium return. Guarantee assets for accident insurance with premium return represent part of the investment portfolio of Gothaer Allgemeine Versicherung AG that serves to secure the claims of holders of accident insurance with premium refund policies. In the case of investments, application of valuation rules results in valuation reserves (non-realized profit) or valuation deficits (non-realized losses). In line with section 153 of the German Insurance Contract Act (VVG), policyholders participate in any positive balance of valuation reserves and valuation deficits (less the security [Sicherungsbedarf] required by Section 139 of the Insurance Supervision Act (VAG) for the deregulated portfolio) on the basis of causation. The principles applied to determine participation, which are based on the proposal of the German Insurance Association (GDV), are presented below.

Where the term “valuation reserves” is used below, it always means the net balance of valuation reserves and deficits (less the security [Sicherungsbedarf] required by Section 139 of the Insurance Supervision Act (VAG) for the deregulated portfolio) subject to the exclusion of any negative balance.

Eligible policies

All accident insurance with premium return policies are eligible.

Time of irrevocable allocation of valuation reserves

A share of the valuation reserves is allocated to the insurance policy upon termination.

Determination of valuation reserves available for distribution

The valuation reserves available for distribution are determined by multiplying the entire valuation reserves of the guarantee assets for accident insurance with premium return policies by the ratio of the sum of interest-bearing equity and liabilities items exclusive of the non-allocated reserve for premium refunds to the sum of the guarantee assets for accident insurance with premium return policies. The interest-bearing equity and liabilities items include:

- the aggregate policy reserve (exclusive of prefinancing) less amounts due to policyholders (not yet payable)
- unearned premiums
- reserve for premium refunds (gross)
- accrual for outstanding surrenders
- liabilities to policyholder

Allocation of valuation reserves upon maturity of policies

The valuation reserves as of the first trading date of the month preceding the month in which a policy matures are used for the purpose of calculating the amount of the distribution to policyholders. (For example, the valuation reserves as of 2 January are taken for purposes of calculating the amount of distribution in the case of a policy that matures on 11 February, assuming that the 2 January is a trading day.)

Allocation of valuation reserves available for distribution upon maturity of policies

Valuation reserves are allocated to the individual eligible policies as a function of experience on the basis of distribution factors that determine the respective share of the valuation reserves. The distribution factors for the individual policies are determined once a year in November with effect from the reporting date. The factors are valid for the following calendar year.

Distribution factor of a policy

The distribution factor of a policy is based on the ratio of the policy assets to the assets of all active policies at the end of the financial year. The assets of a policy at the end of the financial year are based on the sum of the assets at the end of the previous financial year and the positive aggregate policy reserve (exclusive of prefinancing) of the policy at the end of the financial year. The aggregate policy reserve (exclusive of prefinancing) includes the rate reserve and the bonus reserve.

Distribution of valuation reserves upon maturity of policies

An amount equal to 50 % of valuation reserves available for distribution multiplied by the distribution factor of the policy is distributed upon maturity.

Equalization reserves and similar reserves

		€ thousand
	2023	2022
Accident	668	0
Liability	93,175	86,125
Motor liability	32,106	37,823
Other motor	0	14,354
Fire and property	123,691	141,724
Of which:		
Fire	28,413	24,258
Comprehensive householders	0	0
Comprehensive homeowners	71,351	71,116
Other property	23,927	46,349
Marine and aviation	9,840	1,357
Other insurance	3,173	3,180
Direct insurance business	262,653	284,563
Reinsurance business assumed	80,647	78,479
Total	343,300	363,042

Other accruals

The difference between valuing pension accruals and similar obligations at average interest over the past ten years and over the past seven years is € 8 thousand (PY: € 34 thousand).

		€ thousand	
		2023	2022
III.	**Miscellaneous accruals for:**		
	Pre-retirement employment	1,379	1,870
	Social plans/severance payments	528	483
	Bonuses	13,881	13,340
	Leave/Time credits	2,614	2,799
	Other HR reserves	15	13
	Sales and competition activities	2,708	4,002
	Financial statement expenses	758	671
	Outstanding invoices	1,927	1,884
	Legal disputes	451	466
	Anticipated losses	873	995
	Other	2,156	2,235
Total		27,290	28,759

Offsetting of assets and liabilities

In the case of reinsurance contracts concluded for pre-retirement employment obligations, receivables totalling € 2,896 thousand (PY: € 5,381 thousand) were offset against corresponding Other accruals of € 3,977 thousand (PY: € 4,856 thousand). The fair value of the plan assets offset is equal to value at cost.

