somewhat different

International Insurance Company of Hannover SE

2016

Report on the company's solvency and financial position

inter hannover®

Content

This document is an English language translation of the German document prepared by a professional translation service in accordance with international translation standards. However, in case of discrepancies, the German language document is the sole authoritative and universally valid version.

Summary

Key performance indicators

Values in EUR thousand	2016
Solvency II balance sheet	
Assets	1,968,863
Technical Provisions	1,631,712
Other liabilities	137,222
Excess of assets over liabilities	199,930
Eligible own funds	
Tier 1 Basic own funds (unrestricted)	199,930
Tier 1 Basic own funds (restricted)	-
Tier 2 Basic own funds	69,475
Eligible own funds (SCR)	269,405
Capital requirements	
Solvency Capital Requirement (SCR)	160,552
Minimum Capital Requirement	40,138
Cover ratios	
Ratio of eligible own funds to SCR (Solvency Ratio)	168 %
Ratio of eligible own funds to MCR	518 %

International Insurance Company of Hannover SE (“Inter Hannover”) fulfils the Minimum Capital Requirements (“MCR”) and Solvency Capital Requirements (“SCR”) stipulated by the supervisory authorities as at the reporting date of 31 December 2016 and in the financial year 2016. The Solvency Ratio was above 140% for the entire financial year.

The principles used to determine the Solvency Ratio are explained in this document. Chapter D describes the valuation principles used to determine the deductible own funds, and Chapter E describes those used to determine the SCR.

The Solvency II balance sheet has been audited by KPMG AG Wirtschaftsprüfungsgesellschaft as required by law.

This report constitutes a mandatory publication pursuant to Section 40 of the Insurance Supervision Act (VAG). Inter Hannover was either unable to, or only insufficiently account for the updates listed in the memorandum issued by the Federal Financial Supervisory Authority (BaFin) dated 29.03.2017 entitled “Hinweise zum Berichtswesen für Erst- und Rückversicherer und Versicherungsgruppen” (“Information pertaining to the reporting function of direct insurers, reinsurers and insurance groups”).

A. Business activity and performance

Inter Hannover conducts its primary insurance business within the Non-Life insurance segment. Its global presence and activity across all lines of primary insurance business allow the company to achieve an effective risk diversification. Inter Hannover writes Single risk business while also working together with underwriting agencies. In addition to our headquarters in Hannover we also write business from our branches in London (UK), Stockholm (Sweden), Sydney (Australia) and Toronto (Canada). Our branch in Milan (Italy) is in run off. The 2016 financial year was satisfactory for Inter Hannover. With an overall decline in claims burden, a positive underwriting income (HGB) of EUR 7,894 thousand was achieved. We are also pleased with the development of our investments during the reporting period. Development in ordinary investment income was in line with expectations. On balance, a surplus of EUR 3,040 thousand was added to the statutory reserve in the financial year.

In May 2016 Inter Hannover acquired 100% of the shares in Congregational & General Insurance plc as part of efforts to enhance its agency business.

Details on the business and performance can be found in Section A.

B. System of governance

Inter Hannover operates an effective system of governance, which provides appropriate support to management. Written guidelines are in place for all significant business transactions. The key functions pursuant to Section 26 and Sections 29-31 of the Insurance Supervision Act (VAG) have been set up, entrusted with the tasks described and equipped with appropriate resources.

The Executive Board has commissioned the Risk committee with conducting an assessment of the system of governance. The Risk committee has reached the conclusion that the system of governance at Inter Hannover is, in terms of its type, scope and complexity, appropriate for the inherent risks of its business activities.

The individual elements of the system of governance at Inter Hannover are explained in Section B.

C. Risk profile

In the context of its business operations Inter Hannover enters into a broad variety of risks. These risks are deliberately accepted, steered and monitored. They specifically concern underwriting risks pertaining to Property & Casualty, as well as capital market risks, liquidity risks and counter-party default risks. Operational, strategic and reputational risks also arise in the course of business operations. We describe the cause of these risks and how we deal with them in Section C. We also explain how we handle potential future risks (emerging risks).

Inter Hannover quantifies risks with the aid of the internal capital model. Inter Hannover is obligated to use the Solvency II standard formula for the purposes of calculating the Solvency Capital Requirements. The SCR = Solvency Capital Requirements at the reporting date of 31 December 2016 are illustrated in the following table:

Solvency Capital Requirement using the standard formula - breakdown by risk category
Values in EUR thousand

Solvency Capital Requirement (SCR)	2016
Underwriting risk – Non-Life insurance	74,052
Underwriting risk - Health insurance 1)	23,226
Market risk	34,361
Counter-party default risk	48,763
Diversification	**52,976**
Basic total risk	**127,696**
Operational risk	38,309
Total risk (pre-tax)	**166,006**
Deferred tax	5,454
Total risk (post-tax)	**160,552**

1) by type of Non-Life insurance

At present our most significant risks are the reserve risks within the underwriting risks of Non-Life insurance, the currency risk as well as the credit and spread risks within market risks.

D. Valuation for solvency purposes

For the purposes of calculating the eligible own funds, Inter Hannover values the assets and liabilities pursuant to the provisions of Sections 74 et seq. of the Insurance Supervision Act (VAG).

The valuation for solvency purposes is set as a principle at the fair value (market value). Insofar as IFRS values appropriately reflect the fair value, they shall be applied.

Technical Provisions pursuant to Solvency II definitions differentiate significantly from the definition of provisions pursuant to the German Commercial Code (HGB), both in terms of structure and in relation to the calculations, cf. Section D.2.

Inter Hannover does not currently use any adjustments to the interest yield curves prescribed by the EIOPA, and no transitional measures pursuant to Sections 80, 82, 351 and 352 of the Insurance Supervision Act (VAG).

E. Capital management

Inter Hannover endeavours at all times to maintain a Solvency Ratio of at least 120%, and thus exceed the requirement of 100% stipulated by the supervisory authorities. In addition, a threshold value of 140% has been defined. If the Solvency Ratio falls below this threshold value Inter Hannover will adopt capital measures aimed at either strengthening the company's equity or reducing the risk capital, or both.

The Solvency Ratio is continuously monitored. Any changes are taken into account as part of planning, and potential changes in the Solvency Ratio, which can be caused by larger transactions, are examined ahead of time. During the financial year 2016, there was no breach of the threshold value of 140%. Further information on the calculation of the Solvency Ratio can be found in Section E.

The own funds consist of basic own funds, which comprise the excess of assets over liabilities and subordinated loans. No ancillary own funds are utilised.

Inter Hannover's own funds grew according to schedule over the course of the reporting period. Over 70 per cent of all available capital has the highest quality level (tier 1).

Inter Hannover uses the standard formula for calculating the Solvency Capital Requirement. The internal model is applied in a broad range of company management and decision-making processes. The future development of Solvency- and Minimum Capital Requirements are forecast at regular intervals as part of the planning process.

A. Business activity and performance

A.1 Business activity

A.1.1 Business model

Inter Hannover achieved a gross premium volume of approximately EUR 759,110 thousand in the calendar year 2016. We operate within the market segment of Non-Life insurance.

We write Single risk business while also working together with underwriting agencies. In addition to our headquarters in Hannover we also write business from our branches in London (UK), Stockholm (Sweden), Sydney (Australia) and Toronto (Canada). Our branch in Milan (Italy) is in run off. Our strategy is focussed on quick turnaround business. We also offer specialist coverage in niche areas. We strive to achieve the overarching Group objective: "long-term success in a competitive business". The entirety of our business activities is focused on being the best possible option for our business partners when choosing a primary insurance partner. For this reason our focus is on the customer and their needs.

We achieve competitive advantages for the benefit of our customers and our shareholders by keeping our administrative costs for our insurance business lower than those of our competitors. We aim to be a high yield top-performing company, while also being able to offer our customers direct insurance protection at affordable conditions.

We balance risk effectively through the broad diversification of our portfolio. In doing so we ensure that the different risks do not fully correlate on an intra-country basis.

We are tasked with steering Inter Hannover within the scope of a clearly defined risk appetite in order to exploit business opportunities, while securing our long-term risk bearing capacity.

We also operate in selective market segments and niche reinsurance business in addition to our core business of direct insurance.

In the Non-Life insurance segment we see ourselves as a reliable, flexible and innovative partner. Effective cycle management and outstanding risk management are key elements of our competitive position, in addition to the objective of cost leadership.

