Gothaer Group
Annual Report 2023

Five-year comparison

€ thousand

	2023	2022	2021	2020	2019
Gross premiums written	4,897,372	4,569,823	4,694,281	4,557,025	4,524,645
Earned premiums net of reinsurance	4,312,826	4,063,580	4,236,142	4,196,470	4,164,489
Retention ratio (in %)	88.6	89.2	90.5	92.2	92.1
Claims expenses net of reinsurance	3,877,104	3,289,646	3,217,263	3,082,030	3,183,244
Change in other net underwriting reserves	328,230	-86,750	1,216,891	880,901	1,184,315
Underwriting expenses net of reinsurance	887,645	793,960	774,555	740,695	737,655
Net income for the year	78,346	83,169	82,128	72,431	114,990
Return on equity (in %)	5.1	5.7	6.0	5.6	9.5
Investments	32,076,163	32,074,202	31,265,744	30,666,518	29,473,399
Investment result	868,971	802,238	1,028,072	1,025,244	993,960
Net return (in %)	2.7	2.5	3.3	3.4	3.4
Underwriting reserves net of reinsurance	30,134,117	30,002,510	29,488,627	28,847,969	27,863,537
Equity	1,573,572	1,502,657	1,421,959	1,326,456	1,263,692
Subordinate liabilities	319,660	319,300	319,300	299,677	299,677
Employees (average number)	4,865	5,007	4,985	4,795	4,744

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, sustainable 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.

The Business Units

The Group parent is **Gothaer Versicherungsbank VVaG**, a mutual insurance association. The Group's financial activities are managed by Gothaer Finanzholding AG. Operational activities are handled mainly by the companies listed below:

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 market 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 Gothaer Allgemeine Versicherung AG's role as a market innovator and one of the market leaders in wind turbine insurance. 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 Lebensversicherung AG has been a partner for insurance protection, financial planning strategies and investment advice for nearly 200 years. It focuses systematically on biometrics and capital-efficient products, which are strategic business fields, as well as on company pension schemes. In recent years, the percentage of new business generated within these fields has steadily increased. Business with corporate clients has been a special focus here – both in company pension schemes and collective occupational disability insurance. This has also significantly strengthened regular-premium business, which is important for life insurers. In the field of biometric products – a field important for the stability of the risk result – Gothaer Lebensversicherung AG has established itself as a manpower insurer with a range of product options for different target groups – from infants to working men and women.

In addition to the development of a competitive product range, the company offers a continuous stream of process and service optimizations. Another focus is making products more transparent for customers. This applies first and foremost to unit-linked product lines and encompasses both new and portfolio business. Company pension scheme and company employee insurance business have continued to grow in importance, especially in recent years. On the product side, Gothaer Lebensversicherung AG offers attractive pension solutions that are easy to implement for employers of any size. In this sector in particular, processes and services need to meet significantly higher requirements in terms of digitalization and automation. Gothaer Lebensversicherung AG has responded to this trend by setting up company pension scheme portals and easy-to-use self-service points for frequently recurring administrative tasks. Gothaer Lebensversicherung AG was the first insurer in Germany to submit to independent sustainability rating in 2021 and was awarded an A+ (good) rating by Assekurata. In 2023, Gothaer Lebensversicherung AG improved its result and became the best-rated life insurer with an AA (very good) rating. Being credibly sustainable will continue to have a decisive influence on the strategic decisions of Gothaer Lebensversicherung AG in the future.

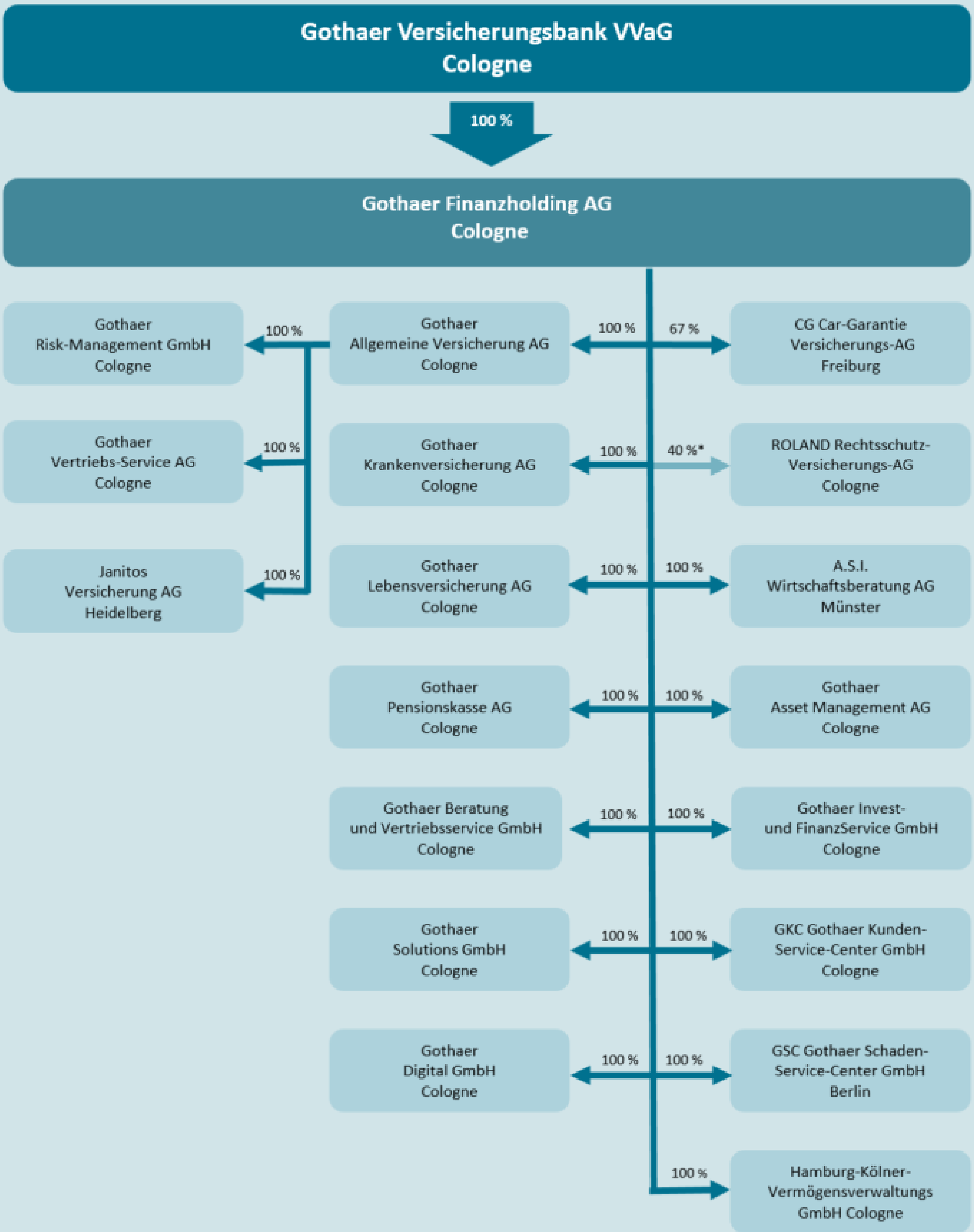
Gothaer Krankenversicherung AG is *the* first partner for modern health insurance cover. The insurer caters for the trend towards greater health awareness as well as public demand for healthcare services and continuously develops services that permit access to high-quality, effective care. The top priority in this context is to provide the best possible support to the people the company insures in terms of health protection and convalescence. Under the motto gothaer.nachhaltig.gesund (gothaer sustainable health), Gothaer Krankenversicherung AG focuses primarily on „health maintenance". One focal area is mental health. By cooperating with leading providers in this field, the company is progressively strengthening its role as a sustainable health service provider.

Comprehensive health insurance thus remains a major pillar of business for Gothaer Krankenversicherung AG because, with an eye on the future, it is the only insurance that guarantees a stable level of health protection benefits. At the same time, the public financing challenges faced in the German health system are heightening the significance of policies that supplement statutory health insurance. Gothaer Krankenversicherung AG has been on a growth path here for years. Not only private clients see the value of private insurance. With company health insurance, Gothaer Krankenversicherung AG helps employers move towards greater social sustainability and provides them with a convincing argument in competition for skilled workers. Here too, the company is extending its lead in the market and upgrading its corporate product range with innovative health services.

Janitos Versicherung AG is a highly digitalized composite insurer based in Heidelberg selling its products through independent intermediaries such as brokers, broker pools, financial product distributors and comparison platforms. All of the company's processes and services are geared to this target group. The focus is on a high degree of automation, swift and customized product development as well as technical interfaces to sales partners in line with the company's digitalization and sales strategy. A modern IT infrastructure, a custom-fit support model and ceaseless attention to first-class product positioning are the key building blocks of the Janitos strategy. The product portfolio ranges from motor, bicycle, pet owner and private liability insurance through householders and homeowners insurance to supplemental health, accident insurance and the Multi-Rente disability insurance. The company is regularly successful in product ratings and broker surveys and is very well and sustainably positioned as an established broker brand in Germany and Austria.

With more than 50 years of experience and premium revenues running to nearly € 300 million a year as well as a market presence in 19 countries, **CG Car-Garantie Versicherungs-AG** ranks among the foremost specialist insurers for guarantee and customer loyalty programmes for new and used vehicles in Europe. More than 40 manufacturers/importers and over 23,000 dealers have confidence in the custom guarantee programmes and high service quality offered by CG Car-Garantie Versicherungs-AG. As a reliable partner, the company sets store by stability and permanency.

The Gothaer Group



* Total Group interest
For purposes of clarity, shareholding structure simplified.

September 2023

Gothaer Versicherungsbank VVaG
Annual Report

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

Registered Office of the Company
Arnoldiplatz 1
50969 Cologne/Germany

Cologne Local Court, HRB 660

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

Success in turbulent times

Prof. Dr. Werner Görg

Chair of the Supervisory Board of the Gothaer Group

2023 was a year that gave us little cause for optimism as the geopolitical, economic and social tensions of the previous year intensified. The devastating war in Ukraine is already entering its third year in 2024. Hamas' attack on Israel and the war in the Gaza Strip have escalated tensions in the Middle East to a new level. The energy crisis, disrupted supply chains and inflation have had a significant impact on economic development in Germany. In terms of interest rate policy, we have experienced a transition from a phase of historically low capital market interest rates to a sustained high interest rate level. As a result, Germany ended 2023 in a recession.

This challenging overall framework naturally also impacted the insurance industry. Soaring inflation rates and the higher incidence of storm damage in recent years have led to a significant increase in the frequency and costs of claims. The associated sharp rise in reinsurance costs is having a negative impact on the profitability of primary insurers. In addition to the effects of inflation, the upward trend in interest rates is depressing the investment result. Particularly in life insurance business, the risks of undisclosed liabilities and higher cancellation rates are growing.

The Gothaer Group performed admirably in this very challenging environment. I am particularly pleased that we have been able to consolidate our strong position in the SME sector, as well as revitalizing private client business in all three business units. Thanks to these developments our growth has outperformed the market and our good level of equity capitalization is a further indication of Gothaer's dependability as a partner, even in turbulent times.

Our property and casualty insurer, Gothaer Allgemeine AG, was able to absorb the effects of inflation well with a particularly strong gross underwriting result. It countered the weak development of the economy with double-digit premium growth. Gothaer Krankenversicherung AG, our health insurer, also reported above-market growth in premium revenues thanks to the contributions of the supplementary and comprehensive insurance segments and we were able to further build on our strong position in company health insurance. Life insurance business is still significantly exposed to the effects of interest rate hikes and the rising cost of living, which is particularly evident in the single premium business results. However, on the upside, Gothaer Lebensversicherung AG's premium income development is ahead of the market average, with a particularly high level of new business.

The Supervisory Board worked closely with the Management Board with regard to the Group's development. In addition to the regular written reports, it received verbal reports on the Group's situation at three meetings. The Supervisory Board performs some of its activities through committees. The investment committee and the management board committee met on three, respectively four occasions in the past financial year. The audit committee has held five meetings since the end of 2022. The results of the committee meetings were reported on and discussed at the Supervisory Board meetings. To facilitate the continuous development of insurance-related expertise, two training events were held with a focus on the topics of IT strategy, the use of artificial intelligence, as well as legal requirements affecting the Supervisory Board, premium calculation and sustainability reporting.

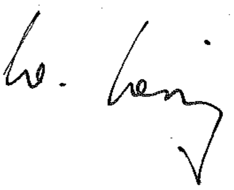
A newly established committee will regularly analyze social and legal developments with Group relevance and support the Management Board with the sustainability strategy and its implementation in order to embed sustainability to an even greater extent in the Group's corporate activities from 2024 onwards. The focus will initially be on sustainability-related non-financial reporting.

Another key action area for the Supervisory Board is the planned merger of the Gothaer Group and the Barmenia Group. It is the Supervisory Board's role to support this process, assess the associated opportunities and risks and evaluate the findings. Joint group structure issues are one of the main focus areas. I would like to emphasize that the planned merger will take place on an equal footing as a joint solution involving two equitable partners with the same ranking in a future corporate group framework that respects the identities of both companies equally.

The numerous crises in recent times, such as the COVID-19 pandemic, the war in Ukraine and the increasing incidence of natural disasters, have all shown one thing: Although, in theory, mapping various risk scenarios should prepare insurance companies for unpredictable events, it is becoming increasingly difficult to predict precisely these kinds of events. In the future insurers will need to strike a new and effective balance between prevention and responsiveness if they want to continue operating successfully in a dynamic environment and be in a position to offer their clients the best possible insurance cover.

As Chairman of the Supervisory Board I would like to thank my board colleagues for their team spirit and constructive efforts over the past year. On behalf of the entire Supervisory Board, I would also like to take this opportunity to express my sincere gratitude to all company employees and managers for their valuable contributions to the very positive development of the Gothaer Group in 2023. In particular, I would like to thank the agents in the sales organization for their impressive sales results.

Sincerely,



Continuing on a successful growth path

Oliver Schoeller

Chief Executive Officer of the Gothaer Group

The Gothaer Group is reporting significantly above-market growth for the 2023 financial year. This is all the more remarkable given that the geopolitical and economic framework offered little cause for optimism. The situation in the war and crisis flashpoints has escalated further. A weak business climate, inflation and persistently high interest rates have not only impacted the German economy, but also posed major challenges for the insurance industry.

The Gothaer Group was able to counter these developments with a remarkably strong sales performance. Net production at all three risk-bearing entities rose by at least 30 percent. This excellent result is also reflected in our impressive growth in premium revenues. In the past financial year, the Gothaer Group's premium revenues increased by 7.2 percent to around € 4.9 billion. One particularly positive development is that all our business units are performing at well above market level. Gothaer Allgemeine Versicherung AG achieved double-digit growth of 12.0 percent. Growth at Gothaer Krankenversicherung AG was 5.6 percent and, despite a 2.9 percent drop due to the decline in single premium business, Gothaer Lebensversicherung AG still outperformed the market.

Further proof of our resilience is the renewed A rating with a „stable" outlook for all three core companies from the rating agency S&P Global Ratings. In addition to our high resilience and solid capital base, the analysts particularly recognized our extensive network of sales channels, our diversified product portfolio, and our digitalization activities. The rating is not only a positive indication of our trustworthiness; it also encourages us to continue pursuing our clear-cut strategy in these economically and geopolitically challenging times.

Part of that strategy is the further consolidation of our strong position in the SME segment. In times such as these, corporate clients need individual risk concepts and the support of a partner with both extensive expertise in their specific risks, and a high level of underwriting competence. This is precisely what we have demonstrated, with growth in gross corporate insurance premium revenues of 11.3 percent to a total of around € 1.6 billion, largely due to decisive contributions from our property and casualty, biometrics, and company health insurance products. Private client business also gained in momentum again due to an upturn in motor vehicle insurance business, our new occupational disability product and our range of supplementary health insurance products. We have also succeeded in simplifying our products and making them more accessible by expanding our digital sales activities.

On the basis of this very good starting position, the Management Boards, Supervisory Boards, and member representatives of the Gothaer Group and the Barmenia Group decided in favour of a merger last year. The key driver for this project is the perfect fit between the two insurers. While Gothaer focuses on the property and casualty segment, Barmenia's strength lies primarily in health insurance. Gothaer has achieved particularly strong growth across all lines of business in the corporate client segment, whereas Barmenia's private client business is developing very dynamically. Uniting these complementary strengths will not only result in a balanced and broad distribution of business segments, but also lead to greater earnings consistency. Building resilience through diversification has become increasingly important for insurers in the face of ever more frequent disruptive events such as the pandemic, natural disasters or Russia's invasion of Ukraine.

A merger would also benefit our clients because it will improve our risk-bearing capacity and therefore also our dependability, as well as enabling us to offer them an even better and broader range of products. Thanks to our strong networks of sales channels, they would also enjoy more personalized advice – both in the private and corporate client segments. Last but not least, a merger would also strengthen the Group's financial strength and innovative capacity.

The premise of the merger is that it takes place on an equal footing between two equal partners. Both brands and company headquarters will be retained. It is helpful that both companies have complementary strengths and very similar cultures, without which such a project would not be feasible, and are united by values such as altruism and a strong sense of solidarity. As insurance associations with long traditions, long-term planning and actions form part of the DNA of both corporate groups. Sustainability in business and society is a priority concern for both companies. By pooling investments, a joint group of companies can further accelerate the transformation of the German economy.

The due diligence phase will have been completed by the time this report is published and the member representatives of both organizations will make their decision about the merger on the basis of the results. Applications for the authorization of the merger will be submitted to the relevant authorities so that it can hopefully be completed this year. I am already impressed by the enthusiasm, positive attitude, and active support of our employees in response to the news of the merger. On behalf of all my Management Board colleagues, I would like to thank them, as well as our insurance agents, for their hard work and commitment over the past year.