The settlement value of obligations from working time accounts recognized in miscellaneous accruals – € 70 thousand (PY: € 126 thousand) – was offset against the € 70 thousand (PY: € 121 thousand) fair value of investment fund certificates held in trust as security. The cost of the investment fund certificates totals € 69 thousand (PY: € 126 thousand).

Notes to the Income Statement

Gross premiums written

€ thousand	2023	2022
Accident	136,232	136,641
Liability	425,807	397,331
Motor liability	259,563	243,492
Other motor	178,765	166,289
Fire and property	921,779	796,379
Of which:		
Fire	142,307	119,951
Comprehensive householders	84,800	84,022
Comprehensive homeowners	304,055	249,731
Other property	390,617	342,675
Marine and aviation	91,497	76,968
Other insurance	183,387	163,905
Direct insurance business	2,197,031	1,981,005
Reinsurance business assumed	217,582	175,510
Total	**2,414,613**	**2,156,515**

Gross premiums earned

€ thousand	2023	2022
Accident	136,390	136,874
Liability	425,148	395,775
Motor liability	259,294	243,470
Other motor	178,642	166,279
Fire and property	905,718	785,995
Of which:		
Fire	140,899	118,803
Comprehensive householders	84,255	84,155
Comprehensive homeowners	293,495	244,666
Other property	387,069	338,372
Marine and aviation	90,798	76,179
Other insurance	177,812	161,792
Direct insurance business	2,173,802	1,966,365
Reinsurance business assumed	210,623	173,587
Total	**2,384,425**	**2,139,952**

Net premiums earned

	€ thousand	
	2023	2022
Accident	135,107	135,751
Liability	365,826	337,581
Motor liability	225,545	210,480
Other motor	141,676	136,147
Fire and property	691,377	595,530
Of which:		
Fire	93,187	64,576
Comprehensive householders	83,559	83,771
Comprehensive homeowners	244,746	205,633
Other property	269,885	241,550
Marine and aviation	85,965	72,231
Other insurance	119,126	93,711
Direct insurance business	1,764,622	1,581,432
Reinsurance business assumed	184,838	156,843
Total	1,949,460	1,738,275

Technical interest net of reinsurance

In the area of direct insurance business, the technical interest was calculated on the basis of the annuity reserve and the premium policy reserve. The return on the reserve for annuities was calculated on the basis of 0.25 %, 0.9 %, 1.25 %, 1.75 %, 2.25 % or, as the case may be, 2.75 % of the arithmetic average of the balance of the reserve at the beginning and end of the period.

In the case of accident insurance with premium return, the technical interest represents income from investments less the corresponding direct expenses incurred in connection with the related guarantee assets.

The ceded interest on annuity reserves corresponds to the interest paid on reinsurers' annuity reserve cash deposits. In the area of reinsurance assumed, deposit interest was recognized on the basis of information received from the cedants.

Gross claims expenses

	2023	2022
	€ thousand	
Accident	71,216	58,806
Liability	156,131	189,600
Motor liability	193,633	168,505
Other motor	188,659	153,559
Fire and property	715,420	627,212
Of which:		
Fire	108,103	95,794
Comprehensive householders	35,795	31,293
Comprehensive homeowners	239,375	265,549
Other property	332,146	234,576
Marine and aviation	57,311	64,490
Other insurance	87,536	126,987
Direct insurance business	1,469,906	1,389,160
Reinsurance business assumed	128,341	97,618
Total	1,598,247	1,486,777

Gross claims expenses include claims expenses in the financial year and the result of loss adjustment from reserves for outstanding claims taken over from the previous year (gross in each case). Profit on adjustments represents 6.6 % (PY: 6.6 %) of the reserve at the beginning of the period.

Expenses for performance-related and non-performance-related premium refunds net of reinsurance

	2023	2022
	€ thousand	
Performance-related	245	277
Non-performance-related	3,014	2,012
Direct insurance business	3,259	2,290
Reinsurance business assumed	102	65
Total	3,361	2,355

Gross underwriting expenses

€ thousand	2023	2022
Accident	51,981	49,532
Liability	143,098	133,970
Motor liability	47,382	42,991
Other motor	32,917	29,967
Fire and property	264,432	238,763
Of which:		
Fire	38,097	32,884
Comprehensive householders	30,767	31,604
Comprehensive homeowners	89,542	77,649
Other property	106,026	96,626
Marine and aviation	26,776	24,150
Other insurance	51,342	48,900
Direct insurance business	617,928	568,274
Reinsurance business assumed	56,119	48,523
Total	674,047	616,796

Gross underwriting expenses include acquisition expenses of € 358,789 thousand (PY: € 318,282 thousand) and administrative expenses of € 315,259 thousand (PY: € 298,514 thousand).