A.1.2 Profit situation and key transactions

We are satisfied with the course of business in 2016 in spite of the continuing intensely competitive market conditions. Although rates in the majority of markets continued their decline during the financial year, we were able to realise profitable insurance business opportunities. On balance, we have advanced our risk adequate and selective underwriting policy, and have consistently distanced ourselves from business operations which do not meet our demands. In doing so, we were able to maintain premium income at approximately the previous year's level.

The gross premium volume for the financial year amounted to EUR 759,110 thousand and was thus slightly lower than the previous year's level (EUR 773,971 thousand). The overwhelming share – at EUR 742,742 thousand (previous year: EUR 734,618 thousand) – was attributable to direct insurance business. Our business operations were also supplemented to a limited extent by assumed reinsurance business. The gross premiums for assumed reinsurance business amounted to EUR 16,368 thousand (previous year: EUR 39,353 thousand).

The branches continued to make a significant contribution to gross premium income with a total of 82.4% (previous year: 85.8%) or EUR 625,319 thousand (previous year: EUR 664,014 thousand), which underscores the international positioning of Inter Hannover.

In the year under review we registered premiums through our branch in London amounting to EUR 334,090 thousand (previous year: EUR 420,578 thousand). We anticipated the decline of approximately 20% due to the continuation of our selective underwriting policy. During the financial year 2016 the branch in Stockholm registered gross premiums amounting to EUR 192,910 thousand (previous year: EUR 186,020 thousand) and was thus able to assert its market position in spite of intense competition. We were also able to expand our business activities at our company location in Hannover, and registered EUR 133,790 thousand (previous year: EUR 109,958 thousand). Our company location in Toronto experienced a very positive development where, among other things, we were able to significantly increase registered gross premiums from EUR 33,450 thousand to EUR 65,761 thousand, thanks to new business relationships. Sydney also witnessed a dynamic development in premiums with registered gross premiums of EUR 32,558 thousand (previous year: EUR 23,966 thousand).

We ceded a significant share of our business to Hannover Re Group, in line with our strategy. We also utilised external reinsurance to a limited extent, in order to establish the optimal control of our risk. With gross premium earnings at EUR 740,964 thousand (previous year: EUR 798,701 thousand), the earned premiums for our own account stand at EUR 59,375 thousand (previous year: EUR 63,145 thousand).

In spite of the occurrence of some major losses, the claims burden for the financial year stood far below the previous year's level, so that we were able to achieve a financial loss ratio of 61.3% (previous year: 68.4%). Gross expenses for insurance claims therefore stand at EUR 454,465 thousand (previous year: EUR 546,365 thousand).

Gross expenses for insurance operations stood at EUR 213,086 thousand (previous year: EUR 213,113 thousand) or 28.8% (previous year: 26.7%).

The combined loss-expense ratio (gross) stood at 90.1% (previous year: 95.1%).

The equalisation provision and similar provisions were increased in accordance with statutory regulations by EUR 2,918 thousand (previous year: EUR 1,147 thousand). We have filled the historical observation period – which serves as the basis for the calculation of the equalisation provision – with the loss ratios from the tables published by the Federal Financial Supervisory Authority (BaFin) for the insurance industry, insofar as was necessary and in line with statutory regulations. Subsequently, the balance sheet value for the equalisation provision and similar provisions stood at EUR 6,614 thousand (previous year: EUR 3,695 thousand).

On balance, we achieved an underwriting result for our own account of EUR 7,894 thousand (previous year: EUR 5,871 thousand) for the completed financial year.

Current income from investments amounted to EUR 10,913 thousand (previous year: EUR 5,387 thousand) in the year under review and was attributable, with a value of EUR 6,775 thousand, to income from participations and, with a value of EUR 3,566 thousand (previous year: EUR 4,843 thousand) to current interest received from bearer bonds and other fixed-interest securities.

The result from the disposal of investments amounted to EUR 580 thousand (previous year: EUR 1,367 thousand) and comprised the profits from the disposal of investments amounting to EUR 745 thousand (previous year: EUR 1,566 thousand) and losses from the disposal of investments amounting to EUR 165 thousand (previous year: EUR 199 thousand). The result from disposals is exclusively attributable to disposals of bearer bonds and other fixed-interest securities.

The amortizations of investments amounted to EUR 1,651 thousand (previous year: EUR 1,041 thousand) and are predominantly attributable to bearer bonds and other fixed-interest securities, which were recognised according to the strict lowest value principle. The write-ups on investments, for which write-downs were made in the previous year, stand at EUR 148 thousand.

Investment management during the financial year generated expenses amounting to EUR 538 thousand (previous year: EUR 576 thousand).

In total, the net investment income amounted to EUR 9,452 thousand (previous year: EUR 5,137 thousand).

Other income comprised the other earnings amounting to EUR 2,607 thousand (previous year: EUR 4,581 thousand) and other expenses amounting to EUR 14,779 thousand (previous year: EUR 18,135), which on balance generated a loss amounting to EUR 12,172 (previous year loss: EUR 13,554 thousand) for other income.

The financial year was completed with a net profit of EUR 3,040 thousand (previous year: net loss of EUR 4,748 thousand), before the respective transfer of profit or loss and before allocation to the statutory reserve. The excess was to be allocated in whole to the statutory reserve so that, in line with the current controlling and profit transfer agreement, the profit transfer stood at zero (previous year: loss transfer totalling EUR 4,748 thousand).

As at 10 May 2016 Inter Hannover has acquired 100% of shares in Congregational & General Insurance PLC, who is headquartered in the UK, as part of our efforts to further enhance its agency business in the UK.

A.1.3 Headquarters, supervisors and auditors

Inter Hannover is a European stock corporation, Societas Europapaea (SE), with its headquarters located in Roderbruchstraße 26, 30655 Hannover, Germany and has been entered in the Commercial Register of the District Court of Hannover under the number HRB 211924. 100% of Inter Hannover shares are held by Hannover Rück SE, Hannover (“Hannover Re”), in which Talanx AG, Hannover has a 50.2% majority shareholding, which in turn belongs to the HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI), Hannover with a 79% share.

Inter Hannover is regulated by the Federal Financial Supervisory Authority (BaFin), located in Graurheindorfer Straße 108, 53117 Bonn, as the responsible supervisory authority.

The auditor appointed for Inter Hannover within the meaning of Section 318 of the German Commercial Code (HGB) is KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG), located in Osterstraße 40, 30159 Hannover.

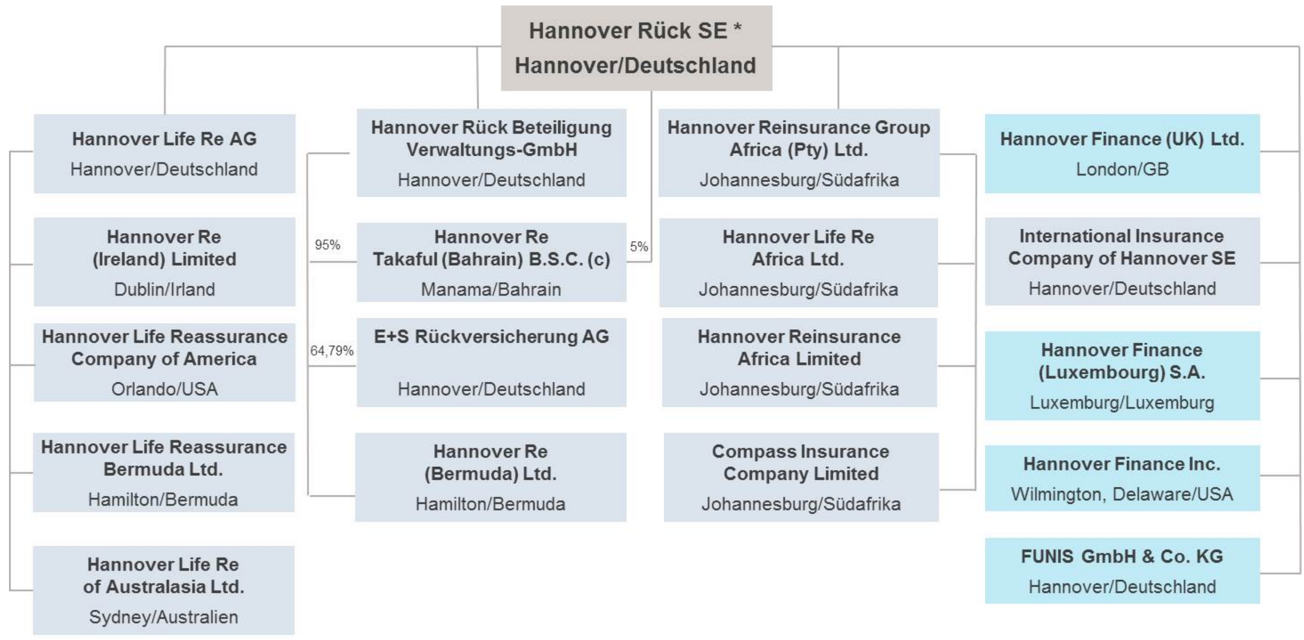
A.1.4 Group structure

This report refers to Inter Hannover as an individual company. As Inter Hannover also operates as a subsidiary in a Group, we also provide information in this section about the Group structure.