Sincerely,

Representatives of Members

Wilm-Hendric Cronenberg Chair		Managing Partner of Julius Cronenberg o. H.
Knut Kreuch Vice Chair		Mayor of the City of Gotha
Jürgen Scheel Vice Chair		Chair of the Management (retd.) of Kieler Rückversicherungsverein a. G.
Quentin Carl Adrian		Tax accountant and partner of dhpg Wirtschaftsprüfer Rechtsanwälte Steuerberater GmbH & Co. KG
Heiner Alck		Physical therapist
Christina Begale	up to 25 December 2023	Consultant
Helmut Berg		Pensioner
Werner Dacol		Real Estate Valuer
Dr. Karin Ebel		Managing Partner of ebel & team GmbH as of 1 January 2023
Dr. Matthias Eickhoff		Management of Amevida SE
Sabine Engler		Diplom-Kaufmann
Andreas Formen		Diplom-Betriebswirt
Dr. Jörg Friedmann		Lawyer, Law firm Dr. Friedmann & Partner mbB
Dr. Vera Nicola Geisel		Head of Human Resources & Legal of VDI GmbH
Beate Gothe		Head of Finance and HR of Heinz Gothe GmbH & Co. KG
Birgit Heinzel		Master craftswoman in ophthalmic optics and auditory acoustics, Managing Director of HEINZEL Sehen + Hören
Willi Hullmann		Managing Partner of R(h)ein-Gewinn Beratungsgesellschaft mbH
Norbert D. Hüsson		Betriebswirt, Master painter, Managing Partner of Hüsson FGB GmbH
Wolfgang Klemm		Chamber musician (retd.)
Dr. Götz Kröner		Managing Director of Kröner-Stärke GmbH
Barbara Lambers		Head of Talent Aquisition EMEA at DHL Express Germany GmbH
Dr. Hans-Werner Lange		Chair of the Supervisory Board of TUPAG-Holding-AG
Louwrens Langevoort		Artistic Director of Cologne Philharmonic and CEO of KölnMusik GmbH
Prof. Dr. Claus Luttermann		University professor of the Economics Faculty of the Catholic University of Eichstätt-Ingolstadt

Dr. Anja Marzuillo	Lawyer
Regina Menger-Krug	Former Managing Director and owner of Sektgut Menger-Krug
Stephan Otte	Managing Director of Stein HGS GmbH
Uwe von Padberg	Diplom-Kaufmann, Managing Director of Creditreform Köln v. Padberg GmbH & Co. KG
Annegret Reinhardt-Lehmann	Managing Director of Wirtschaftsinitiative FrankfurtRheinMain e. V.
Dr. Roland Reisten-bach	Dentist
Peter Riegelein	Diplom-Kaufmann, Managing Partner of Hans Riegelein + Sohn GmbH & Co. KG
Prof. Dr. Torsten Rohlfs	TH Köln/University of Applied Sciences, Institute of Insurance Studies (ivw Cologne)
Martin Schäfer	Managing Partner of Wirth Fulda GmbH
Astrid Schulte	Managing Director of Beate Heraeus Foundation as of 1 July 2023
Dr. Klaus Tiedeken	Chairman of the Board of Stiftung der Cellitinnen zur hl. Maria
Dr. Katrin Vernau	Administrative Director at WDR Westdeutscher Rundfunk Cologne as of 1 September 2023
Sabine Walser	Member of Private University Funding Department staff at Goethe University, Frankfurt as of 19 May 2023
Stefan Zant	Executive Vice President Growth & Portfolio of Sportradar Group AG as of 1 March 2023

Supervisory Board

Prof. Dr. Werner Görg Chair		Lawyer, Tax Accountant
Carl Graf von Hardenberg Vice Chair		Chair of the Supervisory Board of Hardenberg-Wilthen AG
Urs Berger	up to 6 June 2024	Chair of the Administrative Board of Schweizerische Mobiliar Holding AG and Schweizerische Mobiliar Genossenschaft up to 12 May 2023
Gabriele Eick		Owner of business consultancy Executive Communications
Prof. Dr. Johanna Hey		Director of Institut für Steuerrecht (Tax Law) of Cologne University
Jürgen Wolfgang Kirchhoff		Diplom-Ingenieur, Managing Partner and COO of KIRCHHOFF Holding GmbH & Co. KG

Honorary Chair

Hansgeorg Klanten	up to 29 March 2023	Director (retd.)
Dr. Roland Schulz		Former Managing Partner of Henkel AG & Co. KGaA

Management

Oliver Schoeller Chair	Chair 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
Thomas Bischof	Chair 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
Dr. Sylvia Eichelberg	Chair of the Board of Management of Gothaer Krankenversicherung AG and member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding 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	Chief Human Resources Officer - Chair of the Board of Management of Gothaer Lebensversicherung AG and member of the management boards of Gothaer Versicherungsbank VVaG Gothaer Finanzholding AG Gothaer Krankenversicherung AG Gothaer Allgemeine Versicherung AG

The list of names of members of the Supervisory Board and Management consists of information to be provided in the notes to the financial statements pursuant to section 314(1) No. 6 of the German Commercial Code (HGB).

Advisory Board Gothaer Versicherungsbank VVaG

Andreas Barth		Diplom-Ingenieur, Managing Director of OMEGA Blechbearbeitung Holding AG
Klaus Michael Baur		Publisher and Editor in Chief of Badische Neueste Nachrichten Badendruck GmbH
Sven Becker	as of 1 January 2024	Management Board Spokesman of Trianel GmbH
Marco Beicht	as of 1 January 2024	CEO, Owner and Founder of powercloud GmbH
Martin Böhm		Owner of the company BÖHM Elektrobau
Klaus Brenner		Chair of the Management Board of VPV Lebensversicherungs-AG
Dr. Christoph Buse		Managing Partner of Bautra GmbH
Daniel Friedrich		Managing Director of Friedrich & Sohn Transport / Spedition GmbH
Lorenz Hanelt	up to 31 December 2023	Executive Officer of Delvag Versicherungs-AG
Carl Graf von Hardenberg jun.		Managing Partner of Hardenberg-Wilthen AG
Hans Jürgen Hesse		Managing Partner of Hesse GmbH & Co. KG
Dr. Michael Jaxy		CFO of UEE Holding SE & Co. KG
Thomas Kemp		Diplom-Kaufmann, Managing Director of Reinert Gruppe Ingredients GmbH
Rainer Lehmann	up to 31 December 2023	Executive Officer of Sartorius AG
Timo Freiherr von Lepel		Managing Director of Net Cologne Gesellschaft für Telekommunikation mbH
Andreas Mosler		Diplom-Betriebswirt, Diplom-Wirtschaftsinformatiker, Chair of the Supervisory Board of AEP AG
Rüdiger Otto		Managing Director and Owner of A. Otto & Sohn GmbH & Co. KG
Wolfgang Öxler		Archabbot of the Benedictine Abbey St. Ottilien
Dr. Melanie Peterhoff		Managing Partner of F. J. Peterhoff Beteiligungs-GmbH
Dr. Peter Ramsauer	up to 31 December 2023	Diplom-Kaufmann, member of Deutscher Bundestag
Hermann Reichenecker		Managing Partner of Storopack Hans Reichenecker GmbH
Frank Reinhardt		Chair of Pensionskasse Wacker Chemie VVaG
Arthur Reiter	as of 1 January 2024	Managing Director of AP Capital GmbH
Dr. Martin Rothfuchs		Managing Director of Arenbergische Gesellschaften
Alien Wolter		Managing Partner of ARNO GmbH

Group 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 the Gothaer Group as it is structured at present.

The remarks on actuarial practice contained in the sections of the Group Management Report on the development of business, outlook and opportunities and risks of future development refer predominantly to the major risk carriers of the Group. Those carriers are Gothaer Allgemeine Versicherung AG for property and casualty insurance, Gothaer Lebensversicherung AG for life insurance and Gothaer Krankenversicherung AG for health insurance.

Developments in the insurance industry

Trends in 2023

Insurance industry as a whole

Against a backdrop of higher interest rates and slowly easing inflationary pressure, the global economy is expected to grow in 2023, with industrialized nations participating significantly more in that growth than developing and emerging economies. More subdued growth is also anticipated in the eurozone. In Germany, the Federal Statistical Office expects real gross domestic product (GDP) to contract by 0.3 %, due in particular to lower private consumer spending. The economic situation of private households continues to be impacted by inflation. Real wages show only a marginal increase against the previous year. Furthermore, continuing macroeconomic uncertainties and higher interest rates are driving an increased propensity to save. Overall, the disposable income of private households is expected to increase in 2023. In light of this, the German Insurance Association (GDV) – on whose findings the following comments are based – anticipates a positive trend in premium revenues for the insurance industry.

In property and casualty insurance, premium growth is expected to reach 6.8 %. The rise in premiums in motor insurance will be surpassed by a very sharp increase in property insurance. The latter is mainly due to inflation-related sum adjustments. In private health insurance, premium income is forecast to grow by 2.3 %. This development is attributable to two factors: higher benefits and associated premium adjustments, on the one hand, and continued high demand for supplemental health insurance, on the other. Life insurance business continued to be impacted by the macroeconomic environment and sustained a fall of 5.3 % in premium revenues. In addition to moderate downturns in regular premiums, the main contributory factor here was the weak performance of single-premium business. For company pension schemes, there is evidence that while pension trust income is down, the premium revenues of pension funds in particular were sharply recessive. Across the insurance industry as a whole, this is expected to result in an overall increase in premium revenues of 0.6 %.

Property and casualty insurance

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 12.0 % respectively. In private property insurance, the growth is particularly attributable 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 %.

Life insurance

For the life insurance industry, the financial year 2023 was strongly impacted by the macroeconomic environment. Persistently high inflation, In particular, and the subsequent steady rise in interest rates had a significant influence on life insurers' business policy. While the inflation that spiked after the outbreak of the war in Ukraine in 2022 was primarily characterized by a rapid rise in energy prices, the impact in 2023 was felt directly by consumers in nearly all commodity groups. The cost of food, in particular, rose sharply. In Germany, monthly inflation reached a sustained level of over 6 % in the period from January to August.

As a result of the rise in inflation rates, the central banks initiated a turnaround in interest rates. In March 2022, the US Federal Reserve raised its deposit rate for the first time since 2018. This was followed by a total of ten increases that raised the target range to between 5.0 % and 5.25 % in March 2023. After raising the interest rate on the main refinancing operations in four stages to 2.50 % in 2022, the European Central Bank followed with a further increase in 2023, spread over six stages – the most recent in September 2023 – to a level of 4.50 %.

These developments impacted negatively on growth for life insurers for two reasons in particular. Firstly, the increase in the cost of living due to inflation resulted in reduced savings capacity and many people were less able to invest in provision for old age. Secondly, the normalization of interest rates gave customers more investment options, which explains the sharp decline in single-premium business in particular. The numerous interest rate hikes by central banks made short-term investments more attractive than long-term investments. As a result, competition between banks and insurers for customer deposits in one-off investment business became significantly more intense again.

On the other hand, the higher level of interest rates has also brought relief for life insurers on the earnings side, especially with regard to the formation of additional interest reserves (ZZR). High allocations to ZZR in the past considerably depressed company earnings in those years. Due to the rise in interest rates since 2022, many life insurers no longer need to make allocations or have already made the first reversals.

In light of the above, life insurance business in 2023 developed as follows:

Gross premiums written in life insurance in the narrower sense (excluding pension trusts and pension funds) decreased against the prior year by 3.9 % to € 89.15 billion. Of this total, € 64.27 billion was attributable to regular premiums (+0.0 %) and € 24.88 billion to single premiums (-12.5 %). The latter accounted for around 27.9 % of total premiums in 2023. New single-premium business fell by 13.2 % to € 24.53 billion. New regular premium business grew by 4.5 % to € 6.44 billion.

Health insurance

After the last coronavirus protection measures were phased out in early April, the government was able to focus on the pressing challenges in long-term care, the supply of pharmaceuticals, healthcare system financing and digitalization.

With the transition from pandemic to endemic, the measures taken to combat the coronavirus were gradually lifted, thus easing the pressure on the healthcare system. Research funding totalling € 100 million was made available to continue the fight against long COVID and a coronavirus vaccination was still recommended for high-risk groups.

In May, the Long-Term Care Support and Relief Act was adopted by the German Parliament. The legislation provides for an increase in the nursing care allowance and benefits in kind as well as an increase in benefit supplements for family caregivers and a joint annual contribution for respite and short-term care.

This was followed in October by a double package consisting of the Act to Strengthen Nursing Studies and the Hospital Transparency Act. The former is intended to make the nursing profession more attractive while the latter aims to increase transparency for patients faced with the need to choose a hospital.

As increasing difficulties were encountered in securing supplies of pediatric medicines, the rules on prices and – in the event of shortages –pharmaceutical substitution were relaxed at the end of July and foundations were laid to strengthen production sites in the EU/EEA and thus move away from dependence on China.

Inflation impacts on all levels of the healthcare system in Germany and increases the pressure on financing the system in the short to medium term. The first hospital insolvencies show how difficult the situation is for service providers. At present, providers in the healthcare system are unable to meet their needs with new prices and remuneration models. Compounding the situation is the fact that this inflation-based cost increase coincides with the known demographic-based financing problems of the statutory health insurance institutes. In October, the German government raised the supplementary health insurance contribution from 1.65 % to 1.7 %.

Ultimately, the question is how the health system can be financed in a way that is fair to all generations and thus sustainable without long-term reductions in the level of benefits, without further tax increases and without excessively burdening future generations. Here, with the formation of ageing provisions as a demographic reserve, the private health insurance sector offers a sustainable and inter-generationally fair solution.

People increasingly understand that a pay-as-you-go healthcare system presents ever-new challenges for statutory health insurance in the current demographic scenario and that private health insurance offers good alternatives. Anyone wishing to avoid benefit cuts in the future switches to comprehensive private health insurance or takes out supplemental insurance.

This is also clearly reflected in the private health insurance figures for 2023. The total number of policies in force increased by 0.88 % to 38.69 million. In supplemental insurance, the number of policies grew by 2.5 % to a total of 29.98 million. The demand from people with statutory health insurance seeking to upgrade benefits by taking out private supplemental insurance continues undiminished.

For the sixth year in succession, more people switched from statutory to private comprehensive health insurance than vice versa. Private health insurers registered a positive balance of 48,000 policyholders (balance in 2022: +30,100). The number of comprehensively insured persons in the private health insurance sector (especially after deduction of deaths and contracts terminated under compulsory insurance rules) stood at 8.71 million in 2023, a slight upturn of 0.03 %. On 1 January 2023, the flat-rate statutory health insurance allowance for public servants was also introduced in Baden-Württemberg. This means that public servants now have the option of joining a statutory health insurance scheme in six federal states.

In addition, a growing number of employers realize that company health insurance schemes are an important instrument for retaining employees and at the same time promoting their health and performance. A typical win-win situation for employers and employees. The number of employees benefiting from company health insurance rose by 11.6 % to just under 1.97 million in 2023.

Against this backdrop, the German Insurance Association (GDV) anticipates premium growth of 2.3 % in 2023.

Outlook for 2024

Insurance industry as a whole

In November, the German Council of Economic Experts forecast moderate growth in real GDP of around 0.7 % for 2024 against the backdrop of a global economy that is expected to continue to recover only slowly. The increase will be driven solely by domestic demand. Net exports are likely to be recessive, with weak export growth exceeded by the anticipated increase in imports. The inflation rate was expected to rise by 2.6 %. Consensus expectations are now only for GDP growth of 0.2 % and an inflation rate of 2.5 %. A moderate fall in unemployment is anticipated. The situation of private households will be largely shaped by economic developments. Easing inflationary pressure and rising nominal wages may increase real incomes and asset values. Due to the rise in interest rates, propensity to save will remain high and a savings rate of 11.0 % is anticipated. Real private spending is expected increase by 2.5 %.

Premium revenues from property and casualty insurance are expected to grow by 7.7 % in 2024. In some cases, premium increases from the previous year will not be able to compensate for the higher cost of claims. Despite falling inflation, premium increases are thus likely to be necessary to stabilize profits. In life insurance, no clearly positive impetus is expected to come from the economic environment. A modest downturn of 0.2 % is therefore anticipated. Moderately recessive income from regular premiums will be registered, while single-premium revenues will remain at the prior-year level. Premium income from private health insurance is expected to grow by 4.5 %. Above-average increases on the benefits side will be reflected in significant premium adjustments. With private supplemental insurance set to continue meeting a demand from people wishing to supplement statutory health insurance benefits, supplemental insurance business is forecast to grow. Company health insurance is expected to continue to gain in significance as employers seek to retain employees and compete for skilled workers. For the insurance industry as a whole, premium revenues are forecast to grow by 3.8 % in 2024.

Property and casualty insurance

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 %.

Life insurance

In 2024, business for the private sector in general and for the insurance industry in particular will be shaped by the ongoing geopolitical uncertainties in Europe and weak economic development with slowly rising unemployment in Germany. In the first half of 2024, short-term investments are expected to be more attractive than long-term investment vehicles such as annuity policies.

At the same time, falling inflation and increased nominal wages should lead to rising real wages and growing saving capacity for private households.

The rising level of interest rates will also have a positive impact on the profitability of life insurers in 2024. Higher surplus bonuses – which are still expected to rise further – will strengthen the appeal of life insurance products for existing and new customers.

The life insurance industry is also significantly impacted by developments on the political and regulatory fronts. In particular, 2024 is expected to bring a legislative process to reform private pension provision, based on the recommendations of the Focus Group on Private Pensions. Furthermore, an anticipated increase in the maximum actuarial interest rate on 1 January 2025 could have a positive impact on sales of life insurance products.

Growth opportunities will arise primarily in company pension schemes and company employee insurance plans in 2024. The acute shortage of skilled workers is increasing the pressure on employers to provide more occupational pensions for employees. Opportunities are still seen in more digitalization and the resulting possibilities to satisfy the needs of end customers and sales partners in a much more customer-friendly manner. The trend to help make companies systematically sustainable (e.g. less use of paper, significant reduction of travel) is supported by familiarization with and acceptance of digital advisory tools. On the product side, sustainable insurance-based investment options such as unit-linked life insurance policies are increasingly relevant.

The life insurance industry as a whole expects premium income to stabilize in 2024, bringing an end to the downward trend of recent years. As in recent years, the share of unit-linked insurance products is expected to increase at the expense of traditional life insurance products with guarantees.

Health insurance

Premium growth of 4.5 % is anticipated in 2024 for private health insurance. The „Projection of Business Prospects in the Insurance Industry“ published by the GDV in autumn 2023 forecasts a positive balance of changes in comprehensive insurance and continued positive growth for private supplementary insurance. In particular, company health and supplementary long-term care insurance products are increasingly in demand as employers seek to attract and retain skilled workers. It can be assumed that the above-average increases in benefits in the past year will be reflected in significant premium adjustments from 2025 onwards. Communications on premium adjustments for 2025 will ensue at the end of 2024.

Many people in statutory health insurance schemes will need to expect rising costs. In October, the German government raised the supplementary health insurance contribution from 1.65 % to 1.7 %. On 1 January 2024, 36 statutory health insurance institutes increased their supplementary contributions, 32 left the contributions unchanged and three set them lower. Unless a special payment is forthcoming from the federal government, the deficit in the statutory health insurance system will rise to € 3.2 billion in 2024. The reasons cited are the economy, global political events and the upcoming hospital reform.

In comprehensive insurance, the rise in the income ceiling for statutory health insurance – an upturn to € 69,300 in 2024 (2023: € 66,600) – will make it more difficult for employees to switch to private health insurance. Baden-Württemberg has now become the sixth federal state to introduce the flat-rate statutory health insurance allowance.

In the long term, however, there are still good market opportunities for private health insurers in comprehensive insurance, because the statutory health insurance system will come under even greater financial pressure due to demographic-based declines in income and the expansion of long-term care benefits. The inflation-driven rise in benefit expenditure will push up premiums in private and statutory health insurance. In comparison to the low-interest phase, the rise in interest rates will give all fully funded systems an advantage in the long term and thus give private comprehensive insurers in particular a clear competitive edge.

Digitalization strategy will remain a priority in the drive to lower health system costs. According to the current McKinsey study (E-Health Monitor 2022), digitalization has the potential to generate savings of € 42.2 billion in the healthcare system. The biggest single benefit – worth € 7.0 billion – is seen in „electronic patient file/exchange“.

Development of business in 2023

The Gothaer Group achieved good results in the financial year 2023 in a difficult macroeconomic environment. A gratifying increase was seen in premium income, which grew to € 4.90 billion. Investment income rose to € 869.0 million, with a net return on investment of 2.7 %. Net profit for the year stood at € 78.3 million.

€ million	Gross premiums written		Underwriting result net of reinsurance		Investment result	
	2023	2022	2023	2022	2023	2022
Property and casualty	2,779.1	2,472.2	5.1	61.6	121.4	61.1
Life	1,149.4	1,180.4	73.4	62.0	449.3	430.5
Health	968.9	917.2	59.4	61.7	288.6	254.2
Other Activities	0.0	0.0	0.0	0.0	9.6	56.4
Total	**4,897.4**	**4,569.8**	**137.9**	**185.3**	**869.0**	**802.2**

At Group level, gross written premiums rose to € 4.90 billion (PY: € 4.57 billion). Gross premium income from property and casualty insurance registered a gratifying above-market increase of 12.4 % to € 2.78 billion. In life insurance, gross written premiums fell by 2.6 % to € 1.15 billion owing to the difficult environment for single-premium business. Gross premiums written in health insurance grew sharply by 5.6 % to € 968.9 million. Premium volume increased in both comprehensive insurance (incl. compulsory long-term nursing care insurance) and supplemental insurance.