Net for reinsurance business (- = credit to reinsurers)

€ thousand	2023	2022
Accident	-1,346	-261
Liability	-26,328	-24,317
Motor liability	-11,891	-5,218
Other motor	-8,958	-5,246
Fire and property	-24,719	67,760
Marine and aviation	-2,986	84
Other insurance	-31,575	-12,369
Direct insurance business	-107,803	20,433
Reinsurance business assumed	-9,322	-13,115
Total	-117,125	7,317

Underwriting result net of reinsurance

	€ thousand	
	2023	2022
Accident	16,318	36,101
Liability	93,899	46,317
Motor liability	12,672	24,439
Other motor	-37,478	-12,148
Fire and property	-97,572	-39,288
Of which:		
Fire	-14,084	-24,930
Comprehensive householders	15,896	21,978
Comprehensive homeowners	-46,244	-46,950
Other property	-53,140	10,613
Marine and aviation	-6,464	-7,168
Other insurance	6,304	-24,151
Direct insurance business	-12,321	24,102
Reinsurance business assumed	14,592	18,844
Total	2,272	42,946

Number of direct insurance policies with a residual term of at least one year

	PIF	
	2023	2022
Accident	631,038	642,389
Liability	1,575,979	1,600,648
Motor liability	886,057	862,110
Other motor	703,430	679,698
Fire and property	1,861,213	1,847,141
Of which:		
Fire	106,777	106,390
Comprehensive householders	642,495	666,684
Comprehensive homeowners	409,081	397,080
Other property	702,860	676,987
Marine and aviation	30,830	29,791
Other insurance	666,036	643,624
Total	6,354,583	6,305,401

Investment expenses

Amortization of investments includes non-scheduled depreciation of € 9,845 thousand (PY: € 22,367 thousand) in accordance with section 277 (3) HGB.

Other income

Other income includes € 226 thousand (PY: € 2 thousand) resulting from the discounting of reserves and € 261 thousand (PY: € 191 thousand) from currency translations.

Other expenses

Other expenses include € 34 thousand (PY: € 616 thousand) resulting from compounding of reserves and € 275 thousand (PY: € 476 thousand) from currency translations.

Offsetting of income and expenses

In line with the offsetting of retirement pension commitments and the corresponding plan assets, related expenses of € 3,947 thousand (PY: € 2,578 thousand) were offset against related income of € 3,959 thousand (PY: € 2,503 thousand) as stipulated in section 246 (2) HGB.

Other disclosures

List of holdings

Name	Registered address		Equity Interest in %	Shareholders' equity	Year result
					€ thousand
Aberdeen Asia Pacific II, L.P.	George Town	KY	5.4	78,216	-14,869
Accession Mezzanine Capital III L.P.	St. Helier	JE	3.4	51,579	6,543
Achmea B.V.	Zeist	NL	0.6	9,276,000	105,000
Curzon Capital Partners IV L.P.	London	GB	4.9	140,553	-24,650
EPISO IV, L.P.	London	GB	1.5	1,455,720	34,358
Falcon Strategic Partners V (Cayman), L.P.	George Town	KY	12.4	93,276	3,805
FirstMark Capital II, L.P.	Wilmington	US	13.3	318,906	-360,227
FirstMark Capital III L.P.	Wilmington	US	3.4	748,785	-285,523
GDV Dienstleistungs-GmbH	Hamburg	DE	1.1	30,866	1,213
GG-Grundfonds Vermittlungs GmbH	Cologne	DE	100.0	-16,752	-12
HC Property Heureka I Alpha S.à.r.l.	Luxemburg	LU	5.3	24,514	585
HC Property Heureka II Beta S.à.r.l.	Luxemburg	LU	5.3	19,688	837
HC Property Heureka III Gamma S.à.r.l.	Luxemburg	LU	5.3	12,514	720
HC Property Heureka IV Delta S.à.r.l.	Luxemburg	LU	5.3	12,514	605
Janitos Versicherung AG	Heidelberg	DE	100.0	32,984	13,307
KILOS Beteiligungs GmbH & Co. Vermietungs-KG	Pullach i. Isartal	DE	93.1	56,595	5,608
New York Life Capital Partners IV, L.P.	New York	US	3.7	12,209	2,234
PE Holding USD GmbH	Cologne	DE	40.0	87,885	-13,855
PineBridge Secondary Partners III L.P.	Wilmington	US	4.9	93,408	-15,464
PineBridge Secondary Partners IV Feeder, SLP	Luxemburg	LU	4.2	331,496	-11,756
Praesidian Capital Bridge Fund, L.P.	Wilmington	US	8.0	17,369	2,027
Praesidian Capital Opportunity Fund III-A, L.P.	Wilmington	US	13.1	7,284	-1,411