Hannover Re and its subsidiaries (together referred to as the “Hannover Re Group”) operate in all lines of Non-Life and Life reinsurance.

The infrastructure of Hannover Re consists of over 130 subsidiaries and investment companies, branches and representative offices around the globe with approximately 2,500 employees. The Group’s operations in Germany are conducted by the subsidiary E+S Rückversicherung AG. Inter Hannover conducts primary insurance business in selected markets.

Subsidiaries of Hannover Re (selection)



Participation is 100% in each case, unless stated differently.

Insurance companies

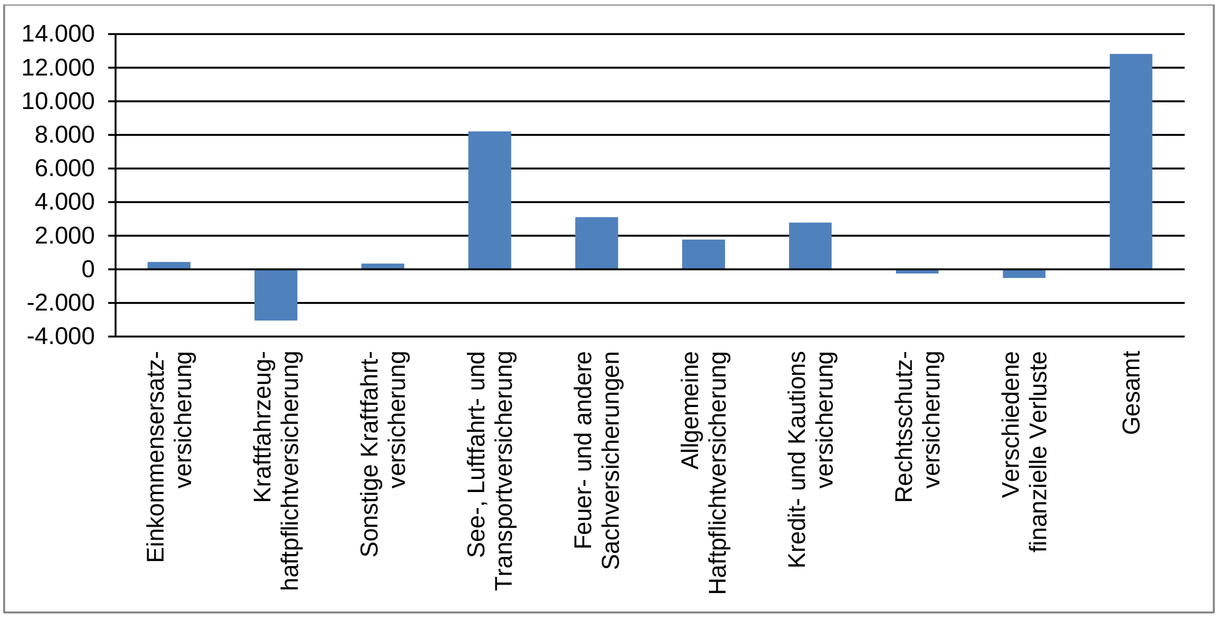
Non-insurance companies

Inter Hannover holds 100% of shares in Congregational and General Insurance plc, Bradford, UK.

A.2 Underwriting performance

During the financial year 2016, Inter Hannover SE was able to achieve an underwriting result before changes in the equalisation reserve and similar provisions of EUR 12,822 thousand, with net earned premiums in the amount of EUR 59,375 thousand, net claims incurred in the amount of EUR 36,027 thousand as well as operating expenses in the amount of EUR 16,803 thousand.

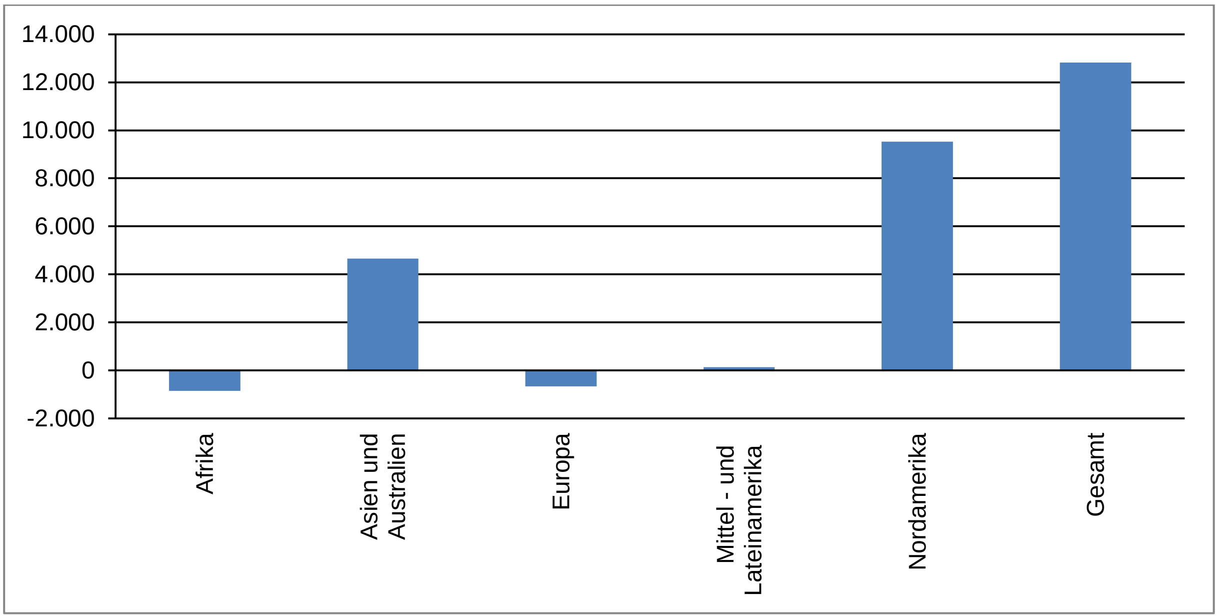
A breakdown according to lines of business generates the following distribution of underwriting income (net) as of 31 December 2016:



Underwriting result (net) - distribution according to Solvency II lines of business in EUR thousand

The significant value drivers which contributed to the underwriting result in the financial year 2016 predominantly include the lines of marine, aviation and transport insurance (EUR 8,208 thousand), general liability insurance (EUR 1,765 thousand), credit and surety insurance (EUR 2,785 thousand) as well as fire and other property insurance (EUR 3,093 thousand).

The underwriting result (net) is broken down according to geographical regions as follows:



Underwriting result (net) - distribution according to geographical regions in EUR thousand

Measured against the overall underwriting result during the financial year 2015, the regions of Asia and Australia (EUR 4,657 thousand) and North America (EUR 9,529 thousand) made the most significant value contributions for Inter Hannover SE. Europe (EUR – 659 thousand) and Africa (EUR – 848 thousand) have, by contrast, delivered losses in the year end results.

A.3 Investment income

As an insurance company, we naturally focus primarily on value retention when managing our capital investments and attach great importance to the stability of the resulting returns. For this reason, we align our investment portfolio with the principles of a balanced risk/return ratio and a broad level of diversification. With a low-risk mix overall, our capital investments reflect both the currency composition and maturity structure of our liabilities. Our portfolio predominantly comprises fixed interest securities. Credit and spread risks as well as currency risks subsequently represent a significant contribution to market risk.

We are pleased with the development of our investments during the reporting period. Although, in light of continued low interest rates and global economic development characterised by diverse uncertainty and risks, the year under review was once again a challenging one, we were spared from any defaults in our fixed-income portfolio. And, after the unexpected outcome of the Brexit vote in the middle of the year, only moderate, temporary value reductions were observed in our share portfolio. Ordinary investment income developed in line with expectations, but was below the level of the previous year. Further decreases in reinvestment returns played a role here.

Income from the disposal of investments is predominantly attributable to restructuring efforts as part of portfolio maintenance. Realisations also arose through the adjustment of the rating structure of our fixed-income portfolio.

The following overview displays how the investment result achieved by Inter Hannover pursuant to the German Commercial Code (HGB) is broken down into its individual asset classes according to Solvency II, and which part contains income and expenses respectively.