Primary insurance, which is our core business, accounted for € 4.77 billion (PY: € 4.47 billion) of gross written premiums. Premiums written in reinsurance assumed from extra-group insurers totalled € 131.5 million (PY: € 103.4 million). This business relates entirely to property and casualty insurance and is of only minor significance as a contributor to the total premium volume of the Gothaer Group.

The underwriting result net of reinsurance at Group level decreased to € 137.9 million (PY: € 185.3 million). Developments in the individual segments varied. In the property and casualty insurance segment and in life insurance, underwriting results net of reinsurance were recessive at € 5.1 million (PY: € 61.6 million) and € 59.4 million (PY: € 61.7 million) respectively. In health insurance, the result improved from € 62.0 million to € 73.4 million.

The investment result, at € 869.0 million, exceeded the prior-year figure of € 802.2 million. While investment income in the property and casualty insurance, life insurance and health insurance segments increased, the result in the other activities segment fell back.

Together with a recessive tax expense, these developments resulted in a net profit for the year of € 78.3 million, following a prior-year figure of € 83.2 million.

Underwriting result

Property and casualty insurance

With gross written premiums totalling € 2.78 billion, above-market growth of 12.4 % was achieved in property and casualty insurance. Premiums from direct written insurance business rose by 11.8 % to € 2.65 billion while reinsurance business grew by 27.1 % to € 131.5 million. Premiums ceded to reinsurance increased to € 537.2 million (PY: € 473.3 million). 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. 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. As a result, earned property and casualty premiums net of reinsurance rose by a total of 11.6 % to € 2.21 billion.

At the Group's largest property insurer, Gothaer Allgemeine Versicherung AG, growth is particularly driven by business with corporate clients. 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.

Gross claims expenditure in property and casualty insurance, at € 1.79 billion, was higher than the prior-year figure of € 1.66 billion. On the claims side, 2023 was particularly marked by hail and severe precipitation events in the summer, Storm Zoltan shortly before Christmas and the Christmas flooding. As a consequence, claims expenditure for natural hazard losses was higher than in the prior year. In fire insurance, the major loss situation remains tense. With gross premium income increasing, the gross loss ratio thus moved down to 65.8 % in the financial year (PY: 67.8 %). After deductions for reinsurance, claims expenses net of reinsurance totalled € 1.53 billion – up on the prior-year figure of € 1.32 billion. The net loss ratio rose to 69.4 % (PY: 66.5 %). The reserve for outstanding claims (net), at € 2.72 billion, was higher than in the prior year (PY: € 2.63 billion). The loss reserve ratio – the ratio of net loss reserves to net earned premiums – was below the prior-year level at 123.2 % (PY: 132.6 %).

Underwriting expenses net of reinsurance increased by 11.9 % to € 665.5 million. Within this total, administrative expenses accounted for € 314.6 million (PY: € 303.3 million) and acquisition costs € 480.5 million (PY: € 419.1 million). The increase in acquisition costs is due to good production results. Reinsurance commissions, at € 129.6 million, are € 1.8 million higher than in the prior year. The gross cost ratio was lower at 29.2 % (PY: 29.5 %) and the net cost ratio edged up to 30.1 % (PY: 30.0 %).

This resulted in a higher net combined ratio of 99.5 % (PY: 96.5 %) for the property and casualty insurance segment as a whole.

The underwriting result before adjustment of equalization reserves was significantly lower than in the prior year, registering a loss of € 7.4 million against a prior-year profit of € 49.3 million. An amount of € 12.5 million was withdrawn from equalization reserves in the financial year (PY: € 12.3 million). After allowance for this lower withdrawal, the underwriting result net of reinsurance was € 5.1 million in the year under review (PY: € 61.6 million). This figure includes an underwriting result in reinsurance business assumed totalling € 20.3 million (PY: € 22.5 million).

Life insurance

In life insurance, the development of business was shaped on the growth side by a difficult environment for single-premium business in 2023. Gross written premiums decreased by 2.6 % to € 1.15 billion. The reason for this was the industry-wide sustained contraction of new single-premium business.

New business – measured in terms of the new premium sum – increased by 17.5 % to € 1.97 billion. The new premium sum is the sum total of premiums due over the life of newly concluded policies. It is pleasing to note that biometric products and capital-efficient pension plans – which are important segments for the future – accounted for 85.4 % (PY: 83.2 %) of total new business in 2023.

Under profit-sharing arrangements, a sum of € 36.1 million was withdrawn from reserves for premium refunds as „premiums from reserves for premium refunds“ and used for additional insurance benefits.

The allocated investment return from the non-technical account – i.e. the share of investment income attributable to life insurance from a Group perspective – was € 453.5 million in the year under review (PY: € 416.1 million). The full investment result for the Group is shown in the non-technical account.

Claims expenses net of reinsurance in the life insurance segment increased to € 1.56 billion (PY: € 1.26 billion). The claim payments contained within this total rose against the prior year. In addition, expenses were registered in the financial year from adjustment of the reserve for outstanding claims.

Policy reserves net of reinsurance totalled € 16.92 billion in the financial year (PY: € 17.18 billion). These reserves include additional interest reserves (Zinszusatzreserve – ZZR), from which a sum of € 52.5 million (PY: € 62.2 million) was drawn down in the financial year. The rise in interest rates on the income side thus provided significant relief with regard to allocations to ZZR.

Underwriting reserves for life insurance where investment risk is borne by policyholders increased by € 315.6 million to € 2.79 billion.

The reserves for premium refunds include the surpluses generated in the financial years before they are paid to the individual policyholders at the contractually agreed times during the term or upon expiry of policies. A sum of € 113.1 million (PY: € 118.1 million) was withdrawn from reserves for premium refunds for the surplus bonuses due to policyholders. After an allocation of € 104.4 million (PY: € 108.5 million), reserves for premium re-funds totalled € 614.6 million (PY: € 623.3 million).

Underwriting expenses net of reinsurance increased to € 142.1 million in the financial year (PY: € 124.5 million). Acquisition costs rose by 15.5 % to € 115.8 million against the prior year. The acquisition cost ratio – the ratio of acquisition costs to the new premium sum – fell to 5.9 % (PY: 6.0 %). Administrative costs increased to € 28.5 million in the financial year (PY: € 28.0 million). The administrative cost ratio

– the ratio of administrative expenses to gross written premiums – was moderately higher than in the prior year at 2.5 % (PY: 2.4 %).

Overall, the underwriting result net of reinsurance was € 73.4 million for life insurance (PY: € 62.0 million).

Health insurance

Gross written premiums from health insurance increased by 5.6 % to € 968.9 million in 2023. In the wake of the coronavirus pandemic, the Group's health insurer, Gothaer Krankenversicherung AG, thus achieved significant growth in a difficult macroeconomic environment. New business, up 39 % at € 2.3 million, was well above the prior-year level. All business segments – comprehensive insurance as well as private and company health insurance – registered double-digit growth in new business. In company health insurance, 2023 saw Gothaer Krankenversicherung AG once again record the largest volume of new business transacted in its history. In the supplemental insurance segment, the figure at the end of 2023 was also well above the prior-year level.

Financially, Gothaer Krankenversicherung AG proved to be an extremely crisis-proof company and once again demonstrated that it was a reliable partner for customers and sales partners. Its Net Promoter Score – an indicator of quality of service to customers – improved further in 2023.

Under the Ambition 25 strategy for growth, Gothaer Krankenversicherung AG is systematically developing into a modern and sustainable health service provider. The aim is to provide the people it insures with the best possible health management support and be a strong partner with a high level of health expertise. We see digitalization as an important key to a holistic customer experience. The most important digital touchpoint with insureds is the Gothaer Health App. In addition to insurance-related services such as digital invoice submission, customers have access to a wide range of useful features. In particular, the doctor search, the symptom checker and the topics feature, where policyholders find interesting facts on well-being and health, are increasingly popular. Since 2021, the number of people using the Health App has increased by nearly 19 %.

To limit the premium adjustments made and to reduce premiums for policyholders in later years, a sum of € 79.8 million was withdrawn from reserves for premium refunds (PY: € 55.1 million) and recognized under the relevant premium item.

The allocated investment return from the non-technical account for health insurance business in the financial year was shown in the underwriting account as € 282.4 million (PY: € 264.4 million). This is the portion of the investment result attributable to health insurance from a Group perspective. The full investment result for the Group is shown in the non-technical account.

Claims expenses net of reinsurance increased to € 788.0 million (PY: € 710.0 million). After totalling € 710.9 million in the prior year, claim payments net of reinsurance including claims adjustment expenses amounted to € 770.7 million. Reserves for outstanding claims increased by € 17.3 million to € 203.3 million.

The gross loss ratio – a yardstick for assessing expenses for the insured – stood at 79.3 %, which was higher than in the prior year.

Policy reserves totalled € 8.20 billion at the end of the year (PY: € 7.92 billion).

A total of € 148.6 million (PY: € 115.1 million) was withdrawn from reserves for profit-related and non-profit-related premium refunds for policyholders in the financial year. Substantial funds were thus placed once again at policyholders' disposal. After a transfer of € 122.4 million in the financial year (PY: € 136.3 million), reserves for performance-related and non-performance-related premium refunds totalled € 312.6 million (PY: € 338.8 million). Reserves for performance-related premium refunds, including pool-relevant reserves for premium refunds from compulsory long-term nursing care insurance, are considered in relation to gross earned premiums, producing the premium refund reserve ratio defined in the private health insurance key figure catalogue. Gothaer Krankenversicherung AG achieved a ratio of 26.5 % in the financial year (PY: 30.4 %).

Underwriting expenses net of reinsurance in the financial year totalled € 80.1 million (PY: € 74.8 million). Acquisition costs amounted to € 55.7 million (PY: € 51.0 million). The acquisition cost ratio – the ratio of acquisition expenses to earned premiums – stood at 5.8 % (PY: 5.6 %). Policy management expenses increased in the financial year, from € 23.9 million to € 24.4 million. The administrative cost ratio – the ratio of administrative expenses to premiums – was moderately lower at 2.5 % (PY: 2.6 %).

The underwriting result net of reinsurance in the health insurance segment thus totalled € 59.6 million (PY: € 61.7 million).

Investments

The investment strategy of the Gothaer Group is implicitly derived from the investment strategies of the relevant risk carriers in the Group. The latter, in turn, form part of the individual risk carriers' business strategies. At Group level, the primary goal of investment policy is to generate stable and sustainable income for the consolidated financial statements. At the same time, the relevant regulatory requirements relating to investment earnings, liquidity, security and quality need to be observed at risk carrier level and – depending on risk carrier – the solvency requirements of Solvency II need to be met. This is ensured by the systematic use of performance management that is adjusted for risk, tailored to risk-bearing capacity and aimed at optimizing the return/risk ratio of the investment portfolios. Current investment strategy and the resulting strategic asset allocation are therefore to be seen as the outcome of a continuous and comprehensive asset liability management process that particularly takes account of the relevant underwriting requirements. In the year under review, the Gothaer Group 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 take 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.

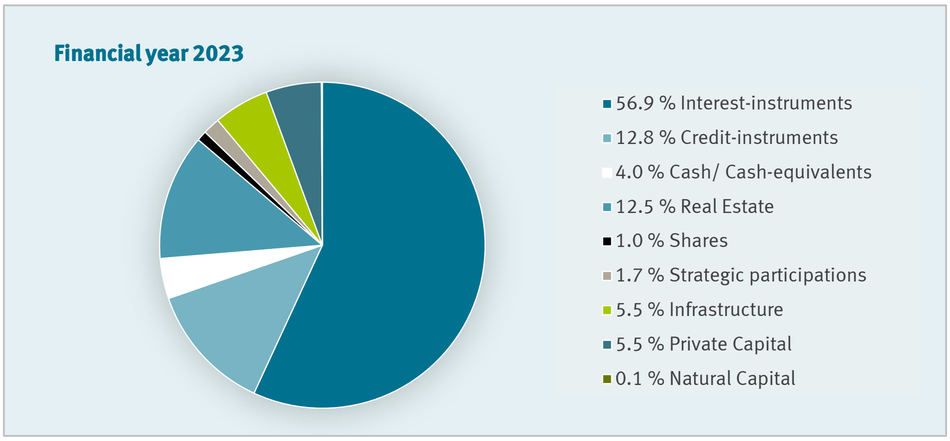
Yields on German government bonds traced a volatile upward curve from January onwards. Accordingly, German federal bonds (Bundesanleihen) achieved a positive total yield of +5.6 % over the year. The performance of US government bonds was largely in line with German government bonds. At +7.2 %, total 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 rose by 20.3 %.

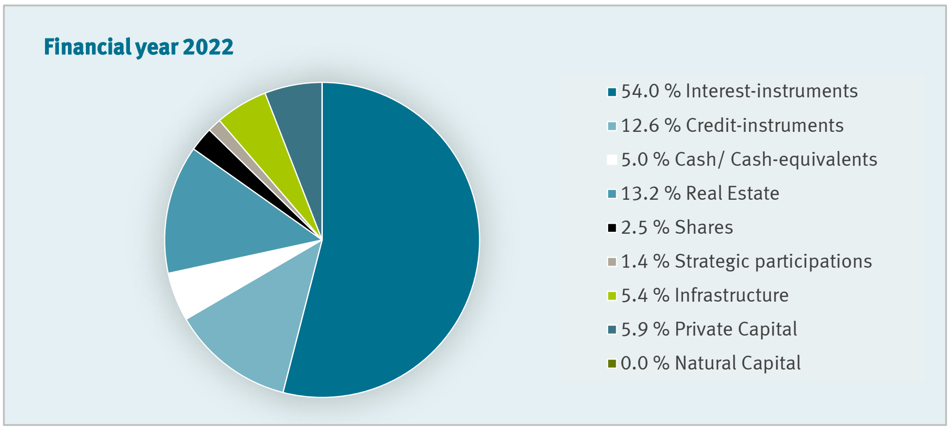
The book value of the Gothaer Group investment portfolio, at € 32.08 billion, remained at the prior-year level.

The carrying value of investments for the account and risk of life insurance policyholders was € 2.79 billion in the financial year (PY: € 2.48 billion).

Composition of the investment portfolio

At balance sheet date, the composition of the investment portfolio of the Gothaer Group on the basis of market values was as follows:





The asset allocation of the Group changed in the year under review. Along with shifts due to changes in market value, there was a significant reduction in equity investment. The equity investments that exist essentially consist of Solvency II-optimized equity mandates with option hedges. In addition, 2023 saw the first calls made in the natural capital asset class. Duration decreased moderately over the course of the year, from 9.1 to 9.0.

The overall investment result, at € 869.0 million, was higher than the prior-year figure of € 802.2 million. The upturn was driven by stronger results in the life, property and casualty, and health insurance segments. Investment income in the other activities segment, however, was recessive.

The investment result is largely shaped by developments in life insurance. Additional interest reserves were again partially reversed in the period under review. On the income side, the rise in interest rates thus led to a significant reduction in allocations to additional interest reserves. Due to higher fund distributions, current income increased to € 1.06 billion in 2023 (PY: € 861.0 million). This made for an improved current investment result of € 1.02 billion (PY: € 812.0 million). The extraordinary result was recessive at € -147.1 million (PY: € -9.7 million), due largely to write-downs in the infrastructure, real estate and private capital asset classes. Overall, the net return on investment for the financial year, calculated as the ratio of investment income to the average value of the investment portfolio excluding unit-linked life insurance, was 2.7 % (PY: 2.5 %).

Net profit for the year

With the result from other activities negative lower than in the prior year, net profit for the year before taxes totalled € 138.4 million, against € 154.0 million in 2022. After deduction of the tax expense of € 60.1 million, net profit for the year was lower than the prior-year figure at € 78.3 million (PY: € 83.2 million).

The net profit for the year attributable to non-controlling interests amounted to € 3.8 million (PY: € 3.7 million). This resulted in a consolidated net profit of € 74.6 million, which was lower than in the prior year (PY: € 79.5 million).

Shareholders' equity

Including the net profit for the year and taking into account other changes, shareholders' equity totalled € 1.57 billion (PY: € 1.50 billion). With average equity thus increased, the return on equity was down on the prior year at 5.1 % (PY: 5.7 %). Group equity included non-controlling interests of € 30.2 million (PY: € 30.3 million).

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

The gross premiums written by the Gothaer Group were appreciably higher than projected in 2023. In comparison to projections, the significant fall in premiums from single-premium business in life insurance was more than offset by a marked rise in premium income from property and casualty insurance business and a moderate upturn in premiums from health insurance.

After adjustment of equalization reserves, the underwriting result net of reinsurance was moderately lower than projected.

The details are explained below.

Underwriting result

Property and casualty insurance

Premium income was significantly 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 moderately 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.

Life insurance

Gross premiums written in 2023 were forecast to increase significantly in life insurance, based on growth in single-premium business and stabilization of regular-premium business. However, due to the gloomy economic outlook for private households, single-premium business fell significantly short of expectations and, as a consequence, premium income was well below the forecast figure.

New regular-premium business, on the other hand, stabilized as anticipated and continued to grow steadily in 2023.

The administrative cost ratio for life insurance was forecast to fall slightly on the basis of an increase in gross premiums written. Because premium income remained significantly below expectations, the administrative cost ratio was slightly higher than forecast. The acquisition cost ratio was marginally reduced as projected.

As expected, additional interest reserves were further reversed and a significant withdrawal was made. Overall, the gross surplus was marginally below the anticipated level.

Health insurance

In health insurance, the financial year 2023 continued to be marked by the Russian-Ukrainian conflict and related impacts on inflation. The effects on health insurance business, especially on the benefits side, were perceptible but not substantial. The target for premium income was moderately exceeded. Claims expenses were appreciably higher than projected. This made for an underwriting results ratio that was appreciably lower than forecast.

Investments

The investment result was significantly higher than the projected figure. The increase was essentially due to life and health insurance. The net return was moderately higher than forecast.

Net profit for the year

Overall, net profit for the year was moderately below projection.

Insurance lines and coverages

- Life insurance[1]
- Health insurance
- Accident insurance
- Liability insurance
- Motor insurance
- Aviation insurance[2]
- Legal expenses insurance[2]
- Fire insurance
- Comprehensive householders insurance
- Comprehensive homeowners insurance
- Transport insurance
- Credit and surety insurance[1]
- Motorist assistance insurance[1]
- Aviation and spacecraft liability insurance[2]
- Other property insurance
- Other non-life insurance

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

3)

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 trans-formational 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. At the same time, after the coronavirus pandemic ended, Gothaer 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 re-certification 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

Five Gothaer Group companies regulated by the German Codetermination Act or the One-Third Participation Act are subject to the Act to Supplement and Amend the Regulations for Equal Participation of Women in Management Positions in the Private and Public Sector. These companies are periodically required to set gender quotas for their supervisory boards and management boards as well as for the first two tiers of management below the management boards.