					€ thousand
Name	Registered address		Equity Interest in %	Share-holders' equity	Year result
SilkRoad Asia Value Parallel Fund, SICAV-SIF	Luxemburg	LU	6.2	313,020	-13,629
WAI S.C.A., SICAV- FIS / Private Equity Secondary 2008	Luxemburg	LU	4.5	23,902	1,087

The figures relate to the last financial year for which annual financial statements were available. Financial statements in foreign currencies were translated into euro at the average spot exchange rate at balance sheet date.

The option set out in section 286 (3) no. 1 of the German Commercial Code (HGB) was exercised.

Commissions and other remuneration of insurance agents, personnel expenses

			€ thousand
		2023	2022
1.	Commissions of insurance agents within the meaning of section 92 HGB in connection with direct insurance business	439,107	401,023
2.	Other remuneration of insurance agents within the meaning of section 92 HGB	631	521
3.	Wages and salaries	130,595	124,089
4.	Social security contributions and employee benefits	22,342	21,733
5.	Post retirement benefits	15,613	11,239
6.	Total expenses	608,289	558,606

Liabilities

Total liabilities with a residual term of more than 5 years come to € 250 million (PY: € 250 million).

Board membership and remuneration

The names of the members of the Supervisory Board and Management are provided at the beginning of this report.

Remuneration paid to Management totalled € 1,635 thousand. Retirement benefits, survivors' benefits and other remuneration for former members of Management amounted to € 777 thousand. Provisions for pension benefits for this group of individuals total € 11,286 thousand. Due to the distribution option in section 67 (1) EG-HGB, pension provision of € 130 thousand was not recognized in the balance sheet.

Remuneration paid to the Supervisory Board came to € 518 thousand; remuneration for the Advisory Board totalled € 21 thousand.

Total fee for the statutory auditor

The total fee charged by the statutory auditors for the financial year is reported in the consolidated financial statement of Gothaer Versicherungsbank VVaG, Cologne, in which the financial statement of the Company is included.

Human resources on average

Gothaer Allgemeine Versicherung AG had an average of 1,767 (PY: 1,816) employees in the financial year. Of these, 1,254 (PY: 1,283) were employed in-house and 361 (PY: 385) in the field. In addition, the Company had an average of 152 (PY: 148) trainees in the course of the year.

Contingent liabilities and other financial commitments

In compliance with section 28 (1) EGHGB, accruals of € 1,397 thousand have not been recognized for pension-related obligations for which a legal entitlement was acquired prior to 1 January 1987.

There is a joint liability and debt of € 73,714 thousand for the post-retirement benefits of employees and Management Board members as well as former employees and Management Board members recognized by Gothaer Finanzholding AG.

Owing to the intrinsic strength of Gothaer Finanzholding AG, there is no perceived risk from the present vantage of the Company having to fulfil this obligation instead of Gothaer Finanzholding AG.

At year-end, contributions totalling € 30,198 thousand (including € 7,167 thousand due to affiliated companies) were outstanding for shares held by the Company in affiliated companies and associates as well as for other investments.

At balance sheet date, contingent liabilities not shown in the balance sheet existed for letters of comfort for long-term and unlimited rental and leasing agreements concluded by affiliated companies. The annual obligation for these totals € 232 thousand.

Our membership of “Verkehrsopferhilfe e.V.” entails an obligation to contribute to the funds that this association requires to carry out its activities. Our contribution is based on our share of the premium income generated by member companies from direct motor liability insurance in the year prior to the previous calendar year.

Deferred taxes

Owing to consolidation for tax purposes, information on deferred taxes is provided at parent company level by Gothaer Versicherungsbank VVaG.

Minimum taxation

The Minimum Tax Act (MinStG) will apply in Germany from the beginning of financial years starting after 30 December 2023.