Income from investments

Values in EUR thousand	Ordinary income	Gains on disposals	Appreciations
Shares/investments in affiliates incl. Participations	6,775		
Government Bonds	2,067	474	108
Corporate Bonds	1,669	271	40
Deposits other than cash equivalents	402		
Total	10,913	745	148

Expenses for investments

Values in EUR thousand	Depreciations	Losses on disposals
Shares/investments in affiliates incl. Participations	18	
Government Bonds	1,201	146
Corporate Bonds	432	19
Total	1,651	165

A.4 Performance of other activities

A.4.1 Other income and expenses

Other income and expenses are presented in the following tables. Information is stated in line with the German Commercial Code (HGB).

Other comprehensive income

Values in EUR thousand	2016
Other income	2,607
Other expenses	14,779
Other comprehensive income	**-12,172**

Other expenses predominantly include staff and material expenses, which cannot be allocated to the functional divisions as well as expenses affecting the company as a whole such as, for example, remuneration for the annual financial statement audit.

A.5 Other information

Other information with a significant influence on the business activity and performance of Inter Hannover is not available.

B. System of governance

B.1 General information on the system of governance

Inter Hannover has an effective system of governance in place, which supports a sound and prudent management approach. The individual elements of the system of governance are described in the following section.

B.1.1 Governance structure

B.1.1.1 Structure of the administrative, management or supervisory body

Our administrative, management and supervisory body consists of the Executive Board and the Supervisory Board.

Executive Board

The Executive Board consists of no less than two persons. Furthermore, the number of Executive Board members and any deputising Executive Board members are set by the Supervisory Board, which can also determine the distribution of business activities.

Members of the Executive Board are appointed by the Supervisory Board for a term of five years pursuant to Section 84 Para 1 German Stock Corporation Act (AktG). Reappointments are permissible, in each case lasting up to a maximum of five years.

The following overview shows the allocation of functions to the members of the Executive Board:

Members of the Executive Board

Chairman of the Executive Board	Chief Financial Officer	Chief Risk Officer
Ralph Beutter	Thomas Stöckl	Andreas Bierschenk
Underwriting Claims Human Resources Management (Personnel) Internal Audit Supervisory Board / Annual General Meeting	Asset Management Facility Management Information technology Finance & Accounting Financial Planning & Analysis (Controlling) Technical accounting Project management	Compliance Legal Risk Management & Actuarial Delegated Authority Control Reinsurance (passive reinsurance)

For further information on the key functions, please refer to Sections B.3 to B.6.

Supervisory Board

The Supervisory Board comprises three members appointed at the Annual General Meeting for terms of up to three years.

Every member of the Supervisory Board can, by way of written declaration to the company, represented by the Executive Board and the Chairman of the Supervisory Board (should the Chairman of the Supervisory Board be submitting such a declaration, then to his or her representatives) resign his or her mandate when in compliance with a notice period of one month (four weeks), and without the need to state his or her reasons for doing so.

A successor shall be appointed for a member who has departed before the expiration of his or her term of office, for the remaining term of office of the departed member.

Members of the first Supervisory Board were discharged during the Annual General Meeting held on 01.08.2016, and a new Supervisory Board was elected. As at 31 December 2016 the Supervisory Board consisted of the following members:

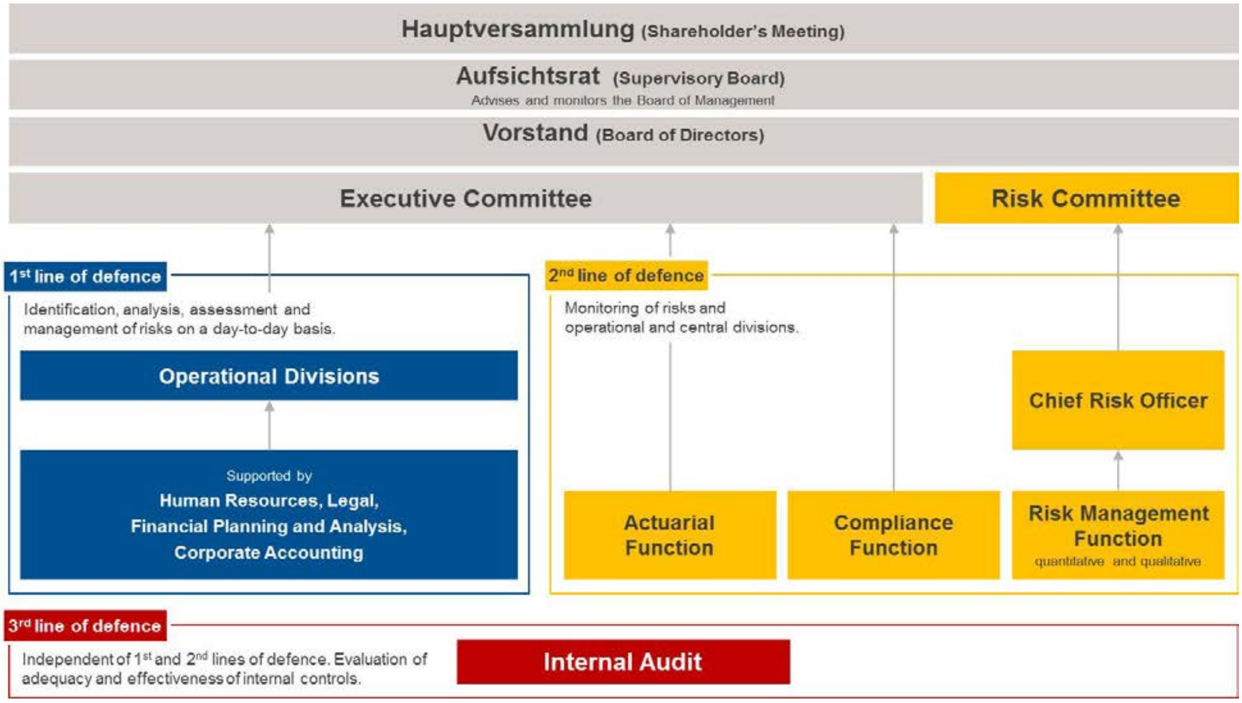
- Ulrich Wallin, Hannover, Chairman of the Executive Board of Hannover Rück SE,
- Sven Althoff, Hannover, Member of the Executive Board of Hannover Rück SE,
- Roland Vogel, Hannover, Member of the Executive Board of Hannover Rück SE.

The Supervisory Board is deemed quorate when at least two thirds of its required membership are present.

The Supervisory Board considered at length during the 2016 financial year the position, profitability and development of the company and its major subsidiaries. It advised the Executive Board on the direction of the company and monitored the management of business on the basis of written and verbal reports from the Executive Board. The Supervisory Board of Inter Hannover held three regular meetings in order to adopt the necessary resolutions after appropriate discussion. All three Supervisory Board members took part in each of the Supervisory Board meetings held in 2016. In addition, the Supervisory Board was informed by the Executive Board in writing and verbally regarding the course of business and the position of the company and the Group, on the basis of the quarterly financial statements.

B.1.1.2 Key functions

The following figure provides an overview of the tasks and the interface between the main elements of the system of governance including key functions:



The organisation and collective effort of individual functions are decisive for our internal risk management and control system. In our system the functions are closely interlinked with one another and the roles, tasks and reporting lines are both clearly defined and documented in the context of the so-called three lines of defence. The first defensive line consists of risk control and the original risk responsibility at divisional level. The risk management function (cf. Chapter B.3), the actuarial function (cf. Chapter B.6) and the compliance function (cf. Chapter B.4) represent the second line of defence. The third line of defence consists of process-independent monitoring executed by the internal audit function. It has been outsourced on an intra-Group basis to the Group Auditing department of Hannover Re (cf. Chapter B.5 and B.7) and comprises the company-wide auditing and monitoring function conducted on behalf of the Executive Board.

All key functions are equipped with appropriate resources and skills. The reporting lines to one another and to the Full Executive Board have been clearly defined. For further information on the key functions, please refer to Sections B.3 to B.6.

Changes within the reporting period

There were no changes to the system of governance during the reporting period.

B.1.2 Remuneration policy

The remuneration strategy of Inter Hannover as a subsidiary of Hannover Re is aligned with the objective of achieving sustainable value growth for the company and the Group. The remuneration structure and remuneration regulations of Inter Hannover are integrated into the remuneration organisation of the Hannover Re Group.

B.1.2.1 Executive Board remuneration

The level and structure of Executive Board remuneration at Inter Hannover is dictated by the size and activity of the company, its economic and financial position, its success and future prospects, as well as the customary practice regarding remuneration taking into account a comparable environment (horizontal) and the remuneration structure, which otherwise applies to the company and the Group (vertical). Remuneration is also dictated by the tasks of the respective Executive Board member, his or her personal performance and the performance of the Full Executive Board.