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

	Supervisory board			Management board	Executives	in %
	Shareholders' side	Employees' side	Total		Management level 1	Management level 2
Gothaer Finanzholding AG						
Target value 30.06.2023	16.7	16.7	33.3	14.0	30.0*	40.0*
Actual value 30.06.2023	16.7	25.0	41.7	14.3	41.2*	41.4*
Target value in people 31.12.2026	2 (of 12)	2 (of 12)	4 (of 12)	2 (of 7)	8 (of 18)	15 (of 34)
Target value 31.12.2026	16.7	16.7	33.3	28.5	44.4	44.1
Gothaer Allgemeine Versicherung AG						
Target value 30.06.2023	16.7	16.7	33.3	20.0	20.0*	20.0*
Actual value 30.06.2023	16.7	16.7	33.3	0.0	31.3*	20.3*
Target value in people 31.12.2026	2 (of 12)	2 (of 12)	4 (of 12)	2 (of 6)	6 (of 16)	20 (of 64)
Target value 31.12.2026	16.7	16.7	33.3	33.3	37.5	31.3
Gothaer Krankenversicherung AG						
Target value 30.06.2023	16.7	16.7	33.3	20.0	30.0*	30.0*
Actual value 30.06.2023	16.7	0.0	16.7	14.3	50.0*	36.4*
Target value in people 31.12.2026	1 (of 6)	1 (of 6)	2 (of 6)	2 (of 6)	4 (of 8)	4 (of 10)
Target value 31.12.2026	16.7	16.7	33.3	33.3	50.0	40.0
Gothaer Lebensversicherung AG						
Target value 30.06.2023	16.7	16.7	33.3	20.0	30.0*	40.0*
Actual value 30.06.2023	16.7	0.0	16.7	0.0	28.6*	22.2*
Target value in people 31.12.2026	1 (of 6)	1 (of 6)	2 (of 6)	2 (of 6)	3 (of 7)	3 (of 9)
Target value 31.12.2026	16.7	16.7	33.3	33.3	42.9	33.3
Gothaer Solutions GmbH						
Target value 30.06.2023	16.7	16.7	33.3	0.0	23.0	23.0
Actual value 30.06.2023	16.7	16.7	33.3	0.0	27.3	20.6
Target value in people 31.12.2026	1 (of 6)	1 (of 6)	2 (of 6)	0 (of 1)**	3 (of 11)	15 (of 64)
Target value 31.12.2026	16.7	16.7	33.3	0.0**	27.3	23.4

*) Target/status 31.12.2023
**) Target for 30.06.2026

The 30 June 2023 target for the Management Board of Gothaer Finanzholding AG was achieved in 2021 with the Management Board appointment of Dr. Eichelberg. Her simultaneous appointment as Chair of the Management Board of Gothaer Krankenversicherung AG is a significant step towards achieving the target set for that company. Nevertheless, the 30 June 2023 target was not achieved at Gothaer Krankenversicherung AG. The same applies to the Management Boards of Gothaer Lebensversicherung AG and Gothaer Allgemeine Versicherung AG, which are largely made up of the same individuals. The target shortfall in these cases was primarily due to the fact that either no new appointments needed to be made in the period under review or appointment decisions were made on the basis of the best personal and professional qualifications and not gender. Another factor was reorganization of executive responsibilities, which resulted in a numerical increase in Management Board portfolios held by the same individuals and thus also had an impact on the proportion of women. With the decision taken in the year under review to appoint an additional woman to a number of management boards with effect from 1 July 2024, Gothaer is systematically moving towards equal participation for women in leadership roles.

The Supervisory Boards of Gothaer Krankenversicherung AG and Gothaer Lebensversicherung AG each consist of six members. In both cases, the target set for the proportion of women on the shareholder side was achieved. However, the target was not met on the employee side because the latest elections of employee representatives resulted in two men being elected to office. At Gothaer Finanzholding AG and Gothaer Allgemeine Versicherung AG, on the other hand, the Supervisory Board targets were met on both the shareholder and employee sides.

At Gothaer Finanzholding AG, Gothaer Allgemeine Versicherung AG and Gothaer Krankenversicherung AG, the targets set for the first and second tiers of management below the Management Board were achieved.

The target shortfall in both tiers of management at Gothaer Lebensversicherung AG is due to individual personnel measures, including the transfer of female management personnel to other Group companies and divisions. These measures had a high percentage impact on a comparatively small number of managers.

The targets set for 2023 for the proportion of women on the Supervisory Board, Management Board and top tier of management below the Management Board were achieved at Gothaer Solutions GmbH – formerly „Gothaer Systems GmbH". In the second tier of management, the company only just missed the target because of extensive structural changes made in the period under review.

The zero target for the management of Gothaer Solutions GmbH remained in place. At the time the zero target was set, the company's management consisted of only one person. A departure from the zero target would have meant that either the management had to be increased by one or more persons – which was not economically necessary or conceivable at the time the target was set – or the current managing director had to be replaced, thus disproportionately restricting the partner's entrepreneurial freedom. In the meantime, however, the business activities of Gothaer Solutions GmbH have been restructured and the management has been increased by one person. A woman was recruited for the newly created position, so the proportion of women on the board is currently 50 %.

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.

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 Sys-tem. 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 in-formation 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.

Tariff change guideline

Freedom of choice and customized insurance cover are distinguishing features of private comprehensive health insurance. To help customers choose the tariff that meets their needs more accurately, the association of private health insurers PKV has developed a tariff change guideline setting out clear and binding rules. The guideline supplements the statutory regulations that are already contained in section 204 of the German Insurance Contracts Act (VVG).

Gothaer Krankenversicherung AG has systematically implemented the guideline since its introduction. Our policyholders can avail themselves of personal, needs-based, objective customer service together with analysis of the best tariff options.

The implemented compliance management system ensures observance of the guidelines for a transparent, customer-oriented tariff change and is certified by an independent auditor every three years. At 31 December 2022, the auditor again confirmed that Gothaer Krankenversicherung AG ensures a high degree of tariff transparency and objective advice on changing tariffs.

Non-Financial Statement

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 Group of the planned merger between the Gothaer Group and 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 legal, tax and demographic environments and changes in the competitive situation of the Group.

General forecasts

The development of business for the Gothaer Group largely depends on how the insurance market develops in a starkly changing market environment characterized by interest rate movements, a constant stream of new regulatory requirements, demographic change and a race to digitalize. To ensure continued success in this environment, the Gothaer Group pursues the new Group strategy Ambition25.

The aims of the Group strategy are to harness Gothaer's strengths as a medium-sized insurer with a strong brand, swiftly and flexibly respond to new market opportunities and significantly expand profitable areas of business. To achieve the growth targets set, we will build on Gothaer's existing competitive strengths in the coming years.

Owing to its independence as a mutual insurance association, Gothaer always acts as a fair, dependable and trustworthy partner for everyone it insures. The long-term focus is on systematic, stable and continuous value enhancement to strengthen the foundations of the Group.

We expect premium income for the Gothaer Group in 2024 to be significantly higher than in the prior year. The projected growth will be made up of a vigorous increase in property and casualty insurance premiums, a moderate upturn in health insurance premiums and marginally higher premium income from single-premium life insurance.

After adjustment of equalization reserves, the underwriting result net of reinsurance will fall back moderately in 2024. On the one hand, we expect reinsurance relief to be slightly higher than in the prior year; on the other, we anticipate that adjustments to equalization reserves will be allocations, not withdrawals.

The investment result will decrease sharply in 2024. Given these assumptions and a moderately higher tax expense, we anticipate that the net profit for the year will be significantly lower than in the prior year.

The details are explained below.

Marketing

To enable the Gothaer Group to respond to changes in customer behaviour as a result of digitalization, a multi-channel management system has been established at the marketing interface with agents and customers. This is facilitated by closely integrating online business with the independent Gothaer Group field force.

The Digital Marketing division will drive forward the sustainable expansion of digital operations, underpinning its central role in the acquisition of new customers. This networking of the digital channel guarantees the best possible (hybrid) customer experience.

In line with its perception of itself as a solution-oriented service insurer, Gothaer will further develop its brand positioning to meet the new requirements of its customers.

Underwriting result

Property and casualty insurance

Our focus in the coming year will continue to be 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.

As in 2023, our specialist insurer CG Car-Garantie Versicherungs-Aktiengesellschaft sees opportunities for penetrating existing markets with products already in its range – mainly through price adjustments but also through the acquisition of new dealer groups due to weak competition. Opportunities are also still perceived in adjustments to products and services. Tenders won in the recent past from various manufacturing organizations and banks are significant in this regard. The implementation of these cross-border programmes offers further growth potential for CG Car-Garantie Versicherungs-Aktiengesellschaft, particularly in other European countries. The company will also continue its efforts in 2024 to penetrate new markets with new customers through acquisitions.

Our broker insurer Janitos Versicherung AG has set itself the goal of achieving further business growth in 2024 while simultaneously continuing to focus on improving service quality, strengthening profitability and raising the degree of digitalization.

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

Claims expenditure is expected to increase moderately 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 moderately lower than in 2023.

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.

Due to the level of claims forecast, the gross underwriting result will be substantially higher than in the prior year. The gross combined ratio will fall back 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.

Life insurance

The market environment for life insurers and pension trusts has changed fundamentally since the outbreak of the war in Ukraine and will remain challenging in the coming year. High inflation and the severely restricted savings capacity of many private households may continue to curb people's willingness to take out insurance and thus have a negative impact on new life insurance business.

At the same time, the interest rate situation means that additional interest reserves, which required allocations for years to provide an additional security buffer, can continue to be reversed. Our customers benefit from this in the form of higher surplus participation.

In the context of the market developments and challenges described above, we see a shift in growth potential from private to corporate client business. This is reinforced by the increasing shortage of skilled labour and the growing importance of instruments that support employee retention and recruitment, such as company pension schemes. Gothaer considers itself to be very well positioned in both company pension scheme and collective occupational disability insurance business – not least thanks to the „Vorsorgeplan Business“ product concept launched in 2023.

Gothaer Lebensversicherung AG will again raise customer return in 2024 and has announced a 0.3 % increase in surplus participation (classic pension).

From a customer perspective, biometric insurance continues to be a high-demand segment. At the same time, it is a highly competitive segment with strong market dynamics for the life insurance industry because of the resulting risk rewards. Gothaer is very well positioned here with its radically updated standalone occupational disability insurance.

In the capital-efficient product sector, attractive marketable products are a key requirement for targeted new business growth. The situation differs considerably from one growth segment to another: In regular premium business, Gothaer has a superbly positioned pension product in the form of the „Garantie Rente Index (GRI)“, which is used in both private and company pension schemes. In summer 2024, the product range will be completed with a unit-linked pension insurance product without guarantees.

However, there is a perceived need for action in single-premium business. To revitalize single-premium business, Gothaer will make a number of adjustments to the „Gothaer Index Protect (GIP)“ product in early 2024. Apart from the introduction of a new index to increase diversification, higher index participation will be possible. In addition, customer return (surplus participation) will be increased.

Gothaer Pensionskasse AG will continue to focus on key account relationships and collectively agreed solutions in the future.

After a downturn in gross premiums written in 2023, we aim for organic growth in life insurance in 2024 and project a moderate increase in gross premiums written. The projected growth will come from single-premium business, with regular-premium income remaining at the prior-year level.

In new regular-premium business, the aim is to stabilize the positive growth achieved in 2023.

We anticipate a marked fall in the acquisition cost ratio for life insurance next year. The administrative cost ratio is expected to remain at the prior-year level.

The risk result will continue to play a key role in maintaining the level of earnings achieved. In 2024, Gothaer again anticipates a high profit contribution to the gross surplus from the risk result, which is expected to be significantly higher than in the prior year.

Additional interest reserves are fully funded as a result of rising interest rates. In 2024, another significant withdrawal will be made, appreciably higher than in the prior year.

Overall, we expect the sum of gross surpluses to be moderately lower than in the prior year.

Health insurance

In health insurance, we anticipate a modest increase in new business and a moderate rise in premium volume in 2024. We aim for growth in gross premiums written in all three business segments: comprehensive insurance, supplemental private insurance and supplemental company insurance.

In comprehensive insurance, the aim is still to mitigate portfolio erosion by steadily expanding new business. In addition to the new comprehensive insurance tariffs launched in mid-2022, positive impacts are also expected from the new impat tariff for foreign employees that will be launched in 2024. In supplemental insurance, further growth impetus is sought by optimizing digital and broker sales channels.

In the company health insurance segment, the focus continues to be on broadening the broker base in exclusive sales. In 2024, particular attention will be paid to expanding the health app for company health insurance customers. The role of the health app as a selling point and differentiator in the company health insurance business segment will be strengthened by systematic further development of features for corporate clients.

Gothaer anticipates an appreciable increase in benefit expenses compared to 2023. It can still be assumed that health care providers will pass on some of their increased expenses to patients, and thus to health insurers, wherever possible. With the level of premiums also moderately higher, the claims ratio is expected to be appreciably over 80 % in 2024.

Underwriting expenses will continue to be shaped by investment in strategic gearing. At the same time, a marginal downturn in commissions is anticipated. The acquisition cost ratio and the administrative cost ratio are forecast to remain at the prior-year level.

In light of the above developments, Gothaer anticipates an underwriting profit ratio of around 9 % in 2024. Overall, transfers to reserves for premium refunds over the period are expected to be significantly below the prior-year level.

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 %.

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

Net profit for the year

Based on the anticipated development of underwriting and investment income as well as a moderately increased tax expense in 2024, we expect the net profit for the year to be significantly lower than in the prior year.

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 Group

Assumption of risk lies at the core of our insurance companies' business activities. At the same time, those business activities are a cradle for opportunities, which are analyzed by segment below.

The implications for the Group are as follows:

Property and casualty insurance

The Gothaer Group 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 keep a close eye on these developments 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 our company in increasingly dynamic fields such as cyber insurance, in surety insurance as well as in existing sectors. Increasingly frequent extreme weather events – especially the low-pressure system „Bernd“ in July 2021 – will also 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

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 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 we are 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 loss reserves as well as reserve run-off are reviewed annually. We are thus able to guarantee the long-term fulfilment of our obligations. We create equalization provisions in line with insurance law to offset fluctuations.

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 self-insurance, sublimits and coverage limitation agreements.

In the private client segment, competition is still intense for high-margin products. The situation is characterized by growing transparency of prices and conditions due to online comparison platforms as well as the un-diminished major significance of the internet direct insurance model and the consequent high level of attrition. 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 but is naturally more exposed to individual risks. It is thus appreciably more volatile than the private client portfolio. As a result, we attach great importance to premiums commensurate with risks and to responsible underwriting. Accordingly, we pay particular attention 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 binding 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 of the principal factors 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 alternative risk transfer 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 renewal process typically applied across 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.

We cede reinsurance only to high-class reinsurers. 97 % of business (ceded reinsurance premiums) is ceded to reinsurers with a rating of A- or better. Accounts receivable in connection with assumed and ceded reinsurance business totalled € 127.8 million at balance sheet date. The volume of receivables for ceded reinsurance operations showed the following breakdown by rating category:

Breakdown by rating class	€ million
AA	52.6
A	71.8
BBB	1.6
Not rated	0.5
Total	**126.5**

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

Life insurance

Fulfilment of interest rate guarantees, which may be high and run for several decades, is a key factor defining the general risk situation for life insurers, even though the interest rate environment has improved significantly.

The effects of geopolitical conflicts and the economic uncertainties associated with high inflation and increased interest rates continue to impact negatively on the business environment for life insurers. In particular, there is a risk of increased liquidity requirements due to the sharp rise in interest rates and stiffer competition for new single-premium business. We counter that risk with a more attractive overall return, which has been raised twice in succession.

The capital-efficient pension products of Gothaer Lebensversicherung AG offer an opportunity to generate sustainable income. In addition to the regular revision and refinement of existing products, further innovative new developments are planned with a view to expanding the product range in this segment. These products will be specially designed to meet the requirements of Solvency II.

The new occupational disability policy successfully launched in the past financial year – which offers numerous options for needs-based cover in combination with our basic disability insurance policies and is successfully marketed through various sales channels – promises further business impetus in the area of biometric insurance.

Legal risks may arise in the future as a result of changes in case law and tighter regulation.

Underwriting risks

Underwriting risks in life insurance include premium/insurance benefit risk, which is the risk that exists where guaranteed benefits that are dependent on future developments need to be provided in return for a predefined, unchanging premium.

As a general rule, underwriting risks are met by calculating rates using actuarial methods and by applying underwriting guidelines commensurate with risk. Compliance is systematically monitored through the use of controlling instruments and early-warning systems that identify trends and negative developments in good time. The adequacy of underwriting reserves is also subject to regular actuarial verification. In addition, appropriate reinsurance treaties are in place to limit the risks arising from major and accumulation losses. The risks described below are particularly significant for life insurance.

Biometric risks – Adequacy of biometric actuarial assumptions

In the estimation of the Responsible Actuary, the policy reserves in place provide sufficient safety margins.

With regard to the (supplemental) occupational disability policy portfolio, reviews focus particularly on verifying that policy reserves are at least equal to the reference reserve mandated by the Federal Financial Supervisory Authority (BaFin). As in previous years, a reversal was recognized and policy reserves were reduced by the relevant amount.

In the case of policy reserves for unisex policies, regular checks are con-ducted to establish whether actual gender breakdown is in line with the breakdown anticipated. In the estimation of the Responsible Actuary, the individual rates calculated provide sufficient safety margins. If that perception were to change in the future, additional reserves would need to be formed.

Cancellation risk – Adequacy of cancellation probability assumptions

As a matter of principle, cancellation probability is not taken into ac-count in the calculation of premiums. The cancellation rate was slightly up on the prior year, putting it at the average level registered over the past five years. Cancellation figures continue to be closely monitored. Because of sharply increased interest rates and tougher competition for new single premium business, there is a significant risk of increased liquidity being required. We counter this risk with a more attractive overall return, which has been raised twice in succession.

Interest guarantee risk

For the German life insurance industry and thus also for the Gothaer Group, risks arise in connection with the high interest rate guarantees in life insurance products, which generally extend over several decades. Even the sustained positive level of interest rates makes little difference here because the current good returns on new investment affect only a relatively small minority of total investments.

At the main life insurer of the Group, Gothaer Lebensversicherung AG, the current average yield of investments at the end of 2023 was 2.68 % and thus below the average actuarial interest rate of 2.76 %. It should be noted here, however, that because of the additional interest reserves (ZZR) formed in the past, the actual expected return on capital, at 1.39 %, is lower. At Gothaer Pensionskasse AG, the current average yield of investments at the end of 2023 was 2.53 % and thus below the average actuarial interest rate of 2.73 %. Because of the additional interest reserves (ZZR) formed in the past, the actual expected return on capital, at 1.75 %, is lower. We gear our investments to the maturity dates of our liabilities and take account of risk-bearing capacity. At the same time, the primary focus is on long-term generation of stable earnings.

Additional interest reserves for Gothaer Lebensversicherung AG were reduced in the year under review by a sum of € 54.1 million. As a result, ZZR at year-end totalled € 1,384.8 million. Additional interest reserves are calculated, in part, on the basis of cancellation and capital settlement probabilities with appropriate safety loading. If the level of interest rates is sustained, further reversals can also be anticipated in the coming years. This successive reduction of additional interest reserves is already taken into account in projections.

As in the prior year, Gothaer Pensionskasse AG was obliged to strengthen reserves with ZZR at 31 December 2023. The allocation to ZZR in 2023 totalled € 1.6 million. For the existing portfolio, the procedure approved by BaFin on 14 December 2023 was taken into account. This increased the aggregate ZZR for Gothaer Pensionskasse AG at year-end to € 202.8 million. Even though the level of interest rates has risen significantly in the last two years, expenditures on additional interest reserves are still necessary. The need for this extra security is regularly ascertained in consultation with the supervisory authority. Against this backdrop, various measures have been implemented in the past to strengthen the company. The measures have included, for example, increasing the capital base, adjusting investment allocation to strengthen investment results, optimizing costs, reducing surplus bonuses or discontinuing certain product lines. In addition, a profit transfer agreement was concluded in 2022 between Gothaer Pensionskasse AG and Gothaer Finanzholding AG.