The Gothaer Group set up a project unit in 2023 to implement the aforementioned regulations. Impact analysis conducted by the unit revealed that the Gothaer Group and its business units currently constitute a corporate group or minimum tax group and therefore, in principle, fall within the scope of the MinStG. Gothaer Allgemeine Versicherung AG is a business unit of the corporate group or minimum tax group. However, it is not a group parent as defined by the MinStG, so it will not be liable for any minimum tax that might arise for the first time in the financial year 2024. In all likelihood, Gothaer Allgemeine Versicherung AG will charge the group parent with the task of submitting the first minimum tax report for the 2024 financial year.

Group membership

The financial statements of our Company are included in the consolidated financial statements of Gothaer Versicherungsbank VVaG, Cologne. Gothaer Versicherungsbank VVaG prepares the consolidated financial statements for the largest and smallest group of companies. The consolidated financial statements are published in the Register of Companies. The consolidated financial statements and management report prepared by Gothaer Versicherungsbank VVaG have an exempting effect on Gothaer Allgemeine Versicherung AG pursuant to section 291 (2) No. 4 HGB.

Events of special significance

No events of special significance occurred after the conclusion of the financial year 2023.

Cologne, 8 March 2024

Board of Management

Thomas Bischof	Oliver Brüß	Dr. Mathias Bühring-Uhle
Harald Epple	Michael Kurtenbach	Oliver Schoeller

Independent Auditors‘ Report

Gothaer Allgemeine Versicherung AG, Cologne

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

AUDIT OPINIONS

We have audited the annual financial statements of Gothaer Allgemeine Versicherung AG, Cologne, which comprise the balance sheet as at 31 December 2023, the income statement for the financial year from 1 January 2023 to 31 December 2023 and the notes to the financial statements, including the presentation of accounting and valuation policies. We have also audited the management report of Gothaer Allgemeine Versicherung AG for the financial year from 1 January 2023 to 31 December 2023. In accordance with German statutory requirements, we have not audited the content of the parts of the management report referred to in the "Other information" section of our auditor's report.

In our opinion, based on the knowledge obtained in the course of the audit,

– the accompanying annual financial statements comply in all material respects with the rules of German commercial law applicable to insurance companies and, in accordance with German general accounting principles, present a true and fair picture of the net assets and financial position of the Company as at 31 December 2023 as well as the results of its operations from 1 January to 31 December 2023 and

– the accompanying management report as a whole provides an accurate view of the situation of the Company. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the parts of the management report referred to in the "Other information" section of our auditor's report.

Pursuant to section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not resulted in any reservations with regard to the legal compliance of the annual financial statements or the

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the annual financial statements and the management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014, hereinafter referred to as „EU Audit Regulation“), observing the German Generally Accepted Standards on Auditing as promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). Our responsibilities under those regulations and standards are described in more detail in the section of our auditor's report headed "Auditor's responsibilities for the audit of the annual financial statements and the management report". We are independent of the Company in accordance with the requirements of European law and German commercial and professional law and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained provides an adequate and reasonable basis for our opinions on the annual financial statements and management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2023. These matters were considered in the context of our audit of the annual financial statements as a whole and in the process of forming our audit opinion on them; we do not provide a separate audit opinion on these matters.

We consider the following to be key audit matters:

1. VALUATION OF INVESTMENTS IN UNIT TRUSTS OR FUNDS RECOGNIZED AS FIXED ASSETS

Related information in the financial statements

The "Investments" subsection of "Accounting and Valuation Policies" in the notes to the financial statements of the Company contains information on the recognition and valuation of shares in investment funds.

Facts and risk for the audit

Due to the significance of this item in the Company's balance sheet (€ 2,501,603 thousand) and the considerable scope for judgement (discretionary decisions, estimates and assumptions) that may influence valuation (including the fair value disclosures in the notes to the financial statements), the audit of investments in unit trusts and funds recognized as fixed assets was of particular significance in the context of our audit.

In accordance with section 341b (2) HGB, the Company has largely designated shares in investment funds – which make up the major part of the balance sheet item shares, investments in unit trusts or funds and other non-fixed-interest securities – as being held to serve business operations on a permanent basis. These shares in investment funds are valued in accordance with the valuation rules applicable to fixed assets. In principle, they are recognized in the balance sheet at cost. Depreciation is recognized only in the case of permanent impairment and write-ups are performed if the reason for impairment no longer exists. Fair value is determined by means of a fund review.

The valuation methods used to determine fair value are influenced by discretionary decisions and assumptions made by the legal representatives. For the annual financial statements, there is a fundamental risk that a prospectively permanent impairment was not recognized and that a required write-down to fair value thus failed to be made at balance sheet date.