In alignment with these objectives the remuneration system exhibits two components: Fixed salary / benefits in kind as well as variable remuneration. Both positive and negative developments are accounted for when designing a variable remuneration scheme. On balance, remuneration is set in such a way that it works in sync with achieving sustainable company growth, as well as being competitive and in line with market practice. The remuneration model envisages a percentile split between fixed remuneration and variable remuneration in the event that targets are met.

Performance-related remuneration (variable remuneration) is contingent on certain predefined results and the attainment of certain targets. The objective specifications differ depending on the function of the affected Executive Board member. Variable remuneration comprises a short-term variable remuneration component, an annual cash bonus and a long-term form of equity-based remuneration, the so-called Share Award Programme. The level of variable remuneration is determined during the Supervisory Board meeting.

B.1.2.2 Supervisory Board remuneration

The members of the Supervisory Board are reimbursed for any costs incurred relating to the fulfilment of their term.

B.1.2.3 Staff and manager remuneration

The remuneration system at the management level below the Executive Board also includes variable remuneration in addition to a fixed annual salary. This comprises a short-term variable remuneration component, an annual cash bonus and a long-term form of equity-based remuneration, the so-called Share Award Programme.

For members of staff at the levels of Chief Manager, Senior Manager and Manager, with the Group Performance Bonus (GPB) the opportunity is also granted to participate in a variable remuneration system. The GPB is a remuneration model linked to the success of the Hannover Re Group, which was introduced in 2004 and, since an amendment to the calculation basis in 2006, has remained unchanged.

For members of staff at the Inter Hannover branch in London working below the management levels 2 and 3, the remuneration system includes a short-term variable remuneration component in addition to the fixed annual salary. The bonus payment is contingent on the branch's result and the employee's individual target attainment. The bonus payment is between 20% and 60% of basic salary depending on the position held by the employee.

Members of staff at the Inter Hannover branch in Stockholm working below the management levels 2 and 3 receive a fixed annual salary and, thanks to the "Profit-Sharing Scheme" have the opportunity to participate in a variable remuneration system. The bonus payment is up to 40% dependent on the economic result delivered by the Scandinavian branch overall, and up to 60% on the result of the company division in which the member of staff is employed.

B.1.3 Associated companies and related parties

A control and profit and loss transfer agreement was completed in 2015 between Hannover Re - as the controlling company - and Inter Hannover - as the controlled company - pursuant to Section 291 of the German Stock Corporation Act (AktG) which came into effect on 01 July 2015 upon being entered into the Commercial Register.

In the financial year, the existing control and profit and loss transfer agreement was modified in terms of interest calculation.

B.2 Requirements placed on professional qualification and personal reliability

On 16 October 2015, the guideline of Hannover Re pertaining to the fulfilment of the Fit & Proper requirements in the Hannover Re Group was decreed by the Executive Board. With a resolution dated 29.11.2016 the Executive Board of Inter Hannover adopted the specifications of this framework guideline.

B.2.1 Description of requirements

The professional qualification (fitness) of individuals with key tasks refers to a professional qualification suitable for the respective position as well as skills and experience, which are necessary for a robust and cautious management approach, and for the fulfilment of the position. The appropriateness is assessed according to the principle of proportionality, and takes into account the company-individual risks along with the type and scope of business operations. Individuals, who actually head up the company and the members of the Supervisory Board, have to comply with Specialist "fitness" requirements stemming from established supervisory practices. . Collective "fitness" requirements have been established for mutual controlling and monitoring. The requirements placed on the professional qualification of those holding key functions are closely linked with the special features of the respective governance tasks.

Individuals with key tasks must, as part of personal reliability (propriety), act responsibly and with integrity, and carry out activities both dutifully and with the necessary level of care. Conflicts of interest must be avoided and the individual must not have demonstrated a lack of reliability in the form of criminal actions prior to their nomination/appointment. There is no requirement for personal reliability to be positively established. It will be assumed, whenever there are no observable facts indicating the contrary. Unreliability is only to be assumed if personal circumstances according to general life experience give reason to believe that this could undermine the thorough and proper exercising of the function.

For Inter Hannover, the circle of individuals entrusted with key tasks consists of persons who

- actually head up the company (Executive Board members, Executive Directors) including the authorised representatives of an EU/EEA branch,

- hold other key tasks (members of the Supervisory Board, owners of one of the key functions including compliance, internal audit, risk management, actuarial mathematics, individuals who have significant influence on company decision-making processes).

With regard to their various roles, these individuals are required to provide evidence of their professional qualifications in different areas as follows:

- Educational background
- Practical knowledge
- Management experience
- Language skills
- Knowledge in relation to the relevant
- Key function tasks
- Collective requirements
- Required specialist knowledge

In the event that key tasks are outsourced, general requirements for this are defined within the outsourcing policy. The onus remains on the side of the outsourcing company to ensure that the individuals deployed by the service provider who are responsible for the key task have suitable professional qualifications and are personally reliable. In accordance with supervisory regulations, the outsourcing company has to appoint an outsourcing officer for this purpose, which is subject to registration with the regulatory body accordingly as the person responsible for the relevant key function within the company. The overseeing outsourcing official is hereby responsible for the proper fulfilment of the duties associated with the outsourcing of the key task.

B.2.2 Evaluation process

The requirements and reporting processes with respect to the supervisory authority correspond to the current standard processes based on the BaFin information sheets on professional competence and reliability.

Pursuant to the framework directive on the fulfilment of the Fit & Proper requirements, at the preliminary stage of recruiting new members of staff who will actually head up the company or hold other key roles, a detailed curriculum vitae will be submitted and a requirements profile set, which detail and describe the necessary qualifications. The attachment to the framework directive contains a checklist, which is to be used in the assessment of the Fit & Proper requirements of these individuals.

The requirements profile contains evidence of the following minimum requirements:

Description of the position with key tasks:

- Performance catalogue (job description)
- Authority to make decisions
- Level of staff responsibility

Professional qualification (general):

- Level of education (commercial or vocational training,
- University degree or professional standard such as, for example, for auditors or actuaries)
- Knowledge and understanding of business strategy
- Knowledge of the system of governance
- Foreign language skills, minimum of English language and other foreign languages where possible

Professional qualification (depending on the particular position):

- Industry experience

- Knowledge and understanding of the business model
- Ability to interpret accounting and actuarial data
- Knowledge and understanding of the regulatory frameworks affecting the company
- Expertise in personnel management, staff selection, succession planning

The procedure for assessing the transfer of tasks stipulates that, at the preliminary stage of recruiting new members of staff, detailed curriculum vitae must be submitted and a requirements profile must be set, which contains the verification of predefined minimum requirements. If aspects of the requirements profile are not fulfilled at the point in time of recruiting for a new position, the corresponding justification is to be documented in writing. The continual safeguarding of compliance with the relevant requirements is undertaken every five years in the form of an assessment of the requirements profile, undertaken by the responsible organisational unit.

As part of the event-driven assessment, any significant changes in the underlying parameters trigger an assessment of the compliance with the catalogue of requirements. This involves a differentiation of the characteristics deemed necessary in the person and in the position.

The assessment and control procedures are summarised in an overview, which contains the assessment cycle of the requirements profile and the responsibility for the assessment and duty to inform held by those individuals who actually head up the company, and those individuals who have other key tasks.

B.3 Risk Management System including Own Risk and Solvency Assessment (ORSA)

B.3.1 Risk management system including the risk management function

B.3.1.1 Strategy implementation

Inter Hannover adheres to the Hannover Re Group strategy, as an integrated direct insurer of the Hannover Re Group. Ten guiding principles have been embedded in the Group strategy, aimed at safeguarding the achievement of a vision that spans over all lines of business: “long-term success in a competitive business”. The significant strategic starting points for our group-wide risk management are the following principles of the Group strategy:

- We actively manage risks.
- We ensure an appropriate capital position.
- Our operations are defined by sustainability, integrity and compliance.

Beginning with the Group strategy, Inter Hannover specifies its vision in its own company strategy, from which in turn the risk strategy was derived.

The risk strategy, the risk register, the limit and threshold value system and the risk and capital management guideline are assessed by us at least once a year. This allows us to ensure the topicality of our risk management system.

Our total corporate risk is controlled in such a way that the probability of an absolute default in our economic capital – as well as in our equity – is no more than 0.5% per annum. These performance indicators are monitored via our internal capital model, and the Executive Board is updated quarterly on compliance with these variables by way of regular risk reporting. The level of capital deemed necessary is stipulated by the requirements set by the Solvency II standard formula, as well as statutory regulations and our internal economic capital model.