Growth risk

Economic uncertainty among consumers over the impacts of the Ukraine conflict, high inflation and increased interest rates could continue to impact negatively on the development of new business. This applies particularly to single-premium investment business, which again faces stiffer competition from the products of other financial service providers because of the current interest rate environment.

Growth opportunities are presented by the further development of Gothaer Lebensversicherung AG's innovative capital-efficient insurance products as well as by the expansion of our biometric product range – most recently by the launch of a new, significantly improved occupational disability insurance product.

Health insurance

The market and prospects of development for private health insurance are defined to a large extent by the political and legal regulatory environment. The growth prospects for supplemental insurance remain good. For companies, the challenge is to adjust appropriately in terms of sales channels, cooperative ventures and administrative processes.

An opportunity is offered by demographic change and the skilled worker shortage connected with it. Companies are trying to retain employees and attract new ones by offering attractive working conditions. To this end, companies are increasingly turning to company health insurance. Gothaer can profit considerably from this trend. We registered a significant increase in this business. Success here is due, amongst other things, to customized contracts and intensive customer care. Gothaer Krankenversicherung AG also notes a marked increase in supplemental non-SLT health insurance.

A significant increase in claim payments can be observed throughout the private health insurance market. Gothaer Krankenversicherung AG is also affected by this trend. Further developments are continuously monitored.

Gothaer Krankenversicherung AG continues to be affected by the lawsuits pending throughout the industry against the effectiveness of premium adjustments. The formal requirements set out by the Federal Court of Justice for the notification of premium adjustments have been fulfilled by Gothaer Krankenversicherung AG for many years, so lawsuits that are based on them are unlikely to succeed. Instead, Gothaer Krankenversicherung AG monitors very closely the legal and actuarial implications of the sweeping substantive objections that are raised.

Underwriting risks

The most significant underwriting risks include covering the actuarial interest rate and cancellation risk. These risks have a major bearing on the ability to allocate adequate reserves for premium refunds and thus have the funds available to lessen the impact of the development of premiums for those we insure. A particularly important role here is played by the recurrent financing of annually granted premium limits.

We continue to counter these risks with rates based on actuarial principles, selective underwriting and professional benefit and health management as well as by the use of controlling tools and early-warning systems. Particularly noticeable here is the appreciable growth of the non-SLT tariff portfolio. The adequacy of loss reserves remains subject to regular actuarial verification.

High premium adjustments or political change cause an increased loss of good and mostly young risks as well as downturn in new business, with the result that the average age of insureds in portfolios rises. This can itself lead to high premium adjustments. Premium refund reserve policy is the key control measure here. With adequate financial resources, high premium adjustments can be prevented and an increase in cancellations thus avoided. For this reason, special attention is paid to the development of reserves for premium refunds. To ease the pressure on the reserves for premium refunds, the customary long-term premium capping arrangements in place are supplemented by the deployment of funds for payment of the tariff bonus, a premium limit that is reset each year. The allocation to reserves for profit-related premium refunds was affected by a significant increase in claim payments. The increase was largely offset by the good investment result.

Because a protracted low level of new business negatively affects portfolio composition, developments are constantly monitored and measures are taken to strengthen new business. In 2023, inflation had very little impact on comprehensive insurance business: As in previous years, new business was at a low level while no significant change was seen in customer cancellations.

The actuarial interest rate, one of the most important bases for calculation in private health insurance, is dependent upon developments in the capital markets. This fact is taken into account through the use of professional tools for analyzing investments and harnessing the findings for a more focused investment strategy as well as by the regular performance of extrapolations. Despite the positive development of interest rates, however, the probability that the net target yield will not be achieved still exists. Investment strategy is therefore focused on a reasonable risk-return ratio coupled with a high probability of guaranteed actuarial interest being achieved. The impacts of current developments in the capital market as well as the possible implications for investment were subjected to close scrutiny this year. Owing to the positive development of interest rates, the actuarial interest rate was again raised in a number of tariffs for 2024. It should be noted here that actuarial interest rate adjustments can only be made in tariffs that are affected by premium adjustments. At the same time, an insufficient actuarial interest rate does not trigger a review of actuarial assumptions. The actuarial interest rate is reviewed annually by a method used to calculate the actuarial corporate interest rate (AUZ).

Financial risks in health insurance can result from the occurrence of major and accumulation losses. We counter those risks with a comprehensive reinsurance policy. Regular analysis of high-cost cases shows a negative development. We have observed both an increase in the number of high-cost cases and an increase in the volume of costs, especially the cost of individual drugs.

Loss of receivables risk

Loss of receivables risk in health insurance results largely from the statutory requirement that prevents an insurer from terminating a comprehensive health contract with a defaulting policyholder. Policyholders defaulting on premiums must be switched to the so-called emergency tariff (Notlagentarif). The monthly premium payable for the benefits covered by the emergency tariff is significantly lower than the regular tariff.

Accounts receivable from policyholders and insurance agents in connection with direct written insurance business at Gothaer Allgemeine Versicherung AG, Gothaer Lebensversicherung AG and Gothaer Krankenversicherung AG totalled € 173.7 million at balance sheet date. € 70.3 million of the receivables handled by our central collection systems is outstanding for more than 90 days. The average collection loss (unsuccessful court orders) in the last three years was € 5.2 million, which is an average of 0.1 % of the gross premiums written.

Investment risks

Risk strategy

The risk strategy for investments derives directly from the business strategy implemented by the risk carriers of the Gothaer Group. At its heart is the guarantee of the relevant risk carrier'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 risk carrier itself are also observed. To ensure a healthy mix and spread and avoid excessive concentrations of risks, the risk carriers of the Gothaer Group continue 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 inter-national financial markets. For each of these classes of risk, market price risk management is performed at the relevant risk carrier level and is supported by regular stochastic and deterministic model calculations. At regular intervals, the relevant risk carrier's investment portfolio is subjected to stress scenarios 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	11.9	0.3	-580.9
Credit instruments	3.6	0.8	-104.6
Other debt investments	3.1	0.8	-80.2

Equity stress			
	Beta faktor	Stress factor in %	Change in market value € million
Equities	1.0	-12.0	-33.1
Infrastructure	0.6	-7.2	-65.7
Strategic participations	1.0	-12.0	-59.1
Private equity	0.8	-9.6	-41.5
Real estate	0.7	-8.4	-177.2
Natural capital	0.8	-9.6	-3.6

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 ex-change contracts.

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

Breakdown by rating class		in %
	2023	2022
AAA	18.7	19.1
AA+	14.2	13.2
AA	10.3	12.8
AA-	9.9	12.5
A+	7.4	4.2
A	5.7	6.0
A-	8.3	8.3
BBB+	4.9	5.0
BBB	8.2	8.6
BBB-	4.0	3.9
Speculative Grade (BB+ to D)	4.2	3.3
Not rated	4.2	3.1

• **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 for the relevant risk carriers. 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.

Despite an intermittently tense liquidity situation, no material losses needed to be realized in the past year for the risk carriers of the Group.

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, critical business processes, including the resources required for them, are safeguarded by further IT emergency management and business continuity management 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, 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

In the area of property and casualty insurance, the Gothaer Group is both 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 in this segment comes from natural catastrophes. We hedge that risk by targeted reinsurance cover.

In the area of life insurance, the focus of the Gothaer Group encompasses not only modern capital-efficient products but also biometric and unit-linked life products as well as company pension schemes. In an ageing society, the Gothaer Group can thus profit from increased demand for these products.

In the current environment, the principal risk identified for the life segment is growth risk. Because of the difficult business environment at present, it is vital that existing customer links should be strengthened and new long-term ones created.

Private health insurance is very dependent on the political environment. As in the life insurance segment, interest change risk is also a major risk in health insurance. A fall in investment income would lead to premium adjustments, which could in turn have negative impacts on new business.

Risk management is performed on the basis of quantitative and qualitative analysis. The control mechanisms, instruments and analytical processes described above ensure effective risk management. We thus create a stable risk profile with an appropriate time horizon. This assessment is supported, amongst other things, by the following factors:

The Gothaer Group fulfils the regulatory solvency requirements set out in the German Insurance Supervision Act (VAG). The capital available exceeds the solvency requirements. A detailed description of those requirements and the way they are met by the Gothaer Group 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 reaffirmed the financial strength rating of A with stable outlook for Gothaer Allgemeine Versicherung AG, Gothaer Lebensversicherung AG and Gothaer Krankenversicherung AG. In addition to the high resilience of the Group and good capitalization, the rating agency highlighted the strong competitive positioning, especially in the small and medium-sized enterprise segment, the diversified product portfolio and the broad distribution channel network.

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

Consolidated Statement of Financial Position as of 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		236,825		176,623
II. Payments in advance		62,361		100,036
			299,186	276,658
B. Investments				
I. Real estate, real estate rights and buildings, including buildings on third-party land		22,356		22,375
II. Investments in affiliated companies and participations				
1. Shares in affiliated companies	72,334			115,956
2. Loans to affiliated companies	6,400			200
3. Shares in joint ventures and associated companies	271,084			265,106
4. Participations	447,554			565,413
5. Loans to participations	4,121			4,019
		801,492		950,694
III. Other investments				
1. Shares, investments in unit trusts and funds and other non-fixed-interest securities	24,397,166			24,279,533
2. Bearer bonds and other fixed-interest securities	3,254,783			3,273,567
3. Mortgages, liens on real property and annuities	31,670			44,322
4. Other loans	2,983,123			3,062,671
5. Bank deposits	580,195			439,201
6. Miscellaneous investments	4,061			113
		31,250,999		31,099,407
IV. Deposits made in connection with reinsurance business assumed		1,316		1,725
			32,076,163	32,074,202
C. Investments held for unit-linked life insurance policies			2,793,424	2,477,791

				€ thousand
			2023	2022
D. Accounts receivable				
I. Accounts receivable in connection with direct insurance business from:				
1. Policyholders	143,578			133,359
2. Insurance agents	114,652			89,640
		258,229		222,999
II. Accounts receivable in connection with reinsurance business		127,780		91,479
of which from affiliated companies: € 1,189 thousand (PY: € 0 thousand)				
III. Other accounts receivable		271,955		141,570
of which from affiliated companies: € 14,391 thousand (PY: € 7,122 thousand)				
of which from associated companies: € 454 thousand (PY: € 394 thousand)				
of which from participations: € 173 thousand (PY: € 1,371 thousand)				
			657,965	456,048
E. Other assets				
I. Tangible assets and inventories		42,619		44,239
II. Current credit balances with banks, checks and cash on hand		142,131		131,818
III. Miscellaneous assets		95,640		78,758
			280,391	254,815
F. Prepaid expenses				
I. Prepaid interest and rent		88,933		88,296
II. Other prepaid expenses		22,951		24,100
			111,884	112,397
G. Deferred tax assets			372,982	368,359
Total assets			36,591,994	36,020,270

Equity and liabilities

				€ thousand
			2023	2022
A. Equity				
I. Revenue reserve				
1. Loss reserve in accordance with section 193 VAG	66,442			66,442
2. Other revenue reserves	1,402,421			1,326,387
		1,468,864		1,392,829
II. Consolidated net income for the year		74,552		79,506
III. Minority interests		30,156		30,322
			1,573,572	1,502,657
B. Subordinate liabilities			319,660	319,300
C. Underwriting reserves				
I. Unearned premiums				
1. Gross amount	640,496			584,117
2. less: amounts ceded	102,134			75,593
		538,363		508,524
II. Aggregate policy reserves				
1. Gross amount	25,219,213			25,199,881
2. less: amounts ceded	70,666			66,149
		25,148,547		25,133,733
III. Reserve for outstanding claims				
1. Gross amount	3,743,092			3,708,296
2. less: amounts ceded	643,408			744,540
		3,099,684		2,963,756
IV. Reserve for performance-related and non-performance-related premium refunds				
1. Gross amount	931,544			966,180
2. less: amounts ceded	117			115
		931,427		966,065
V. Equalization reserves and similar reserves		371,446		383,967
VI. Other underwriting reserves				
1. Gross amount	38,553			37,369
2. less: amounts ceded	-6,097			-9,096
		44,650		46,465
			30,134,117	30,002,510

				2023	2022
					€ thousand
D. Underwriting reserves for unit-linked life insurance policies					
I. Aggregate policy reserves					
1. Gross amount	2,737,309				2,425,620
2. less: amounts ceded	28				32
		2,737,281			2,425,588
II. Miscellaneous underwriting reserves Gross amount		56,115			52,171
			2,793,396		2,477,759
E. Other accruals					
I. Accruals for pensions and similar obligations		488,103			470,176
II. Accruals for taxes		204,625			201,374
III. Miscellaneous accruals		115,118			120,866
			807,846		792,416
F. Deposits held in connection with reinsurance business ceded			182,735		155,079
G. Other liabilities					
I. Accounts payable in connection with direct insurance business to					
1. Policyholders	325,903				339,292
2. Insurance agents	71,652				56,348
		397,555			395,640
II. Accounts payable in connection with reinsurance business of which from affiliated companies: € 0 thousand (PY: € 1,177 thousand)		67,400			56,344
III. Liabilities to banks		40,128			40,129
IV. Miscellaneous liabilities of which for taxes: € 34,293 thousand (PY: € 32,327 thousand) of which for social security: € 193 thousand (PY: € 193 thousand) of which from affiliated companies: € 3,224 thousand (PY: € 6,486 thousand) of which from associated companies: € 1,822 thousand (PY: € 3,277 thousand) of which from participations: € 698 thousand (PY: € 76,060 thousand)		275,519			278,367
			780,603		770,482
H. Deferred income			64		68
Total equity and liabilities			**36,591,994**		**36,020,270**

Consolidated Income Statement for the period from 1 January to 31 December 2023

€ thousand

			2023	2022
I. Underwriting account for property and casualty insurance business				
1. Earned premiums net of reinsurance				
a) Gross premiums written	2,779,061			2,472,207
b) Reinsurance premiums ceded	537,241			473,257
		2,241,820		1,998,950
c) Change in gross unearned premiums	-56,969			-22,364
d) Change in gross unearned premiums ceded	-25,977			-4,324
		-30,992		-18,039
			2,210,828	1,980,911
2. Technical interest net of reinsurance			2,163	2,299
3. Other underwriting income net of reinsurance			2,727	1,420
4. Claims expenses net of reinsurance				
a) Claims paid				
aa) Gross amount	1,809,034			1,646,524
bb) Amount ceded	364,592			418,535
		1,444,442		1,227,989
b) Change in reserve for outstanding claims				
aa) Gross amount	-17,745			14,773
bb) Amount ceded	-106,515			-74,162
		88,770		88,935
			1,533,212	1,316,924
5. Change in other net underwriting reserves				
a) Net policy reserve		-3,342		-3,468
b) Other net underwriting reserves		2,330		7,685
			-1,012	4,217
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		795,062		722,379
b) less: commissions and profit sharing received on reinsurance business ceded		129,579		127,766
			665,483	594,613

				€ thousand
			2023	2022
8. Other underwriting expenses net of reinsurance			22,122	17,246
9. Subtotal			-7,448	49,275
10. Change in equalization reserves and similar reserves			12,521	12,293
11. Underwriting result net of reinsurance in property and casualty insurance business			5,072	61,568
II.Underwriting account for life and health insurance business				
1. Earned premiums net of reinsurance				
a) Gross premiums written	2,118,311			2,097,616
b) Reinsurance premiums ceded	19,867			18,385
		2,098,444		2,079,231
c) Change in net unearned premiums		3,555		3,437
			2,101,998	2,082,669
2. Premiums from the gross provision for premium refunds			115,973	89,644
3. Allocated interest transferred from the non-underwriting account			735,855	680,556
4. Unrealized gains on investments			361,951	135,119
5. Other underwriting income net of reinsurance			25,440	25,302
6. Claims expenses net of reinsurance				
a) Claims paid				
aa) Gross amount	2,317,199			1,967,711
bb) Amount ceded	13,841			12,515
		2,303,358		1,955,196
b) Change in reserve for outstanding claims				
aa) Gross amount	40,600			17,526
bb) Amount ceded	65			0
		40,535		17,526
			2,343,893	1,972,722
7. Change in other net underwriting reserves				
a) Policy reserves				
aa) Gross amount	328,268			-92,715
bb) Amount ceded	3,949			-1,644
		324,319		-91,071
b) Other net underwriting reserves		4,923		104
			329,242	-90,968

				€ thousand
			2023	2022
8. Expenses for performance-related and non-performance-related premium refunds net of reinsurance			226,776	244,735
9. Underwriting expenses net of reinsurance				
a) Acquisition expenses	171,407			151,151
b) Administrative expenses	52,879			51,885
		224,286		203,036
c) less: commissions and profit sharing received on reinsurance business ceded		2,124		3,689
			222,162	199,347
10. Unrealized losses on investments			66,730	546,928
11. Other underwriting expenses net of reinsurance			19,578	16,759
12. Underwriting result net of reinsurance in life and health insurance business			132,836	123,766
III. Non-underwriting account				
1. Underwriting result net of reinsurance				
a) in property and casualty insurance business		5,072		61,568
b) in life and health insurance business		132,836		123,766
			137,909	185,334
2. Investment income				
a) Income from joint ventures and associated companies	31,074			27,632
b) Income from participations of which from affiliated companies: € 16,237 thousand (PY.: € 8,017 thousand)	104,418			86,679
c) Income from other investments of which from affiliated companies: € 103 thousand (PY.: € 5,749 thousand)				
aa) Income from real estate, real estate rights, and buildings, including buildings on third-party land	1,514			1,493
bb) Income from other investments	926,791			745,087
	928,305			746,579
d) Income from write-ups	10,500			4,242
e) Proceeds from the disposal of investments	29,235			179,208
f) Income from profit transfer agreements	112			117
		1,103,644		1,044,457

				€ thousand
			2023	2022
3. Investment expenses				
a) Cost of portfolio management, interest expense and other expenses in connection with investments	47,851			49,032
b) Amortization of investments	164,993			103,989
c) Losses from the disposal of investments	21,829			89,198
		234,673		242,219
			868,971	802,238
4. Allocated interest transferred to the underwriting account for property and casualty insurance business		2,526		2,670
4a. Allocated interest transferred to the underwriting account for life and health insurance business		735,855		680,556
			738,381	683,226
			130,590	119,012
5. Other income		132,222		120,134
6. Other expenses		259,748		266,356
			-127,526	-146,222
7. Operating income			140,972	158,123
8. Extraordinary expenses =Extraordinary result			-2,613	-4,143
9. Income before taxes			138,359	153,980
10. Taxes on income of which from deferred taxes € -4,623 thousand (PY: € -8,351 thousand)		60,051		70,547
11. Other taxes		-37		264
			60,013	70,811
12. Net income for the year			78,346	83,169
13. Net income attributable to minority interests			3,794	3,664
14. Consolidated net income for the year			**74,552**	**79,506**

Statement of Changes in Equity

	Loss reserve in accordance with section 193 VAG	Other revenue reserves	Sum Revenue reserve
Balance as of 1 January 2022	**66,442**	**1,242,818**	**1,309,261**
Transfers to/withdrawals from reserves	0	78,116	78,116
Dividend	0	0	0
Other changes	0	5,453	5,453
Disposal of consolidated companies	0	0	0
Net income for the year	0	0	0
Balance as of 31 December 2022	**66,442**	**1,326,387**	**1,392,829**
Transfers to/withdrawals from reserves	0	79,506	79,506
Dividend	0	0	0
Other changes	0	-3,471	-3,471
Net income for the year	0	0	0
Balance as of 31 December 2023	**66,442**	**1,402,421**	**1,468,864**

As a mutual insurance company, the Group parent Gothaer Versicherungsbank VVaG has no subscribed capital. Equity is generated exclusively by retention of earnings.