Audit approach and conclusions

We audited the investments in unit trusts and funds recognized as fixed assets as follows:

We satisfied ourselves on the basis of the liquidity plans presented that the Company has the ability to hold the shares in investment funds recognized as fixed assets on a permanent basis.

We then examined the process used to determine the fair value of the shares in investment funds, in particular with regard to the existence and effectiveness of internal controls designed to ensure that fair values are determined and processed correctly.

We also performed an assessment of the methods used to determine the conformity and consistency of the fair values. At the same time, we assessed the application of the rules announced by the IDW Insurance Committee.

Furthermore, we verified the entry of the fund data in the investment sub-ledger and subsequently in the calculation document. We also checked that the calculation logic was correctly implemented in the calculation document and satisfied ourselves of the mathematical accuracy for randomly selected shares in investment funds.

2. VALUATION OF THE PARTIAL LOSS RESERVES FOR KNOWN AND UNKNOWN CLAIMS INCLUDED IN THE GROSS RESERVE FOR OUTSTANDING CLAIMS

Related information in the financial statements

The "Underwriting reserves" subsection of "Accounting and Valuation Policies" in the notes to the financial statements of the Company contains information on the valuation of the reserve for outstanding claims.

Facts and risk for the audit

The annual financial statements of the Company show a gross reserve for outstanding claims of € 3,161,025 thousand. This was 73.5 % of the balance sheet total and materially affects the net assets of the Company.

The gross reserve for outstanding claims is subdivided into various partial loss reserves. A substantial part of the gross reserve for outstanding claims is formed by the reserves for known and unknown claims.

The obligations recognized in the partial loss reserves for known and unknown claims are estimated values. The responsibility for their estimation lies with the legal representatives of the Company. The methods, assumptions and parameters used to determine the estimates are based on both past and anticipated future developments and include discretionary decisions and uncertainties on the part of the legal representatives in the valuation of known events and events that have already occurred but will only become known in the future. Estimated values thus involve an increased risk of misstatement in the accounts.

Audit approach and conclusions

We audited the partial loss reserves for known and unknown claims as follows:

First of all, we gained an understanding of the processes used to determine the gross partial loss reserves for known and unknown claims. Based on this, we performed an audit of the design and operation of the key internal controls embedded in the claims settlement process to ensure that the required reserves are complete and correct.

To verify the valuation of the partial loss reserve for unknown claims, we retraced the Company's calculation for selected risk-oriented lines and classes of insurance to establish the volume of unknown IBNR claims. In particular, we assessed the parameters used on the basis of historical experience and current developments. With regard to known claims not yet settled at balance sheet date, we performed substantive testing on risk-oriented and random samples of claims to verify the correctness of the claim file management and the appropriateness of the reserve that was formed. At the same time, we examined the records to verify the estimates of probable loss for various lines and classes of insurance.

In addition, we analyzed the actual development of the prior-year reserve for outstanding claims on the basis of the run-off results.

We checked the plausibility of the development of the outstanding claims reserve on the basis of key figure and time series analyses.

We also performed our own actuarial reserve calculations for selected segments, which were chosen specifically on the basis of risk considerations. In each case, we estimated the total claims expenditure (gross) in order to verify the adequacy of the reserves for outstanding claims and the level of security achieved.

The audit was performed with the help of our own specialists with knowledge of actuarial mathematics.

OTHER INFORMATION

The legal representatives and/or the supervisory board are responsible for other information. Other information comprises the corporate governance statement pursuant to section 289f (4) of the German Commercial Code (HGB) (gender diversity disclosures), which does not form an audited part of the management report.

Other information also includes:

- the report of the supervisory board
- the other parts of the annual report, with the exception of the audited annual financial statements, the audited management report and our auditor's report.

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

In connection with our audit, our responsibility is to read the other information and consider

- whether it is materially inconsistent with the annual financial statements, the management report or the knowledge we obtained in the audit, or
- whether it otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT

The legal representatives are responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law pertaining to insurance companies and that, in accordance with German general accounting principles, give a true and fair view of the net assets, financial position and results of the operations of the Company. In addition, the legal representatives are responsible for such internal control as they have determined necessary, in accordance with German general accounting standards, to permit the preparation of annual financial statements that are free from material misstatement as a result of malicious acts (i.e. manipulation of accounts and damage to assets) or errors.