B.3.1.2 Risk capital

It is our objective to ensure an appropriate ratio of risks to own funds in the interest of shareholders and customers. Our quantitative risk management approach provides a uniform framework for the valuation and control of all risks affecting the company and our capital position. The standard formula specified by the supervisory authorities and the internal capital model are the instruments deployed as a first step. The internal capital model of Inter Hannover is a stochastic company model. It covers all branches of Inter Hannover. A key parameter in risk and corporate controlling is the level of economic own funds, which is calculated using market-consistent valuation principles, and which is also the basis for the calculation of own funds under Solvency II.

Using the internal capital model Inter Hannover can determine the necessary risk capital as the Value at Risk (VaR) of the economic change in value spanning a time horizon of one year and at a confidence level of 99.5%. This corresponds with the objective of preventing a breach of the one-year probability of ruin of 0.5%. In accordance with reporting obligations stipulated by the supervisory authorities, Inter Hannover regularly calculates the capitalisation using the Solvency II standard formula. This results in the corresponding capital requirements for market risks, underwriting risks, receivables default risks and operational risks. The internal target capitalisation should always be in excess of 120% of requirements set by the supervisory authorities.

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

For the fundamental organisational structure please refer to Section B.1.1.2.

The risk management function consists of three primary components: the risk committee, the Chief Risk Officer and the risk monitoring function.

Risk committee

The tasks of the risk committee – the body charged with the coordination of risk management – are derived from the rules of procedure regarding the risk committee. The scope of decision-making for the risk committee lies within the boundaries of risk appetite set by the Executive Board. Changes, and any instances of increase in risk appetite, require the approval of the Executive Board. The risk committee monitors the risk situation of Inter Hannover. Further tasks include assessing the system of governance and monitoring the implementation of risk-related measures.

Chief Risk Officer

The Chief Risk Officer heads up the independent risk monitoring function holds the role of Chairman of the risk committee and is a member of the Executive Board. The tasks of the Chief Risk Officer include safeguarding the operating conditions needed for an effective risk management system

Risk monitoring function

The risk monitoring function coordinates and bears responsibility for the monitoring (identification, assessment, monitoring and reporting) of all significant risks as well as the regular coordination and execution of the ORSA Process (Own Risk and Solvency Assessment, cf. Chapter B.3.2). It also develops and implements methods, standards and processes for the assessment and monitoring of risk.

The risk monitoring function fulfils its tasks objectively and independently for Inter Hannover.

B.3.1.4 Key elements of our risk management system

Our risk strategy and our guideline covering risk and capital management including the limit and threshold value system for significant risks affecting Inter Hannover describe the key elements of our risk management system. The risk management system is subject to a permanent cycle of planning, activity, control and improvement. In particular, systematic risk identification, analysis, assessment, control and monitoring as well as risk reporting play a key role in the effectiveness of the overall system.

The guideline covering risk and capital management contains, among other details, a description of the tasks, rights and responsibilities, the organisational operating conditions and the risk control process. The regulations are derived from the corporate and risk strategy and also account for supervisory requirements placed on risk management, as well as international standards and developments pertaining to appropriate business management.

Company-wide risk communication and an open risk culture are important concerns in our risk management. An important cornerstone of strategic considerations regarding risk communication and risk culture is the regular convening of actuarial divisions and risk management at Hannover Re Group level.

Risk bearing capacity concept

The calculation of risk bearing capacity includes the determination of the total amount of risk coverage available and the calculation of how much thereof should be used for the purpose of covering all significant risks. This is done in sync with the specifications of the risk strategy and the determination of risk appetite through the Executive Board. Our risk model enables the evaluation of quantifiable individual risks as well as the overall risk position. A limit threshold value system exists for the monitoring of significant risks. This system specifically incorporates – in addition to risk-relevant indicators –the parameters derived and calculated from the risk bearing capacity. Compliance with overall risk appetite is continuously checked using the results of the standard formula and the internal capital model.

Risk identification

A significant information base for the monitoring of risks is the regular identification of risk. The documentation of all identified risks is executed in the risk register, which contains all significant risks. Risk identification works, for example, in the form of qualitative assessments, interviews or scenario analyses. External insight and recognised industry expertise from relevant committees or working groups are integrated into the process. Risk identification is the key to keeping our risk management permanently up to date.

Risk analysis and assessment

In principle, every identified risk, which is deemed significant, is subject to quantitative assessment. Only those types of risk which cannot (or only with great difficulty) be subject to quantitative risk assessment are subject to qualitative assessments such as, for example, strategic risks, reputational risks or emerging risks. A qualitative evaluation is conducted more or less by way of expert assessments. The quantitative evaluation of significant risks and the overall risk position is done using the internal capital model of Inter Hannover, which is operated by the risk management function. Risk concentration and risk diversification are taken into consideration in the model.

Risk control

The controlling of all significant risks is the task of the operational units within the scope of their remit. The identified and analysed risks are consciously accepted, avoided or reduced. During the division’s decision-making process the risk-to-reward ratio is taken into consideration. Risk control is supported, for example, by the underwriting guideline specifications and the defined limit and threshold values.

Risk monitoring

The task of the risk management function is the monitoring of all identified significant risks. This includes, among other things, the monitoring of risk strategy implementation, compliance with the defined limit and threshold values and the upholding of risk-relevant methods and processes. An important task of risk monitoring is also to determine as to whether risk control measures were executed and whether the measures' intended effect is sufficient.

Risk communication and risk culture

Risk management is firmly integrated into our operating procedures. This is supported by transparent risk communication and an open approach to dealing with risks within the framework of our risk culture. Risk communication is enabled, for example, through internal risk reports, information made available via the Intranet concerning the latest complexities in risk, and offers of training for members of staff. The regular exchange of information between risk-controlling and risk-monitoring units is fundamental for the functional ability of risk management.

Risk reporting

Our risk reporting provides systematic and timely information on all significant risks and their potential effects. The risk reporting function consists of regular risk reports regarding, for example, the comprehensive risk situation, compliance with the parameters defined in the risk strategy or the capacity utilisation of natural hazard scenarios. In addition to regular reporting, an integrated immediate reporting function regarding significant and short-term risks can be implemented as needed.

Process-integrated, independent monitoring and quality assurance

The Executive Board is responsible for the proper organisation of the company's business activities, irrespective of the internal allocation of responsibility. This also comprises the monitoring of the internal risk management and control system. Process-independent monitoring and quality assurance within risk management is enabled by way of the internal audit function and external bodies (supervisory authorities and auditors). In particular, the auditor examines the early identification system for risk and the internal monitoring system. The entire system is rounded off by way of process-integrated methods and regulations, such as through the Internal Control System.

B.3.1.5 Risk environment

Inter Hannover enters into a variety of risks in the course of its business activity. These risks are entered into in a deliberate, controlled and monitored fashion, in order to realise the associated opportunities. The specifications and decisions by the Executive Board concerning risk appetite are elementary for the acceptance of risk. These are based on the calculations of the risk-bearing capacity. Through our business activities covering various regions, different customers and the level of diversification between the insurance lines, we achieve the effective utilisation of our capital in view of the opportunities available and risks posed. We are ideally positioned to achieve further profitable growth as a result of these approaches. Our risk management plays a decisive role here ensuring, among other things, that risks pertaining to the insurance portfolio remain quantifiable, and that exceptional major losses do not disproportionately impact on the company's results.

Inter Hannover's risk environment comprises:

- Underwriting risks in Non-Life insurance which are originally attributable to our business activity and which, among other things, are manifested in fluctuations within loss estimations and unexpected disasters,
- market risks, which occur as part of our investment strategy, but which are also attributable to the valuation of (in part) long-term underwriting payment obligations,
- Counterparty default risks, which are the result of numerous business associations with, and payment obligations to, among others, customers, brokers, underwriting agencies, loss administrators, reinsurers and banks,

- operational risks, which could result from erroneous processes or systems and
- other risks such as strategic, reputational and liquidity risks.

At present our most significant risks are the reserve risks within the underwriting risks, the credit- and spread risks and the currency risk within market risks, Property & Casualty, the counter-party default risk and the operational risk.

B.3.2 Own Risk and Solvency Assessment (ORSA)

The ORSA report primarily consists of an analysis of current and future risks, which could threaten the continued existence of Inter Hannover. Here, the internal model and the Solvency II standard formula are used, and the results are analysed and reported. The development and performance of own funds are also presented, the results of stress tests and scenario analyses are explained and the interaction between risk and capital management is outlined. Finally, the inclusion of Senior Management in the ORSA process and its function as one of the controlling instruments is explained.