			€ thousand
Consolidated net income for the year	Sum parent company equity	Minority interests	Equity
78,116	1,387,377	34,582	1,421,959
-78,116	0	0	0
0	0	-6,930	-6,930
0	5,453	0	5,453
0	0	-994	-994
79,506	79,506	3,664	83,169
79,506	1,472,335	30,322	1,502,657
-79,506	0	0	0
0	0	-3,960	-3,960
0	-3,471	0	-3,471
74,552	74,552	3,794	78,346
74,552	1,543,416	30,156	1,573,572

Statement of Cash Flows

	€ thousand	
	2023	2022
Profit for the period *	78,346	83,169
Increase/decrease in underwriting reserves net of reinsurance	447,244	31,828
Increase/decrease in deposits with ceding undertakings and receivables from reinsurance business	-35,892	-14,266
Increase/decrease in deposits received from reinsurers and liabilities from reinsurance business	38,712	6,093
Increase/decrease in other receivables	-118,970	179,233
Increase/decrease in other liabilities	1,168	90,574
Changes in other balance sheet items not attributable to investing or financing activities	-29,847	-638,353
Other non-cash expenses/income and adjustments to profit or loss for the period	-233,510	487,297
Gain/loss on disposal of investments, tangible fixed assets and intangible assets	-7,444	-89,362
Expenses for extraordinary items	2,613	4,143
Income tax expense	60,051	70,547
Income taxes paid	-107,894	-109,220
Payments to granted grants	-9,075	n.n.
Cash flows from operating activities	**85,503**	**101,681**
Proceeds from disposal of entities included in the basis of consolidation	0	2,300
Proceeds from disposal of tangible assets	475	307
Proceeds from disposal of intangible assets	287	0
Payments to acquire tangible assets	-11,065	-18,543
Payments to acquire intangible assets	-56,500	-63,831
Proceeds from disposal of investments relating to unit-linked life insurance policies	17,286	5,473
Payments to acquire investments relating to unit-linked life insurance policies	-3,307	-9,313
Cash flows from investing activities	**-52,824**	**-83,607**
Cash payments to minority shareholders from the redemption of shares	0	-983
Dividends paid to minority interests	-3,960	-6,930
Proceeds from/payments for other financing activities	-18,405	-18,631
Cash flows from financing activities	**-22,365**	**-26,545**
Net change in cash funds	**10,313**	**-8,471**
Effect on cash funds of changes in the basis of consolidation	0	-4,588
Cash funds at beginning of period	131,818	144,877
Cash funds at the end of period	**142,131**	**131,818**

*incl. minority interests in profit for the period

The Statement of Cash Flows pursuant to DRS 21 shows the change in cash and cash equivalents for the financial year. The cash funds considered correspond to the balance sheet item E.II. Current credit balances with banks, checks and cash on hand. A distinction is made here between cash flows from current operating activities, investing activities and financing activities. The indirect method is used to report cash flows from current operating activities. In this case, net profit for the period is adjusted to eliminate the effects of transactions of a non-cash nature (in particular write-ups/write-downs and changes in reserves). Inflows and outflows of funds from insurance companies' investment business are also reported as cash flows from current operating activities. Furthermore, net profit for the period is adjusted for items of income or expense associated with investing or financing cash flows. Cash flows are adjusted to eliminate the effects of changes in the scope of consolidation.

Notes to the Consolidated Financial Statements
Group Accounting Policies

Gothaer Versicherungsbank VVaG is the parent of the Gothaer Group and prepares consolidated financial statements and a Group management report pursuant to sections 341 i ff. and 290 ff. of the German Commercial Code (HGB), sections 58 ff. of the German Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV) and the German Accounting Standards (DRS) that are relevant for the Gothaer Group.

We have not exercised the option pursuant to 297 (1) sentence 2 HGB to supplement the consolidated financial statements with segmental reports.

All companies whose accounts are included in the consolidated financial statements have compiled financial statements as of 31 December 2023 consistently applying Group accounting policies. The financial year is the calendar year.

The financial statements of joint ventures consolidated at equity and associated companies have generally not been adjusted pursuant to section 312 (5) HGB.

All material subsidiaries of the Gothaer Group are consolidated if they are directly or indirectly controlled by the Group. The date of a company's initial consolidation is the date on which the Gothaer Group assumes control of it. Capital consolidation is performed using the acquisition method. This involves recognizing the assets, liabilities, accruals, deferrals and extraordinary items on the acquired company's balance sheet in accordance with section 301 (1) HGB, disclosing hidden reserves and liabilities (complete revaluation) and netting the resulting value against the parent company's share in the equity of the subsidiary. A positive difference is allocated to goodwill, which is subject in subsequent years to scheduled amortization and non-scheduled depreciation based on impairment testing. A negative difference is recognized as a liability and reversed in the income statement in subsequent years as a difference from capital consolidation to the extent to which it relates to anticipated future expenses or losses in connection with the acquired company. If the difference from capital consolidation is not due to anticipated future expenses or losses, it is reversed directly through the income statement.

Joint ventures and associated companies are valued at equity in the consolidated financial statements pursuant to section 312 HGB. Further details can be found under Accounting and Valuation Policies in the section on investments.

Income generated by subsidiaries after initial consolidation is included in the revenue reserves of the Group after deduction of any minority interests. Minority interests are shown in the statement of financial position under equity.

Intragroup receivables and payables, expenses and income, and profits are eliminated in accordance with section 304 in conjunction with section 341 j (2) HGB unless they are of minor significance for the net assets, financial position and earnings of the Group. Because of the requirement in the Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV) for the consolidated income statement to be divided into three sections, consolidation measures can impact on more than one part of the income statement. If they impact on both Section II Underwriting account for life and health insurance business and Section III Non-underwriting account, they are recognized in Section III. This is basically a matter of consolidating income from equity investments. Transactions between Group companies are conducted at arm's length as a matter of principle.

Scope of Consolidation

The determination of the scope of consolidation is subject to materiality, which is assessed for each company on the basis of equity, balance sheet total and revenues. In addition, a threshold is applied to the total of the three criteria for all companies judged immaterial.

Subsidiaries

Accordingly, 22 subsidiaries (PY: 22) were fully consolidated in the consolidated financial statements along with the parent company because of the parent company's controlling influence pursuant to section 290 (2) HGB. They comprised six insurance companies (PY: six), one pension trust (PY: one) and 16 other companies (PY: 16).

Gothaer Systems GmbH was renamed Gothaer Solutions GmbH in 2023.

Joint ventures and associated companies

In addition, three associated companies (PY: three) in which a significant influence can be exercised according to section 311 (1) HGB were recognized in the consolidated financial statements at equity pursuant to section 312 HGB. The scope of consolidation also includes one participation (PY: one) managed as joint venture. This was also recognized at equity pursuant to section 312 HGB.

List of holdings

The list of holdings pursuant to section 313 (2) HGB is found at the beginning of the section „Other disclosures“. It includes the consolidated companies of the Gothaer Group in the financial year. A list of holdings pursuant to section 313 (4) HGB, which includes subsidiaries and participations that are not consolidated, is also found there.

Accounting and Valuation Policies

Introduction

The consolidated 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 Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV).

Consolidated balance sheet, consolidated income statement, statement of changes in equity, cash flow statement and notes to the consolidated financial statements are prepared in thousand euros. The figures in the financial statements are rounded to one decimal place. Therefore the addition of individual items may result in rounding differences.

Currency translation

The consolidated financial statements are denominated in euros. The companies whose accounts are included in the consolidated financial statements denominate their financial statements in euros.

Intangible assets

Internally generated intangible fixed assets are not capitalized. Acquired intangible assets are recognized at cost less straight-line depreciation based on an anticipated economic life of one to 20 years for the relevant asset. Where permanent impairment is anticipated, depreciation is applied 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 € 9,136.1 thousand.

Investments

Real estate, real estate rights and buildings, including buildings on third-party land are recognized at cost of acquisition or production less scheduled and non-scheduled depreciation.

Shares in affiliated companies and participations 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 companies and participations 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 equity 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 companies and participations 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 as a matter of principle.

Shares in joint ventures and associated companies are generally included in the consolidated financial statements at equity, i.e. at the pro rata share in equity. Pro rata shares in equity are established on the basis of the latest available financial statements. The carrying amounts in the financial statements of joint ventures and associated companies are retained pursuant to section 312 (5) HGB. Income resulting from the appreciation and expenses resulting from the depreciation of reported equity recognized through profit and loss are included in the investment result. Changes that are not recognized through profit and loss are taken into account in other revenue reserves.

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.

Shares, investments in unit trusts and funds and other non-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, 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 to market value 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 as a matter of principle. 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 to maturity are treated as current assets, recognized at cost on the strict lower-of-cost-or-market principle and written down to stock exchange value in the event 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 etc.), 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.

Directly held asset-backed securities are recognized at the values reached by the arrangers.

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 full 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 314 (1) no. 15 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.

Investments for the account and risk of life insurance policyholders are recognized at fair value, i.e. at their redemption price.

Receivables

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

Accounts receivable in connection with reinsurance business are recognized at nominal value less reasonable individual and flat-rate value adjustments.

Tangible assets and inventories

Under tangible assets and inventories, operating and office equipment is recognized at cost less straight-line depreciation based on an anticipated economic life of one to 20 years. Low-value assets with an acquisition value of € 250 or less are written off directly. Inventories are valued at cost.

Deferred tax assets

Deferred taxes are calculated and offset in accordance with sections 274 and 306 HGB and DRS 18. This takes account of temporary differences between the commercial balance sheets and tax balance sheets of the consolidated companies, unused tax loss carryforwards and other balance sheet differences due to consolidation processes. Possible differences from the implementation of tax regulations on global minimum taxation are not taken into account.

Deferred tax assets are recognized only if an offset with future taxable profit is probable. As a matter of principle, tax loss carryforwards are only factored into the calculation of deferred tax assets if the tax relief from the loss carryforward can be anticipated within the next five years.

The recoverability of deferred tax assets is reviewed as of every reporting date.

The deferred tax rate that is determined takes account of the respective tax situation of individual items or that of the Group companies. For German companies, this means allowing for 15.0 % corporation tax plus a solidarity surcharge of 5.5 % of the tax burden and trade tax rates between 14.1 % and 16.7 %. For one Swiss permanent establishment, a profit tax rate of 15.9 % is applied.

Changes in tax rates are taken into account as soon as they are enacted.

Other assets

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

Equity

Revenue reserves include the loss reserve pursuant to section 193 VAG and other revenue reserves. Minority interests include the prorated equity of subsidiaries that do not directly or indirectly belong 100 % to the Gothaer Group.

Underwriting reserves

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

The main types of reserves formed in property and casualty, life and health insurance are described below.

Underwriting reserves in property and casualty insurance

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 fraction methods are applied to a limited extent. In the engineering and marine insurance lines, the flat-rate 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 calculated on the basis of contractual arrangements.

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

Aggregate policy reserves for accident insurance with premium return as well as annuity reserves are determined in compliance with the relevant legal provisions, in particular the Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV). Aggregate policy reserves are determined on the basis of individual policies using the prospective method and taking into account future expenses. Individual losses reported and losses incurred but not reported 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 interest reserve (Zinszusatzreserve - ZZR) is formed for policies where actuarial interest is above the reference interest rate. For new policies, the ZZR 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 (except annuities) included in the reserve for outstanding claims in connection with direct insurance business has been determined on the basis of the anticipated requirement and calculated individually. The reserve for losses incurred but not yet reported is determined on a flat-rate 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 in line with 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 at amounts equal to those provided by ceding companies plus 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.

The reserve 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 pursuant to article 9 of the Fire Business Interruption Insurance Conditions (FBUB) is determined on a flat-rate basis.

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

Underwriting reserves in life insurance

Gross unearned premiums are calculated for each individual policy, taking account of the commencement date and the mode of premium payment agreed. Tax regulations are observed for the deduction of non-transferrable invoiced collection fees.

Policy reserves for direct written business are calculated for each individual policy, taking account of the relevant starting month.

As a matter of principle, policy reserves are calculated by the prospective method in accordance with section 341f HGB, section 25 RechVersV and the ordinances enacted pursuant to section 88 (3) VAG and section 235 (1) nos. 4 to 7 VAG respectively. In the case of unit-linked products, the value-dependent actuarial capital for each individual policy is used as the basis for a unit-linked policy reserve. The relevant valid business plan is observed for existing policies in force. Future costs are implicitly taken into account. In particular, policy reserves are also formed for administrative costs during non-contributory periods.

In light of anticipated improvements in mortality, we strengthened policy reserves for annuity and pension policies concluded on or before 31 December 2004, taking as a basis both current mortality tables and company cancellation and capital settlement probabilities. The calculated adjustment that is required takes account of the policy reserve revaluation requirements that need to be met for compliance with Federal Financial Supervisory Authority publication VerBaFin 01/2005.

Policy reserves were also increased for supplemental occupational disability policies based on tables older than the DAV 1997 I. The degree of replenishment required was ascertained in accordance with Federal Financial Supervisory Authority publication VerBAV 12/98.

Since the amendment of the German Policy Reserve Ordinance (DeckRV) in 2018, the reference interest rate used to assess additional interest reserves (Zinszusatzreserve – ZZR) has been calculated by the so-called corridor method. The reference interest rate remains unchanged against the prior year at 1.57 %.

In the regulated portfolio of Gothaer Lebensversicherung AG, reserves are formed on the basis of business plans to strengthen interest rates in existing policies. In the regulated portfolio of Gothaer Pensionskasse AG, the procedure agreed with the supervisory authority involves spreading the ZZR increase over a longer period.

Additional interest reserves were reversed by € 54.1 million for Gothaer Lebensversicherung AG, while an allocation of € 1.6 million was made for Gothaer Pensionskasse AG. Additional interest reserves account for 9.5 % of policy reserves at Gothaer Lebensversicherung AG and 8.3 % at Gothaer Pensionskasse AG (gross).

Reserves for known outstanding claims and redemptions are calculated for each individual claim or redemption incurred by balance sheet date and reported by the date on which reserves are established. Weighted reserves based on previous years' experience are formed for unresolved claims under invalidity policies. Flat-rate reserves are formed for claims that have been incurred but not yet reported. The gross amounts recognized include reserves for anticipated loss adjustment expenses at a level permissible under tax law.

The reserves for premium refunds include funds (terminal bonus funds) for future terminal bonuses and minimum participation in valuation reserves. Terminal bonus funds are calculated by recognized actuarial methods. The rules for calculating terminal bonus funds are set out in the relevant approved principle business plan for surplus participation (old policies as defined by section 336 VAG) or comply with the requirements of section 28 (7) RechVersV (new contracts as defined by section 336 VAG).

When deferred taxes are recognized pursuant to section 274 HGB, reserves for deferred premium refunds are formed to the value of policyholders' anticipated future participation in taxation and tax relief.

Other underwriting reserves are formed mostly to the value of the difference between the underwriting reserves required for unit-linked life policies where investment risk is borne by policyholders and the existing investment stock. For consortium agreements with external lead management, reserves are calculated on the basis of the values reported by the lead company.

Reinsurers' shares of underwriting reserves for insurance business ceded are calculated on the basis of the relevant reinsurance treaties.

Underwriting reserves in health insurance

Policy reserves are calculated for each individual policy by the prospective method in line with recognized actuarial principles. In the process, care is taken, in particular, to ensure observance of the procedures stipulated in the technical basis for calculation as well as section 341f HGB and sections 146 ff VAG.

Policy reserves also take into account transfers from lapsed policies as of 31 December of the financial year. These transfers are portable parts of the ageing reserve that policyholders can transfer when switching to another private health insurer.

The percentage share of the co-insured community established for members of the postal and railway civil servants health insurance schemes (GPV) is adopted as communicated by the GPV management, without changes.

Because tariff generations and premium adjustment periods differ, there are also different actuarial interest rates for different tariffs/groups of persons. The average actuarial interest rate in the financial year was 2.263 % (PY: 2.416 %).

Reserves for outstanding claims in direct written business were calculated using a statistical approximation method in line with section 341g (3) HGB in conjunction with section 26 (1) RechVersV. The bases are formed by payments made in the period under review for claims incurred as well as the ratio of the average payment made in the years 2021 to 2023 to the total payments made for prior-year claims. Arrears were taken into account. Separate estimates are made for prior-year claims and claims in the year before the prior year. Outstanding PKV-Verband invoices due to contractual arrangements and legal regulations were also taken into account in reserves.

Reserves for loss adjustment expenses are included in reserves for outstanding claims. They were established on the basis of the ratio of total loss adjustment expenses incurred in the financial year to the total volume of insurance payments made. Reserves for loss adjustment expenses are calculated as the percentage of reserved insurance payments and recognized at 70 % of the total in accordance with tax regulations.

Reserves for profit-related and non-profit-related premium refunds include reserves for premium refunds pursuant to section 341e (2) no. 2 HGB. The transfer to these reserve takes account of the statutory instrument (KVAV) issued on the basis of section 160 VAG. The appropriation of these resources has been approved by the independent trustee as required by law.

Other underwriting reserves include reserves for anticipated premium refund payments arising from pending lawsuits against the validity of premium adjustments.

When deferred taxes are recognized pursuant to section 274 HGB, reserves for deferred premium refunds are formed to the value of policyholders' anticipated future participation in taxation and tax relief.

Other accruals

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 (Rückstellungsabzinsungsverordnung), 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 trend		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.

We exercised the option offered under section 67 (1) EGHGB to accumulate at least a fifteenth of the allocation resulting from the transition to valuation under the German Accounting Law Modernization Act (BilMoG) through to 31 December 2024 at the latest.

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

For insurance-based commitments, IDW RH FAB 1.021 is applied. Pension accruals were therefore formed at the fair value of the reinsurance contracts.

Claims on reinsurance that are protected from all other creditors and serve to fulfil pension obligations are offset against pension accruals in accordance with section 246 (2) HGB.

The reserve for obligations in connection with pre-retirement employment agreements, which is recognized in miscellaneous accruals, is determined on the basis of 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 miscellaneous accruals are recognized at the amount dictated by sound business judgement. Reserves with a residual term of more than a year were 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. Deferred income is recognized at nominal value.

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

Notes to the Consolidated Statement of Financial Position

Assets

Changes in assets in the financial year 2023

				Carrying amount previous year
A.		Intangible assets		
		1.	Acquired concessions, industrial property rights, similar rights and assets as well as licences for such rights and assets	176,623
		2.	Payments in advance	100,036
		3.	**Subtotal A.**	**276,658**
B	I.	**Real estate, real estate rights and buildings, including buildings on third-party land**		**22,375**
B	II.	**Investments in affiliated companies and participations**		
		1.	Shares in affiliated companies	115,956
		2.	Loans to affiliated companies	200
		3.	Shares in joint ventures and associated companies	265,106
		4.	Participations	565,413
		5.	Loans to participations	4,019
		6.	**Subtotal B II.**	**950,694**
Total				**1,249,727**

					€ thousand
Additions	**Reclassfications**	**Disposals**	**Reversals**	**Amortization**	**Carrying amount financial year**
3,779	90,397	294	0	33,679	236,825
53,902	-90,397	1,180	0	0	62,361
57,681	**0**	**1,474**	**0**	**33,679**	**299,186**
796	**0**	**0**	**0**	**815**	**22,356**
550	0	44,034	0	139	72,334
22,700	0	16,500	0	0	6,400
0	0	3,781	32,908	23,149	271,084
20,681	0	55,949	1,894	84,486	447,554
102	0	0	0	0	4,121
44,033	**0**	**120,264**	**34,802**	**107,773**	**801,492**
102,510	**0**	**121,738**	**34,802**	**142,267**	**1,123,033**

Real estate, real estate rights and buildings, including buildings on third-party land

The carrying value of self-occupied land and buildings totalled € 22,356 thousand (PY:€ 22,375 thousand).