In preparing the annual financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for making disclosures, as appropriate, in relation to going concern. In addition, they have a responsibility to draw up annual financial statements based on the going concern assumption unless there are actual or legal circumstances that preclude this.

Furthermore, the legal representatives are responsible for preparing a management report that, as a whole, provides an accurate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with the requirements of German law and accurately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for making the arrangements and implementing the measures (systems) that they deemed necessary to permit the preparation of a management report in accordance with the relevant German legal requirements and to enable sufficient appropriate evidence to be provided for the assertions in the management report.

The Supervisory Board is responsible for overseeing the financial reporting process for the preparation of the annual financial statements and management report of the Company.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement as a result of malicious acts or errors and whether the management report as a whole provides an accurate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the requirements of German law and accurately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and management report.

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

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement in the annual financial statements and management report due to malicious acts or errors, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of a material misstatement due to malicious acts going undetected is higher than the risk of material misstatement due to error because malicious acts may involve collusion, forgery, deliberate omissions, misrepresentations or the overriding of internal control mechanisms;

- obtain an understanding of the internal controls relevant to the audit of the annual financial statements and the arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of those Company systems;

- evaluate the appropriateness of the accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures;

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

- evaluate the entire presentation, structure and content of the annual financial statements, including the disclosures, and assess whether the annual financial statements present the underlying transactions and events in such a way as to present a true and fair picture of the net assets, financial position and results of the operations of the Company in compliance with German general accounting principles;

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

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

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

We provide those charged with governance with a statement confirming that we have complied with the relevant independence requirements and discuss with them any relationships or other matters that might reasonably be thought to have a bearing on our independence and, where relevant, the actions taken or safeguards implemented to address threats to that independence.

From the matters discussed with those charged with governance, we identify the matters that were of most significance in the audit of the annual financial statements for the current reporting period and therefore constitute the key audit matters. We describe these matters in our auditor's report unless public disclosure is precluded by law or regulation.

OTHER STATUTORY AND LEGAL REQUIREMENTS

Other information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the Extraordinary General Meeting on 1 June 2023. We were appointed by the Supervisory Board chair on 17 October 2023. We have acted as auditor for Gothaer Allgemeine Versicherung AG since the financial year 2023.

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

In addition to performing the audit for the audited company and the companies controlled by it, we provided the following services that were not disclosed in the annual financial statements or management report of the Company:

- audit review of the annual financial statements prepared by a controlled company
- preparation of a certificate for a foreign authority

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Elke Stümper.

Cologne, 22 March 2024

Mazars GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Thomas Volkmer	Elke Stümper
Wirtschaftsprüfer	Wirtschaftsprüferin

Report of the Supervisory Board

The Supervisory Board continuously monitored the conduct of business by Management in the course of the financial year in fulfilment of its duties under the law and the bylaws of the Company. Management regularly submitted written reports on business developments and the situation of the Company to the Board and reported orally at three ordinary meetings and one extraordiary meeting. The Board was involved in all decisions of fundamental importance for the Company. The committees of the Board were also involved in informational and oversight activities. The Investment Committee and Executive Committee convened on three and four occasions respectively during the past financial year. The Audit Committee met on five occasions, one of them in connection with the tendering and selection process initiated at the end of 2022 for the appointment of a new auditor for the financial year 2023 and one for the assessment of the quality of the audit. It was not necessary to convene the committee established pursuant to section 27 (3) of the Co-Determination Act (MitbestG). The progress and outcomes of the committee meetings were reported and discussed at the meetings of the Supervisory Board.

At its meeting in December 2023, the Supervisory Board also resolved to set up a Sustainability Committee from 2024. The new committee will be tasked with regularly addressing social and legal developments in connection with sustainability issues that are relevant to the Gothaer Group's business activities. It will also support Management in the development, implementation and monitoring of the sustainability strategy. The aim here is to take account of the sharply increased significance of the issue of sustainability. The initial focus will be on sustainability-related non-financial reporting in the Gothaer Group, which will be significantly expanded by the transposition of the Corporate Sustainability Reporting Directive (CSRD) into German law.

In line with the stipulations of the Federal Financial Supervisory Authority, the members of the Supervisory Board conducted a self-appraisal, assessing their knowledge of investment, underwriting accounting and auditing. This appraisal forms the basis for an education and training programme drawn up by the Board each year to identify the topics in which the Board as a whole or individual members of it will deepen their knowledge. Two training events were held for Board members with a primary focus on IT strategy and the use of Artificial Intelligence. Additional topics covered included legal requirements for supervisory boards, premium calculation and sustainability reporting.