The ORSA report and process are coordinated by the risk management unit, and are subject to both assessment and approval by the Full Executive Board. The report is also submitted to the Supervisory Board.

In the event of an ad-hoc ORSA becomes necessary e.g. in the event of material changes to the risk profile, Inter Hannover has defined procedural plans and responsibilities governing the extent to which reporting lines are to be fulfilled, and Senior Management and expert panels are to be informed, in order that counter-measures can be initiated.

B.4 Internal Control System

B.4.1 Components of the Internal Control System

We forge our business activity in such a way that it is always in line with statutory regulations. The Internal Control System (ICS) is an important subsystem, which serves to safeguard and protect existing assets, prevent and/or unearth errors and irregularities and ensure compliance with laws and regulations. The core elements of the ICS of Inter Hannover are documented in a guideline, which establishes a common understanding of the differentiated implementation of necessary control measures. It is also ultimately tasked with ensuring the consistent control and monitoring of our corporate strategy's implementation.

This guideline defines the terms, regulates responsibilities and offers a guide for the description of controls. Furthermore, it is the basis for implementing internal targets and the fulfilment of external requirements, which are placed on Inter Hannover. The ICS consists of systematically designed organisational and technical measures and controls in the company. This includes, for example:

- the principle of dual control,
- the separation of functions,
- the documentation of controls within processes,
- technical plausibility checks and access permissions in the IT systems.

The functional capability of the ICS is contingent on the involvement of Senior Management, managers and employees at all levels. Financial reporting must fulfil both international and local accounting standards, as well as meeting all requirements stipulated by the supervisory authorities. Therefore, processes with integrated control measures within the accounting and financial reporting function ensure that the annual financial statements are both complete and correct. With the aid of a structure listing differentiated criteria, control points and materiality thresholds, we are able to identify and minimise the risk of significant error in the annual financial statements at an early stage.

B.4.2 Compliance function

Implementation of the Compliance function

Inter Hannover has opted for a decentralised approach towards the implementation of the Compliance function, i.e. the tasks of the Compliance function will not only be fulfilled by the Compliance department, but by various departments. The Compliance function is therefore situated in various divisions and branches.

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

Inter Hannover has specified its Compliance policy in a “Corporate Framework” manual This manual is regularly assessed for its relevance and updated at least once a year by the Chief Compliance Officer, and on an event-driven basis when new developments occur.

There were no significant changes to the Compliance policy during the reporting period.

Inter Hannover has deemed the following topics to be of particular relevance for Compliance:

- Fulfilment of statutory requirements,
- Compliance with foreign trade legislation and sanction provisions,
- Compliance with underwriting provisions,
- Compliance with company law,
- Compliance with antitrust and competition provisions,
- Compliance with the code of conduct,
- Combating corruption / embezzlement / fraud,
- Compliance with data protection norms,
- Compliance with the regulations stipulated by employment law,
- Compliance with tax laws,
- Execution of orderly financial reporting.

Tasks

The Compliance function should ensure compliance with the relevant external rules and laws by Inter Hannover.

These key areas of Compliance are overseen by the Compliance function at Inter Hannover, but the Compliance department is not responsible for the processing of all the Compliance-relevant topics listed above. Responsibility for employment law was outsourced and has subsequently been allocated to the HR department of Hannover Re; tax law falls under the jurisdiction of the Tax department. Data protection falls within the Data Protection Officer’s scope of responsibility. Furthermore, compliance with the requirements pertaining to financial reporting remains the responsibility of the Finance and Accounting department. The complexities of company law, anti-trust law and competition law are handled by the Legal department. Together, the departments tasked with handling particularly Compliance-relevant topics form the Compliance function of Inter Hannover. The processing of particularly Compliance-relevant topics by the departments, who collectively make up the Compliance function, comprises at the very least the following activities:

- Identification and evaluation of risks, which are linked to non-compliance with statutory and regulatory requirements (risk control)
- Evaluation of the possible consequences for the company's activity as a result of changes in legal operating conditions (risk relating to changes in the law/early warning)

- Consultation with regard to compliance with the legal provisions which apply to company activity
- Assessment of the appropriateness of implemented measures in relation to compliance with statutory requirements (monitoring function)

The Chief Compliance Officer has a regular risk review (at least once a year) carried out by the other departments dealing with particularly compliance-relevant issues, outlining which non-compliance risks have been identified and what measures are being deployed in these departments to minimise these risks. This ensures that all issues being handled within the Compliance function are monitored and dealt with.

The appointed Chief Compliance Officer for Inter Hannover bears particular responsibility for the following tasks:

The Chief Compliance Officer monitors changes made to legal provisions and standards made by legislators, as well as case law. She assesses the new developments for their relevance and communicates pertinent innovations and changes to the respective departments and the Executive Board. By way of continuous monitoring the Chief Compliance Officer and the members of staff belonging to those departments which make up the Compliance function, contribute to ensuring compliance by the executive bodies (Executive Board and Supervisory Board) and the members of staff of Inter Hannover with legal and regulatory operating conditions.

The Chief Compliance Officer advises members of the Executive Board and the members of staff of Inter Hannover upon request regarding Compliance topics.

Every year, the Chief Compliance Officer generates a Compliance plan for the following year. This is based on a risk analysis of the significant Compliance risks identified. The Chief Compliance Officer also created a Compliance plan for the year 2017 together with the other members of staff belonging to the departments which comprise the Compliance function. This plan determines where the key areas of Compliance activity should be in the subsequent year.

The Chief Compliance Officer assesses the Compliance reports submitted by the company's branches and generates quarterly Compliance reports for submission to the Senior Management of Inter Hannover, as well as the annual Compliance report to Hannover Re. The report contains information on Compliance-relevant topics such as, for example, specific details regarding significant breaches of Compliance which have surfaced, as well as proposed and implemented measures relating to their elimination, current assessments pertaining to Compliance risks and risks stemming from changes in legislation, proposed measures aimed at limiting Compliance risks etc.

Reporting channels

As the holder of the key Compliance function, the Chief Compliance Officer reports directly to the member of the Executive Board responsible for the Compliance department.

Reports are provided on significant Compliance incidents and are completed in written, verbal or electronic form, although verbal reports are, as a rule, subsequently followed up in writing.

Depending on the seriousness of the incident, the reporting can be performed on a quarterly or ad hoc basis.

B.5 Alignment of Group Auditing

Implementation of the Internal Audit function

The company's internal audit function is carried out by the Group Auditing (GA) department. GA supplies independent and objective, auditing services including evaluations and recommendations, which play a key role in safeguarding the external and internal compliance of processes, the Internal Control System and other areas of the company, as well as identifying potential areas for improvement and thus generating added value. In addition to its auditing role, GA operates as an internal advisor generating valuable impetus to a network of collaboration with other units and functions within the company.

The Executive Board ensures that GA is not subject to instructions regarding audit planning, execution, reporting and the assessment of audit results. The Chairman of the Executive Board is also the Outsourcing Officer and responsible individual for the company's Internal Audit key function, pursuant to Section 30 and Section 47 No. 1 of the Insurance Supervision Act (VAG). Members of the internal audit staff are exclusively employed in GA and only execute tasks which are in line with the Inter Hannover Internal Audit policy.

Task

GA supports the Executive Board in the attainment of company targets by assessing all business areas, processes and systems within the company in a targeted, independent and objective way, through the use of a systematic, risk-oriented approach as part of audit planning and execution, while also contributing to the company's further development. Auditing results are reported directly to the Executive Board. The assessment of individual findings and the overall assessment of the audit results is undertaken exclusively by GA. The underlying classification scheme defined by GA ensures that the assessments made are objective.

Reporting channels

The internal audit function reports its auditing results and recommendations to the Executive Board continuously in the form of written audit reports, and/or immediately in the event of serious deficiencies, as well as once a year in the form of the GA annual report. The implementation of recommendations/measures agreed in the audits is monitored by GA up until the determined deadlines.

B.6 Actuarial function

Implementation of the VMF

The tasks undertaken by the actuarial function are implemented centrally at Inter Hannover, and are executed by an organisational unit. This setup guarantees an appropriate level of actuarial knowledge in all affected processes, as well as independent monitoring. Solvency II Technical Provisions (hereinafter referred to as Technical Provisions / TP) are calculated centrally at Inter Hannover.

The tasks attributable to the actuarial function are coordinated by the responsible owner of the actuarial function. This person acts autonomously and independently when executing the tasks entrusted to him or her as part of the scope of the actuarial function, and has a direct reporting line to the Executive Board. In exercising his or her function the owner of the actuarial function is supported by various activities within risk management.