Comparison of book and fair value of investments

B. III. 1. and 2. include investment fund certificates, bearer bonds and other fixed-interest securities with a book value of € 26,167,404 thousand that are classified as long-term assets pursuant to section 341b (2) HGB. The fair value of these assets comes to € 22,268,232 thousand. Hidden liabilities total € 3,968,297 thousand.

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

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

			€ thousand
		Carrying amount	Fair value
B.II.4.	Participations	101,957	92,993
B.III.1.	Shares, investments in unit trusts and funds and other non-fixed-interest securities	22,367,143	18,833,174
B.III.2.	Bearer bonds and other fixed-interest securities	2,688,546	2,254,218
B.III.3.	Mortgages, liens on real property and annuities	28,146	27,518
B.III.4.a)	Registered bonds	562,405	523,891
B.III.4.b)	Promissory notes and loans	1,131,732	992,609
B.III.4.c)	Loans and advance payments on insurance policies	402	386
B.III.4.d)	Other miscellaneous loans	83,115	75,384

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 one investment in an associated company, investments in unit trusts and funds with an annuity component, investments in unit trusts and funds of a mixed nature, bearer bonds and other fixed-interest securities, mortgages, liens on real property and annuities, registered securities, promissory notes and loans, loans and advance payments on insurance policies as well as other miscellaneous 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. II. 4.	Participations			54,810	86,574
	Forward currency sales	106,210	TUSD		2,497
	Forward currency purchases	7,860	TUSD		-39
	Micro valuation unit	**98,350**	**TUSD**	**54,810**	**89,032**
B. II. 4.	Participations			136,692	150,756
	Forward currency sales	192,860	TUSD		4,418
	Forward currency purchases	25,190	TUSD		-250
	Portfolio valuation unit	**167,670**	**TUSD**	**136,692**	**154,924**
B. II. 4.	Participations			27,718	27,589
	Forward currency sales	41,870	TGBP		129
	Micro valuation unit	**41,870**	**TGBP**	**27,718**	**27,718**
B. II. 4.	Participations			73,334	80,362
	Forward currency sales	33,870	TGBP		96
	Forward currency purchases	680	TGBP		-5
	Portfolio valuation unit	**33,190**	**TGBP**	**73,334**	**80,453**
B. III. 1.	Investments in funds			57,297	61,534
	Forward currency sales	67,700	TUSD		1,589
	Portfolio valuation unit	**67,700**	**TUSD**	**57,297**	**63,123**
B. III. 1.	Investments in funds			6,121	6,105
	Forward currency sales	5,100	TGBP		16
	Portfolio valuation unit	**5,100**	**TGBP**	**6,121**	**6,121**
B. III. 1.	Investments in funds			13,773	13,737
	Forward currency sales	11,490	TGBP		35
	Micro valuation unit	**11,490**	**TGBP**	**13,773**	**13,772**
B. III. 2.	Bearer bonds			46,798	46,062
	Forward currency sales	50,360	TUSD		1,180
	Micro valuation unit	**50,360**	**TUSD**	**46,798**	**47,242**
B. III. 2.	Bearer bonds			93,361	90,103
	Forward currency sales	100,840	TUSD		2,355
	Portfolio valuation unit	**100,840**	**TUSD**	**93,361**	**92,458**
B. III. 4. a)	Registered bonds			2,710	2,704
	Forward currency sales	2,300	TGBP		6
	Portfolio valuation unit	**2,300**	**TGBP**	**2,710**	**2,710**

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.

Shares in joint ventures and associated companies

Shares in joint ventures and associated companies include no goodwill.

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
Equity fund	1,189,049	1,189,049	0	0	daily
Pension fund	19,883,707	16,711,700	-3,172,007	635,608	daily or within one month
Property fund	1,479,070	1,667,826	188,756	73,025	daily or within max. six months
Other	3,048,658	2,696,475	-352,183	38,034	daily

The property funds shown here as well as other funds are basically valued on the strict lower-of-cost-or-market principle.

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

Other loans

	€ thousand	
	2023	2022
B.III.4. Other loans		
a) Registered bonds	1,125,811	1,151,244
b) Promissory notes and loans	1,578,583	1,529,168
c) Loans and advance payments on insurance policies	15,311	16,615
d) Other miscellaneous loans	263,418	365,644
Total	2,983,123	3,062,671

Deferred tax assets

Differences between valuations in the commercial balance sheets and tax balance sheets of the consolidated companies resulted in an asset-side balance from future tax benefits. The deferred tax assets recognized for this are essentially due to lower valuations in the commercial balance sheets for investments and higher valuations in the commercial balance sheets for loss reserves and annuities for pensions and similar obligations. They also result from the recognition of deferred taxes on tax loss carry forwards.

Equity and Liabilities

Other accruals

The difference between the valuation of accruals for pensions and similar obligations at average interest over the last ten years and that over the last seven years was € 5,300 thousand (PY: € 22,780 thousand).

Offsetting of assets and liabilities

Pursuant to section 246 (2) HGB, plan assets from reinsurance of € 591 thousand (PY: € 579 thousand) have been offset against corresponding pension obligations of € 861 thousand (PY: € 813 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 Other accruals – € 318 thousand (PY: € 388 thousand) – was offset against the € 319 thousand fair value of investment fund certificates held in trust as security (PY: € 412 thousand). The cost of the investment fund certificates totals € 315 thousand (PY: € 413 thousand).

Notes to the Consolidated Income Statement

Gross written premiums

	€ thousand	
	2023	**2022**
Life insurance business	1,149,378	1,180,409
Health insurance business	980,232	927,801
Property and casualty insurance business	2,636,300	2,358,185
Of which:		
Germany	4,621,781	4,338,493
Other EEA States	135,212	120,158
Third countries	8,918	7,743
Direct insurance business	4,765,910	4,466,394
Reinsurance business assumed	131,461	103,429
Total	**4,897,372**	**4,569,823**

Investment expenses

Amortization of investments includes non-scheduled depreciation of € 112,974 thousand (PY: € 101,528 thousand) in accordance with section 277 (3) HGB.

Other income

Other income includes € 2,059 thousand (PY: € 182 thousand) income from the discounting of reserves and income from currency translation totals € 1,876 thousand (PY: € 684 thousand).

Other expenses

Other expenses include € 5,437 thousand (PY: € 10,131 thousand) from the discounting of reserves and € 2,177 thousand (PY: € 2,537 thousand) from currency translation. No non-scheduled depreciation was recognized for payments in advance on intangible assets (PY: € 925 thousand).

Offsetting of income and expenses

In line with the offsetting of retirement pension commitments and the corresponding plan assets, related expenses of € 64 thousand (PY: € 80 thousand) were offset against related income of € 13 thousand (PY: € 12 thousand) as stipulated in section 246 (2) HGB.

Other disclosures

List of holdings

Subsidiaries included in consolidated financial statements

			as %
Name	**Domicile**		**Ownership interest***
Parent company			
Gothaer Versicherungsbank VVaG	Cologne	DE	
CG Car-Garantie Versicherungs-Aktiengesellschaft	Freiburg i. Brsg.	DE	67.0
FWP Lux Feeder Beta S.A.	Munsbach	LU	100.0
GG-Grundfonds Vermittlungs GmbH	Cologne	DE	100.0
Gothaer Allgemeine Versicherung AG	Cologne	DE	100.0
Gothaer Asset Management AG	Cologne	DE	100.0
Gothaer Beratung und Vertriebsservice GmbH	Cologne	DE	100.0
Gothaer Erste Kapitalbeteiligungsgesellschaft mbH	Cologne	DE	100.0
Gothaer Finanzholding AG	Cologne	DE	100.0
Gothaer Grundbesitz GmbH	Cologne	DE	100.0
Gothaer Invest- und FinanzService GmbH	Cologne	DE	100.0
Gothaer Krankenversicherung AG	Cologne	DE	100.0
Gothaer Leben Renewables GmbH	Cologne	DE	100.0
Gothaer Lebensversicherung AG	Cologne	DE	100.0
Gothaer Pensionskasse AG	Cologne	DE	100.0
Gothaer Sechste Kapitalbeteiligungsgesellschaft mbH	Pullach i. Isartal	DE	100.0
Gothaer Solutions GmbH	Cologne	DE	100.0
Gothaer Zweite Beteiligungsgesellschaft Niederlande mbH	Cologne	DE	100.0
Hamburg-Kölner-Vermögensverwaltungsgesellschaft mbH	Cologne	DE	100.0
Janitos Versicherung AG	Heidelberg	DE	100.0
MediExpert Gesellschaft für betriebliches Gesundheitsmanagement mbH	Cologne	DE	100.0
PE Holding USD GmbH	Cologne	DE	100.0
VBMC ValueBasedManagedCare GmbH	Cologne	DE	100.0

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

Subsidiaries not included in consolidated financial statements

Pursuant to section 296 (2) HGB, the following subsidiaries are not included in the consolidated financial statements because they are intended to be sold or because they are of minor significance for the Group:

			as %
Name	Domicile		Ownership interest*
A.S.I. Wirtschaftsberatung AG	Münster	DE	100.0
CarGarantie Courtage SARL	Brunstatt-Didenheim	FR	67.0
Car-Garantie GmbH	Freiburg i. Brsg.	DE	67.0
GBG-Consulting für betriebliche Altersversorgung GmbH	Hamburg	DE	100.0
GKC Gothaer Kunden-Service-Center GmbH	Cologne	DE	100.0
GoReLux II GP S.á.r.l.	Luxemburg	LU	100.0
Gothaer Digital GmbH	Cologne	DE	100.0
Gothaer Risk-Management GmbH	Cologne	DE	100.0
Gothaer Vertriebs-Service AG	Cologne	DE	100.0
GSC Gothaer Schaden-Service-Center GmbH	Berlin	DE	100.0
GSG Garantie-Service GmbH	Freiburg i. Brsg.	DE	67.0
IWS International Warranty Solutions GmbH i.L.	Cologne	DE	67.0
Medico GmbH & Co. KG	Frankfurt a.M.	DE	99.9
MVVS Meine Versicherungen-Vermittlungsservice GmbH	Cologne	DE	100.0
Pensus Pensionsmanagement GmbH	Göttingen	DE	100.0

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

Joint ventures and associated companies included in the consolidated financial statements

			as %
Name	Domicile		Ownership interest*
KILOS Beteiligungs GmbH & Co. Vermietungs-KG	Pullach i. Isartal	DE	93.1
OPCI French Wholesale Properties - FWP, SPPPICAV	Paris	FR	43.1
OWP Nordergründe GmbH & Co. KG	Bremen	DE	40.0
ROLAND Rechtsschutz-Versicherungs-AG	Cologne	DE	40.0

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

Joint ventures and associated companies not included in the consolidated financial statements

Pursuant to section 311 (2) HGB and DRS 27, the following joint ventures and associated companies are not included in the consolidated financial statements due to their minor significance for the Group:

			as %
Name	**Domicile**		**Ownership interest***
LM+ - Leistungsmanagement GmbH	Cologne	DE	25.0
RCP Deutscher Solarfonds II GmbH & Co. KG	Frankfurt a.M.	DE	24.0
Wegatech Greenergy GmbH	Cologne	DE	23.8

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

Participations not included in consolidated financial statements

					€ thousand
Name	**Domicile**		**Ownership interest * as %**	**Equity**	**Net result for the year**
Aberdeen Asia Pacific II, L.P.	George Town	KY	13.4	78,216	-14,869
Accession Mezzanine Capital III L.P.	St. Helier	JE	16.9	51,579	6,543
Achmea B.V.	Zeist	NL	1.2	9,276,000	105,000
Beechbrook Mezzanine II L.P.	Edinburgh	GB	16.6	41,730	-4,676
Beechbrook Private Debt III L.P.	London	GB	15.5	167,591	962
Curzon Capital Partners IV L.P.	London	GB	8.6	140,553	-24,650
EPISO IV, L.P.	London	GB	2.7	1,455,720	34,358
European Alliance Partners Company AG	Zürich	CH	12.5	9,213	403
EXTREMUS Versicherungs-Aktiengesellschaft	Cologne	DE	5.0	61,746	-1,719
Falcon Strategic Partners IV, L.P.	Wilmington	US	2.8	550,215	18,293
Falcon Strategic Partners V (Cayman), L.P.	George Town	KY	31.1	93,276	3,805
FirstMark Capital II, L.P.	Wilmington	US	13.3	318,906	-360,227
FirstMark Capital III L.P.	Wilmington	US	13.5	748,785	-285,523
FirstMark Capital OF I, L.P.	Wilmington	US	16.7	97,592	-183,109
GDV Dienstleistungs-GmbH	Hamburg	DE	1.1	30,866	1,213
heal.capital I GmbH & Co. KG	Berlin	DE	3.0	36,143	-3,691

€ thousand					
Name	**Domicile**		**Ownership interest * as %**	**Equity**	**Net result for the year**
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
New York Life Capital Partners IV, L.P.	New York	US	9.2	12,209	2,234
PineBridge Secondary Partners III L.P.	Wilmington	US	12.3	93,408	-15,464
PineBridge Secondary Partners IV Feeder, SLP	Luxemburg	LU	10.5	331,496	-11,756
Praesidian Capital Bridge Fund, L.P.	Wilmington	US	19.9	17,369	2,027
Praesidian Capital Opportunity Fund III-A, L.P.	Wilmington	US	32.7	7,284	-1,411
Protektor Lebensversicherungs-AG	Berlin	DE	2.3	7,856	2
RREEF Pan-European Infrastructure Feeder GmbH & Co. KG	Eschborn	DE	27.8	143,303	-351
Sana Kliniken AG	München	DE	2.4	584,307	-67,788
SilkRoad Asia Value Parallel Fund, SICAV-SIF	Luxemburg	LU	15.4	313,020	-13,629
WAI S.C.A., SICAV- FIS / Private Equity Secondary 2008	Luxemburg	LU	22.1	23,902	1,087

* In the case of ownership interests that are partially held indirectly, economic interests are calculated.

The option set out in section 313 (3) sentence 4 HGB was exercised in drawing up the list of holdings.

The disclosures refer to the last financial year for which financial statements were available. Financial statements denominated in foreign currencies were translated into euros at the mean spot rate at balance sheet date.

Liabilities

Liabilities with a residual term of more than five years totalled € 319,300 thousand (PY: € 319,346 thousand).

Board membership and remuneration

Members of the Supervisory Board and Management are identified by name at the beginning of this report.

Remuneration paid to Management totalled € 9,081 thousand. Retirement, survivors' benefits and other payments for former members of Management came to € 5,079 thousand. Pension accruals totalling € 86,495 thousand exist for this group of individuals. Due to the distribution option in section 67 (1) EGHGB, pension provision of € 751 thousand was not recognized in the statement of financial position.

Remuneration paid to the Supervisory Board and Advisory Board totalled € 1,129 thousand and € 64 thousand respectively.

Directorships of Members of the Supervisory Board and Management

Supervisory Board	Membership of other statutory supervisory boards	Comparable domestic and foreign directorships and officerships
Prof. Dr. Werner Görg Chair	Gothaer Finanzholding AG (Chair), Gothaer Krankenversicherung AG (Chair), Gothaer Allgemeine Versicherung AG (Chair), Gothaer Lebensversicherung AG (Chair)	
Carl Graf von Hardenberg Vice Chair	Gothaer Finanzholding AG, Gothaer Allgemeine Versicherung AG, Hardenberg-Wilthen AG (Chair), Volksbank Kassel Göttingen eG	
Urs Berger up to 6 June 2024	Gothaer Finanzholding AG up to 22 March 2024, Schweizerische Mobiliar Genossenschaft (Administrative Board Chair) up to 12 May 2023, Schweizerische Mobiliar Holding AG (Administrative Board Chair) up to 12 May 2023, vanBaerle AG, SZ Consulting AG, Basler Kantonalbank, SensoPro AG, Ringier AG, Ammann Group Holding AG up to 23 May 2023, ILEVE OPTICS AG, Impulzity AG as of 2023	
Gabriele Eick	Gothaer Finanzholding AG, Die Mobiliar AG	Goethe-Universität Frankfurt am Main (Foundation) up to 28 February 2024, Landesstiftung Miteinander in Hessen, Zoologische Gesellschaft Frankfurt (Foundation), Aramark GmbH (Chair)
Prof. Dr. Johanna Hey	Gothaer Finanzholding AG, ADVA Optical Networking SE (Vice Chair) up to 31 March 2023, Flossbach von Storch AG	ADTRAN Inc. up to 30 September 2023

Jürgen Wolfgang Kirchhoff	Gothaer Finanzholding AG, Märkische Bank eG (Chair) up to 31 December 2023	

Management	Membership of other statutory supervisory boards	Comparable domestic and foreign directorships and officership
Oliver Schoeller Chair	Gothaer Solutions GmbH (Vice Chair), ROLAND Rechtsschutz-Versicherungs-AG (Vice Chair), Gothaer Pensionskasse AG, Gothaer Asset Management AG (Vice Chair)	Eurapco AG (Chairman of the Board) AMICE (Vice President) up to 7 June 2023
Thomas Bischof	Janitos Versicherung AG (Chair)	Wegatech Greenergy GmbH
Oliver Brüß	Janitos Versicherung AG (Vice Chair), Gothaer Pensionskasse AG (Vice Chair), A.S.I. Wirtschaftsberatung AG (Chair), Gothaer Vertriebs-Service AG (Chair)	easy Login GmbH
Dr. Mathias Bühring-Uhle	Janitos Versicherung AG, Gothaer Solutions GmbH (Chair), CG Car-Garantie Versicherungs-AG (Chair)	
Dr. Sylvia Eichelberg	LEG Immobilien SE, A.S.I. Wirtschaftsberatung AG as of 1 January 2023	
Harald Epple	Gothaer Pensionskasse AG (Chair), Gothaer Asset Management AG (Chair), ROLAND Rechtsschutz-Versicherungs-AG	Wegatech Greenergy GmbH
Michael Kurtenbach	A.S.I. Wirtschaftsberatung AG (Vice Chair), Gothaer Vertriebs-Service AG (Vice Chair), Pensionskasse der BERLIN-KÖLNISCHE Versicherungen VVaG (Chair), Versorgungskasse Gothaer Versicherungsbank VVaG (Chair), GDV Dienstleistungs-GmbH, Gothaer Asset Management AG	

Total fee for the statutory auditor

		€ thousand
	2023	2022
Auditing of financial statements	1,276	1,285
Attestation services	31	111
Total	**1,307**	**1,396**

Personnel expenses

		€ thousand
	2023	2022
1. Wages and salaries	363,706	348,761
2. Social security contributions and employee benefits	59,882	57,889
3. Post retirement benefits	49,613	43,877
4. Total expenses	**473,201**	**450,528**

Human resources on average

		Persons
	2023	2022
In house	4,164	4,280
In the field	469	495
	4,633	**4,775**
Apprentices	232	232
Total	**4,865**	**5,007**

Contingent liabilities and other financial commitments

In compliance with section 28 (1) EGHGB, accruals of € 4,585 thousand have not been recognized for pension-related obligations for which a legal entitlement was acquired prior to 1 January 1987.

Pension accruals of € 4,262 thousand were not recognized on the balance sheet because the apportionment option under section 67 (1) EGHGB was exercised.