The issues addressed by the Board regularly included the development of the Company’s new business, portfolios and earnings as well as investment strategy and the effect thereof on the financial statements. A focus was also placed on competition, product design, marketing and the development of sales, costs and earnings. The Board also kept a particularly keen eye on the solvency situation under the current Solvency II regime. In addition, Management reported regularly to the Board on the basic issues involved in corporate planning, the Company’s risk strategy and exposure, the results of benchmarking comparisons with similarly structured companies and IT and sustainability strategy.

The Supervisory Board continued to pay special attention to the "Ambition25" group strategy, in which the Company addresses market distinction issues such as "Leading Partner for SMEs", "Strong Commitment to the Customer" and "More than Insurance". The primary focus here was on the implementation strategies and programmes required for market development, to ensure that products, processes and structures are attuned to the needs of an organization that is – both internally and externally – increasingly digital. The Board also addressed the task of defining the gender diversity targets to be achieved by the end of 2026 for the Management and Supervisory Boards.

Reporting in 2023 focused particularly on the sharp rise in the cost of reinsurance. Other major topics included the impacts of ongoing high inflation and claims-side developments, notably the increase in natural hazard claims and major losses as well as higher claims expenditure due to rising prices.

Gothaer Allgemeine Versicherung AG was able to maintain its financial strength largely by consistently achieving profit-oriented growth in a difficult economic environment. In 2023, the rating agency Standard & Poor's confirmed the Company's A rating with stable outlook.

The Supervisory Board discharged its statutory duty to examine HR issues relating to Management. The Management Board mandates of Mr Harald Epple and Mr Michael Kurtenbach were extended, whereby Mr Kurtenbach will retire from the Board on 30 June 2024.

Management's investment planning and policy were regularly a subject of Investment Committee meetings. Management reported to the Board in detail on developments in the capital markets and their impacts on investments, changes in hidden reserves/emergence of hidden liabilities and the development of investment income and discussed the possible consequences of macroeconomic developments and their implications for the insurance industry and the Company.

The topics addressed in the Investment Committee meetings and the ORSA report also included aligning investments with ESG criteria.

The Audit Committee established by the Supervisory Board in line with section 107 (3) of the Stock Corporation Act (AktG) monitored the accounting process and verified the effectiveness of the internal control system, risk management system, compliance organization and internal auditing system. The Board was in regular contact with the auditor in compliance with section 107 (3) sentence 1 AktG. There were no objections. The key performance indicators in the financial statements were discussed in detail with Management and auditors, also taking benchmarks of comparable companies into account. The Audit Committee therefore proposed to the Supervisory Board that the financial statements for the financial year 2023 should be formally adopted in accordance with section 172 AktG.

The financial statements and accompanying management report presented for the financial year 2023 were audited by the auditor, Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne, which also evaluated the early risk detection system.

The auditors fully certified the reports presented in accordance with section 322 HGB. The auditors reported on the key results of the audits at the Supervisory Board meeting on the financial statements. The Supervisory Board meeting on the financial statements was also attended by the Responsible Actuary.

The Supervisory Board received the audit report presented and duly noted and approved the result of the audit.

Examination of the financial statements and management report by the Supervisory Board gave no cause for objections.

The Board endorses the 2023 financial statements. The financial statements are thus formally adopted pursuant to section 172 AktG.

The Supervisory Board wishes to express its special appreciation and heart-felt thanks to staff and Management for their work last year under ongoing difficult economic conditions.

Cologne, 22 March 2024

The Supervisory Board

Prof. Dr. Werner Görg	Thorsten Schlack	Carl Graf von Hardenberg
Dr. Judith Kerschbaumer	Dr. Dirk Niedermeyer	Dr. Christine Prauschke
Gesine Rades	Simone Robens	Peter-Josef Schützeichel
Edgar Schoenen	Ulrich Heinz Wollschläger	Markus Wulfert

Company Locations

Headquarters	Gothaer Allee 1 50969 Cologne Germany	Telephone +49 221 308 – 00 Facsimile +49 221 308 – 103 Internet www.gothaer.de
Branch establishment France	2 Quai Kléber 67000 Strasbourg France	Telephone +33 388 755060 Facsimile +33 388 226952 Authorized representative: Damien Limousin

Gothaer Allgemeine Versicherung AG
Gothaer Allee 1
50969 Cologne, Germany

Phone +49 (0)221 308-00
Fax +49 (0)221 308-103
www.gothaer.de