At year-end, contributions totalling € 921,764 thousand were outstanding for investments in associated companies as well as other investments.

Other financial commitments arising from long-term leasing and rental agreements totalled € 85,392 thousand at balance sheet date.

Under a guarantee bond, Gothaer Lebensversicherung AG and Gothaer Krankenversicherung AG have an obligation towards their house bank to meet potential demands by US tax authorities for the repayment of tax refunds totalling

USD 5,815 thousand in connection with credited US cheques. Based on years of experience with comparable US cheque credits, we currently see no significant risk of a claim being made on the guarantee bond.

Standard market purchase price adjustment and indemnification obligations as well as purchase price guarantees totalling approximately € 998 thousand have been assumed from the sale of a shareholding in the prior year. The risk of claims actually being made on these obligations and guarantees is regarded as low because the litigation risk inherent in indemnification risks is currently considered unlikely to materialize.

Gothaer Allgemeine Versicherung AG and Janitos Versicherung AG are members of the association „Verkehrsopferhilfe e. V.“. This membership entails an obligation to contribute to the funds that the association requires to carry out its activities. The contribution is based on the share of the premium income generated by member companies from direct written motor and liability insurance in the year prior to the previous calendar year.

On the basis of sections 221 ff. VAG, health insurers are required to be members of a guarantee fund. After the assumption of insurance contracts, the fund can levy special contributions up to 2 ‰ of the sum of net underwriting reserves for the fulfilment of its duties.

In accordance with sections 221 ff. VAG, the life insurers are members of the life insurers' guarantee fund (Sicherungsfonds für die Lebensversicherer). In addition to the obligatory current contributions, the fund can levy special contributions up to 1 ‰ of the sum of net underwriting reserves on the basis of the Guarantee Fund Financing Ordinance (Life). Furthermore, in the event of the fund not having the resources needed to handle a rescue case, Gothaer Lebensversicherung AG has committed to make financial resources available to the guarantee fund – or alternatively to Protektor Lebensversicherungs-AG – in an amount equal to 1 % of the sum of net underwriting reserves, taking account of the contributions already made to the guarantee fund. The total commitment to the guarantee fund at balance sheet date was € 217,432 thousand.

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 Versicherungsbank VVaG was identified as the ultimate parent company. As group parent, it could therefore be liable for minimum tax for the first time in the financial year 2024 and be obliged to submit a minimum tax report, which it will in all likelihood also submit on behalf of the other business units. The deadline for submitting the minimum tax report expires 15 months after the end of the financial year; the deadline for the first year is extended to 18 months. The deadline for the tax return does not expire before the deadline for the minimum tax report.

In the course of the impact analysis, it was also determined that the business units of the Gothaer Group are not only located in Germany but also in foreign jurisdictions. The foreign jurisdictions in question are member states of the European Union and Switzerland. The member states of the European Union are obliged to transpose the

Minimum Taxation Directive into national law with effect from 1 January 2024. Switzerland introduced a minimum tax law with effect from 1 January 2024 to implement the Organisation for Economic Cooperation and Development's model regulations for global minimum taxation on which the Minimum Tax Directive is based. As ultimate parent company, Gothaer Versicherungsbank VVaG could also have corresponding declaration obligations with regard to the foreign minimum tax laws.

Events of special significance

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

Proposal for the appropriation of profit

The profit for the year registered by our parent company Gothaer Versicherungsbank VVaG was € 29,295,442.81. Including the profit of € 5,986.41 brought forward from 2022, the retained profit available to the General Members Meeting for appropriation is € 29,301,429.22.

We propose to the General Members Meeting that the sum of € 29,300,000.00 should be transferred to other revenue reserves and € 1,429.22 should be carried forward.

Cologne, 5 April 2024

Management

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

Independent Auditors' Report

GOTHAER Versicherungsbank VVaG, Cologne

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of GOTHAER Versicherungsbank VVaG and its subsidiaries (the Group) – comprising the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, statement of changes in equity and statement of cash flows for the financial year from 1 January 2023 to 31 December 2023 and the notes to the consolidated financial statements, including the presentation of accounting and valuation policies. We have also audited the Group management report of GOTHAER Versicherungsbank VVaG, 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 Group 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 consolidated 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 Group as at 31 December 2023 as well as the results of its operations from 1 January 2023 to 31 December 2023 and

– the accompanying Group management report as a whole provides an accurate view of the situation of the Group. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the Group management report does not cover the parts of the Group 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 consolidated financial statements or the Group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the Group 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 consolidated financial statements and the group management report". We are independent of the Group companies 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, we declare in accordance with Art. 10 (2) f) of the EU Audit Regulation 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 consolidated financial statements and Group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2023 to 31 December 2023. These matters were considered in the context of our audit of the consolidated 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 consolidated financial statements of the Group 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 consolidated statement of financial position (€ 24,397 million) 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 Group 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 consolidated 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 by the Group as fixed assets as follows:

We satisfied ourselves on the basis of the liquidity plans presented that the Group 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 POLICY RESERVE (GROSS)

Related information in the financial statements

The „Underwriting reserves“ subsection of „Accounting and Valuation Policies“ in the notes to the consolidated financial statements of the Group contains information on the valuation of the gross policy reserve.

Facts and risk for the audit

The consolidated financial statements of the Group as of 31 December 2023 show a gross policy reserve of € 25,219 million. This equates to a share of 68.9 % of the balance sheet total. The reported policy reserve is largely attributable to life and health insurance. This has a significant impact on the financial position of the Group.

Tariff-dependent valuation of the policy reserve in life insurance is performed in accordance with section 341f of the German Commercial Code (HGB) and section 25 of the Ordinance Governing the Accounting Practices of Insurance Companies (RechVersV) on a policy-by-policy and prospective basis and is calculated by subtracting the present value of future premiums from the present value of future benefits. The basis is formed by the bases for calculation notified to the supervisory authority pursuant to section 143 VAG or the business plans approved by the supervisory authority.

Valuation is based on biometric assumptions and assumptions on cost and interest rate developments, additionally taking into account the regulations governing additional interest reserves and an interest rate reinforcement in the existing portfolio. The risk for the consolidated financial statements is that policy data are not fully taken into account in the calculation and that the policy reserve is under- or overvalued as a result of incorrect application or determination of the calculation parameters. Due to the complexity of the valuation, there is a risk for the financial statements that the amount of the policy reserve fails to meet legal requirements.

The gross policy reserve in health insurance is basically the sum of the ageing provisions calculated for each individual policy. Depending on the tariff, the ageing provisions of the individual policies are generally calculated automatically.

The policy reserve consists of the tariff-based ageing provision, the accumulated funds from the direct credit pursuant to section 150 VAG and the reserve for the statutory loading pursuant to section 149 VAG.

In addition to the rules of commercial law, supervisory regulations must also be taken into ac-count. The assumptions made for calculating premiums must also be used for calculating ageing provisions. Key factors here are interest rate, lapse rate and calculated per capita claims, i.e. average claims payments per person per year. The rate of change as the insured person advances in age particularly needs to be taken into account in the calculated per capita claims. In the case of premium adjustments, changes in assumptions may only be implemented after approval by the independent trustee.

Due to the high complexity of the process of calculating ageing provisions, there is a risk for the financial statements that the amount of ageing provision fails to meet legal requirements.

As a result – and due to the significance of the amounts for the consolidated financial statements as at 31 December 2023 – the valuation of gross policy reserves in life and health insurance was a key audit matter.

Audit approach and conclusions

We audited the gross policy reserve formed by the Group in life insurance as follows:

First of all, we noted the procedures adopted by the Group to determine and recognize the policy reserve. We satisfied ourselves that the relevant controls for the valuation of the policy reserve were appropriate and implemented and we verified their viability by control testing. We particularly focused on the controls for ensuring the completeness and accuracy of policy data in the portfolio management system and the controls for calculating the policy reserves for individual contracts.

Based on this, we performed substantive procedures on the valuation of the policy reserve, including interest reinforcement (additional interest reserve and interest reinforcement for the existing portfolio). We spot-checked the results obtained by the Group for policy reserves for individual policies and verified that the valuation methods used were applied consistently. In this connection, we also examined whether interest rate reinforcements were determined in accordance with legal/business plan stipulations and whether assumptions on cancellation and capital settlement probabilities were made in a transparent manner. We also examined whether the general or individually adjusted tables published by the German Association of Actuaries (Deutsche Aktuarvereinigung - DAV) were properly applied. At the same time, we employed an internal profit breakdown to satisfy ourselves that there were no long-term negative risk results.

We then evaluated the report of the responsible actuary. In particular, we examined the assessment therein of the valuation parameters used in the valuation of the gross policy reserve, checked that they were appropriate and satisfied ourselves that the report does not contain any statements that contradict our audit results.

We audited the gross policy reserve formed by the Group in health insurance as follows:

First of all, we noted the procedures adopted by the Group to determine and recognize the policy reserve. We satisfied ourselves that the relevant controls for the valuation of the policy reserve were appropriate and implemented and we verified their effectiveness by control testing. We particularly focused on the controls for ensuring the completeness and accuracy of policy data in the portfolio management system and the controls for ensuring that new tariffs and assumption changes were recognized correctly.

Based on this, we performed substantive procedures on the valuation of the policy reserve. For a random selection of policies in force, we recalculated the ageing provision to verify whether the ageing provisions for individual policies were determined in line with the specifications of the so-called „Technische Berechnungsgrundlagen“ (Technical Calculation Bases). At the same time, we checked whether the calculation assumptions made on actuarial interest rate, calculated per capita claims and mortality and lapse tables were consistent with those made for calculating premiums.

We then satisfied ourselves that the independent trustee approved the changes in the premium adjustments made in the financial year. In the case of changes in the actuarial interest rate, we verified that the actuarial interest rate applied was in line with the actuarial corporate interest rate (AUZ). For deliberately selected individual cases, we checked that the new bases for calculation were applied correctly. We also verified the calculation of the limitation funds from the reserve for premium refunds.

For the gross policy reserve, we analyzed the changes against the prior year for each tariff area. We also isolated known factors such as limitation funds from reserves for premium refunds, direct credits, actuarial interest and Zillmer adjustments from the overall change in the policy reserve and analyzed the remaining change over time.

In addition, we retraced the calculation of the direct credit from net return pursuant to section 150 (1) and (2) VAG and reconciled the corresponding write-up to the policy reserve.

The audit in the life and health insurance segments was performed with the help of our own specialists with knowledge of actuarial mathematics.

3. VALUATION OF THE PARTIAL LOSS RESERVES FOR KNOWN AND UNKNOWN CLAIMS INCLUDED IN THE GROSS RESERVE FOR OUTSTANDING CLAIMS IN PROPERTY AND CASUALTY INSURANCE

Related information in the financial statements

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

Facts and risk for the audit

The consolidated financial statements of the Group as at 31 December 2023 show a gross reserve for outstanding claims of € 3,743 million. This was 10.2 % of the balance sheet total. Property and casualty insurance accounts for most of the reported reserve for outstanding claims. This materially affects the net assets of the Group.

The gross reserve for outstanding claims is subdivided into various partial loss reserves. A substantial part of the gross reserve for outstanding claims in property and casualty insurance 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 Group. The methods, assumptions and parameters used to determine the estimates are based on both past and anticipated future developments and include discretionary decisions on the part of the legal representatives and uncertainties 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 formed by the Group in property and casualty insurance 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 Group'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 following non-audited parts of the Group annual report:

- the separately published non-financial Group report referred to in the Group management report and

- the Group governance statement included in the „Gender diversity“ section of the Group management report.

Other information also includes:

- the supervisory board report and

- the other parts of the annual report – excluding wider cross-references to external information – with the exception of the audited consolidated financial statements and Group management report as well as our auditor's report.

The supervisory board is responsible for the supervisory board report. Apart from that, the legal representatives are responsible for other information.

Our audit opinions on the consolidated financial statements and Group 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 consolidated financial statements, the Group 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 CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

The legal representatives are responsible for the preparation of consolidated 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 Group. 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 consolidated 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 consolidated financial statements, the legal representatives are responsible for assessing the Group'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 Group management report that, as a whole, provides an accurate view of the Group's position and is, in all material respects, consistent with the consolidated 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 Group management report in accordance with the relevant German legal requirements and to enable sufficient appropriate evidence to be provided for the assertions in the Group management report.

The supervisory board is responsible for overseeing the financial reporting process for the preparation of the consolidated financial statements and Group management report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement as a result of malicious acts or errors and whether the Group management report as a whole provides an accurate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and Group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit con-ducted 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 the present consolidated financial statements and Group 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 consolidated financial statements and Group 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 consolidated financial statements and the arrangements and measures relevant to the audit of the Group 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 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 Group'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 consolidated financial statements and Group 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 Group to cease to be able to continue as a going concern;

– evaluate the presentation, structure and content of the consolidated financial statements, including the disclosures, and assess whether the consolidated 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 Group in compliance with German general accounting principles;

- obtain sufficient appropriate audit evidence about the accounting information of the companies or business activities within the Group to express opinions on the consolidated financial statements and Group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We take sole responsibility for our audit opinions;

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

- perform audit procedures on the prospective information presented by the legal representatives in the Group 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 assess 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 consolidated 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

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor at the General Meeting of Members' Representatives on 1 June 2023 and appointed by the supervisory board chair on 17 October 2023. We have acted as auditor for GOTHAER Versicherungsbank VVaG 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 Group companies, we provided the following services that were not disclosed in the consolidated financial statements or Group management report:

- a „CSRD Readiness Assessment” for GOTHAER Versicherungsbank

- reviews of annual financial statements, preparation of a certificate for a foreign authority, performance of a FinVermV audit, performance of an EdW contribution audit and verification of notifications of contributions pursuant to SichLVFinV for controlled companies

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Elke Stümper.

Cologne, 10 April 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 Gothaer Versicherungsbank VVaG and reported orally to the Board at three meetings. 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. 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 (BaFin), the members of the Supervisory Board conducted a self-appraisal, assessing their knowledge of investment, underwriting, accounting and auditing. This appraisal will form 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 regularly by the Supervisory Board included developments in premiums, claims and costs, the performance of major Group holdings and the impact of such developments on the financial statements. Special attention was also paid to the issues of competition, product design, distribution and the development of the sales volume, costs and earnings of the Group companies. Furthermore, the Board focused intensely on the solvency situation under Solvency II in the Gothaer Group. It also received information from Management on the medium-term corporate planning, risk strategy and risk situation of the Association as well as on IT strategy.

The Supervisory Board paid particular attention to the plan to merge the Gothaer Insurance Group with the Barmenia Insurance Group in 2024 to form a joint insurance group. The Board discussed this issue with Management, focusing particularly on the prospects offered by a merger but also the risks and possible further steps and organizational options.

The Supervisory Board continued to monitor the „Ambition25“ group strategy, in which Gothaer 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.

In addition, the Supervisory Board received detailed reports on the impacts of the changing geopolitical and economic challenges faced. These were substantially shaped by high inflation on the one hand and a vigorous rise in interest rates on the other.

In connection with property insurance, reporting focused particularly on the significant increase in the cost of reinsurance. Other key issues were the impacts of persistently high inflation and developments on the claims side, especially in light of the heavier burden of natural hazard and major losses in the year under review and the increase in claims due to rising prices.

With regard to the personal insurance lines offered by the Group, the effects of the rise in interest rates following the long period of low interest rates were of particular interest to the Supervisory Board. The primary focus was on the consequences for premium development and the resulting implications for product and pricing strategy in new business. In light of interest rate trends and customer cancellation behaviour, liquidity development was a major issue for consideration, as were measures to ensure sufficient liquid funds. The Supervisory Board also received regular reports on the status of additional interest reserves, the distributability of commercial balance sheet profits and the development of hidden reserves and hidden liabilities. In health insurance, particular attention was paid to the impacts of inflation on the development of benefits and claims, especially in the second half of the year. In addition, reports were received on the sustainability strategy of the Group and its integration in every dimension of Gothar business activities. Furthermore, the Board regularly met with Management to discuss basic strategic issues for the future gearing of the Group's subsidiaries. The focus here was on Janitos Versicherung AG and CG Car-Garantie Versicherungs-AG.

Despite the special challenges faced, the Group companies again posted good results. Gothaer Allgemeine Versicherung AG, Gothaer Lebensversicherung AG and Gothaer Krankenversicherung AG were able to maintain their financial strength, largely through the systematic pursuit of profit-oriented growth in a difficult economic environment. The rating agency Standard & Poor's confirmed the A rating with stable outlook in 2023, attesting to the security and financial strength of the Group in a challenging environment.

The Supervisory Board also discharged its statutory duty to examine HR issues relating to Management. The Management Board mandates of Dr. Sylvia Eichelberg, Mr. Harald Epple and Mr. Michael Kurtenbach were extended. In view of the fact that Mr. Kurtenbach will retire on 30 June 2024, Ms. Alina vom Bruck was appointed to the Management Board with effect from 1 July 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 the Group companies' investments, changes in undisclosed liabilities/undisclosed reserves and the development of investment income and discussed the possible macroeconomic consequences of the development of interest rates and the implications for the insurance industry.

The Audit Committee established by the Supervisory Board in line with section 107 (3) 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. Key performance indicators in the financial statements were discussed in detail with Management and the auditors of the financial statements, taking comparable company benchmarks 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 company financial statements for the financial year 2023 and the accompanying management report as well as the consolidated financial statements and the accompanying Group management report were audited by the external auditor Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Cologne. In each case, the audit included an assessment of the early risk warning system.

Both sets of financial statements received an unqualified audit opinion from the audit firm pursuant to section 322 HGB. The auditors attended the Supervisory Board meeting on the financial statements and reported on the key results of the audits.

The Supervisory Board received the audit reports submitted and took note of and approved the results of the audits.

After examination of the presented financial statements and management report for the 2023 financial year and the consolidated financial statements and Group management report for the 2023 financial year, the Supervisory Board raised no objections. The Supervisory Board approved the financial statements and the consolidated financial statements for the year 2023. The financial statements are therefore adopted pursuant to section 172 of the German Stock Corporation Act (AktG).

The Supervisory Board approves Management's proposal for the use of retained profit.

The Supervisory Board wishes to express its special appreciation and heart-felt thanks to the staff of the Gothaer Group companies and Management for their work last year under difficult economic conditions. A special word of gratitude is also owed to the independent field force, which again showed its special importance for the Gothaer Group in 2023.

Cologne, 18 April 2024

The Supervisory Board

Prof. Dr. Werner Görg	Carl Graf von Hardenberg	Urs Berger
Gabriele Eick	Prof. Dr. Johanna Hey	Jürgen Wolfgang Kirchhoff

Addresses of major Group companies

Gothaer Versicherungsbank VVaG

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50969 Cologne	Internet	www.gothaer.de

Gothaer Finanzholding AG

Arnoldiplatz 1	Phone	0221 308-00
50969 Cologne	Internet	www.gothaer.de

Gothaer Allgemeine Versicherung AG

Gothaer Allee 1	Phone	0221 308-00
50969 Cologne	Internet	www.gothaer.de

Gothaer Lebensversicherung AG

Arnoldiplatz 1	Phone	0221 308-00
50969 Cologne	Internet	www.gothaer.de

Gothaer Krankenversicherung AG

Arnoldiplatz 1	Phone	0221 308-00
50969 Cologne	Internet	www.gothaer.de

Gothaer Pensionskasse AG

Arnoldiplatz 1	Phone	0221 308-00
50969 Cologne	Internet	www.gothaer.de

Janitos Versicherung AG

Im Breitspiel 2-4	Phone	06221 709-1000
69126 Heidelberg	Internet	www.janitos.de

CG Car-Garantie Versicherungs-AG

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