Furthermore, a mutual understanding has been established between the actuarial function and risk management that there is sensible approach to a broad exchange of information and the provision of specialist support to the other function, in order to execute the respective individual tasks at hand and, in addition, to be able to support the objective of Inter Hannover establishing an efficient structure.

The actuarial function bears responsibility for the assessment of the underwriting policy, by utilising data and processes in order to measure the underwriting risk. A detailed exchange takes place with the reinsurance unit, in order to assess the reinsurance and the associated risks being entered into. In addition, the department of Hannover Re tasked with coordinating the reinsurance business of the Hannover Re Group, is also the department charged with rendering placement of reinsurance business services for Inter Hannover.

Tasks

The tasks of the actuarial function include, among other things:

- Coordination and validation of the TP calculation
- Guaranteeing the appropriateness of methods used and the underlying models as well as the assumptions made
  - when calculating the TP, both for the Solvency II balance sheet and for accounting purposes, and
  - when considering the risks in the internal model associated with these methods, models and assumptions
- Evaluation of uncertainties inherent to the estimations made in the valuation of TP
- Regular inspection and assessment of the underlying data in terms of adequacy and quality
- Regular comparison of the Best Estimates and empirical values
- Transition of TP from local accounting standards to Solvency II
- In addition to the internal examination of TP using the principle of dual control, the TP calculations are subject to an additional quality assurance assessment by external experts
- Recommendations aimed at improving processes and models used for calculating TP including data recording, in the event that deficiencies have been established, as well as monitoring the corresponding measures to be implemented
- Within the scope of the contribution for the risk management function among others
  - Support for the internal model, in particular regarding the underwriting risks (supply and/or examination of models, data, parameters)
  - Monitoring the reserve level as part of the limit and threshold value system in relation to reserves (IFRS and/or the German Commercial Code [HGB])
  - Valuation/risk analysis of high-volume transactions and new insurance lines
- Creation of an actuarial function report, including

- Tasks of the actuarial function
  - measures executed within the reporting period,
  - Methods, results and sensitivity analysis regarding the TP,
  - Statement regarding the underwriting policy and acceptance policy, and
  - Assessment of reinsurance
- Integration of expertise in the branch offices
  - Request for, and evaluation of additional information relating to the tasks of the actuarial function such as, , data quality and assumptions in reference to the calculation of the TP

Reporting channels

The responsible owner of the actuarial function regularly, at least annually, submits reports to the Executive Board regarding the actuarial function. Reports are submitted as required to the Executive Board on an ad hoc basis, or enquiries are submitted by the Executive Board to the responsible member of the actuarial function. These direct reporting lines ensure the independence of other key functions from operational management.

B.7 Outsourcing

Inter Hannover possesses an outsourcing guideline, which was approved by the Executive Board. The outsourcing policy describes all statutory, regulatory and internal requirements imposed on the outsourcing of insurance activities and functions. Additional requirements are set out in separate guidelines, to be used in the event of outsourcing any underwriting authority in the insurance business, and for any claim settlement authority in claims management.

Below, the entire outsourcing management process is described, which consists of the following steps:

- Initiation which comprises planning, classification, risk analysis, due diligence and authorisation,
- Contract management and control, and
- Renewal and termination.

All significant stakeholder groups are involved in the respective outsourcing management process. Intra-group outsourcing measures are also subject to the outsourcing management process.

Inter Hannover has undertaken three important outsourcing measures:

1. It has outsourced asset and investment management on an intra-Group basis to Talanx Asset Management GmbH, Germany.
2. It has outsourced the Internal Audit function on an intra-group basis to Hannover Re, Germany
3. It has outsourced claims processing in Legal Expenses Insurance in Sweden to Svedea Skadeservice AB, Sweden

B.8 Other information

B.8.1 Evaluating the appropriateness of the system of governance

With a resolution dated 16.08.2016 the Executive Board of Inter Hannover delegated the task of assessing the system of governance to the risk committee. Members of the risk committee, the heads of key functions as well as any specialist members of staff brought in as needed participate in conducting an assessment of the system of governance. The risk committee conducts an assessment of the system of governance at Inter Hannover at least once a year. The basis for the assessment of the system of governance includes, the annual reports submitted by the key functions.

The assessment presented by the risk committee on 16.12.2016 was acknowledged by the Executive Board.

Based on this assessment, the risk committee has reached the conclusion that the system of governance at Inter Hannover is, in terms of its type, scope and complexity, appropriate for the inherent risks of its business activities.

B.8.2 Other information

Other information that has a significant influence on the system of governance is not available.

C. Risk profile

Inter Hannover enters into a variety of risks in the course of its business activity. These risks are entered into in a deliberate, controlled and monitored fashion, in order to realise the associated opportunities. The specifications and decisions by the Executive Board concerning risk appetite are fundamental for the acceptance of risk by Inter Hannover. These are based on the calculations of the risk-bearing functions.

We consider the course of business operations over a time period of five years as part of our medium-term planning efforts. In addition to the base scenario we also consider alternative scenarios, which take into account potential catastrophic losses and subsequent changes in contributions. The risk profile has developed in line with the anticipated business expansion, based on the assumptions made in the medium-term planning of business operations. The capital position of Inter Hannover remains stable as a result of the effect rendered by the profit and loss transfer agreement with Hannover Re. It should be noted that the capital requirement forecast is based on a variety of assumptions relating to future economic and business developments, and subsequently is to be treated with caution.

Large-scale transactions are examined with regard to their effect on the risk profile, the level of capitalisation and the defined threshold values for the different risk categories. This allows us to ensure that risks develop in accordance with our risk appetite.

External reinsurance has a particular significance within risk appetite and risk mitigation, and is used in a targeted way to mitigate any significant and volatile exposure. The capital of Inter Hannover is protected by group-internal reinsurance, which is utilised on a broad scale. This also ensures that Inter Hannover can benefit from any price increases following a market-changing event. The process of strategic placements for Inter Hannover and its subsidiaries is determined and monitored by the Executive Board.

Identified risks or product ideas potentially lead to insurance solutions, which are to be subject to risk assessment using a specific process. Three such new product processes were executed in 2016 and in two instances the sale of the product was approved by the Executive Board.

C.1 Underwriting risk

C.1.1 Underwriting risk – Non-Life insurance

The Risk management of Inter Hannover has created various overarching guidelines concerning efficient risk control. This includes, among other factors, the extensive use of reinsurance for the purposes of reducing volatility and protecting capital. It is also significant that the exhaustion of existing risk capacities is always realised on the basis of specifications set by the risk management function of Inter Hannover and in close coordination with the Hannover Re Group process, and that the acquisition of risk is systematically controlled via the centralised and decentralised underwriting guidelines in place. One key factor of our risk management is our conservative level of reserves.

We differentiate between risks that result from insurance operations in previous years (reverse risk) and those risks which result from insurance operations in the current year or in future respectively (price/premium risk). Diversification within Non-Life (re)-insurance is actively controlled through the apportionment of capital costs in relation to the contribution to diversification. A strong diversification effect is triggered by the writing of business in different business lines and different regions, and with different business partners. The diversification effect is further enhanced by the active constraint of individual risks. The risk capital at a confidence level of 99.5% for the underwriting risks of Non-Life insurance is calculated as follows:

Necessary risk capital for underwriting risks, Non-Life insurance using the standard formula

Values in EUR thousand	2016
Premium and reserve risk	37,081
Catastrophe risk	55,481
Lapse risk	1,399
Diversification	-19,909
Underwriting risk – Non-Life insurance (reinsurance business group)	**74,052**

C.1.1.1 Risks from natural hazards

A significant proportion of the risk capital required for the premium risk (including catastrophe risk) is attributable to natural disaster risks.

Licensed, scientific simulation models are used to estimate the significant risks of disaster stemming from natural hazards (in particular earthquakes, storms and floods), which we supplement with the experience accrued by our specialist divisions. The monitoring of risks, which result from natural hazards is completed at Group level using realistic extreme loss scenarios.

The controlling of these natural hazard risks for Inter Hannover is conducted via the controlling of corresponding risks through the processes in place within the Hannover Re Group. Within this process, the Executive Board of Inter Hannover establishes the risk appetite for natural hazards once a year on the basis of the risk strategy. It also stipulates the proportion of economic capital to be allocated for covering risks stemming from natural hazards. This is the essential basis for our underwriting policy in this segment. The Hannover Re Group takes into account a variety of scenarios and extreme scenarios within the framework of its comprehensive and cross-divisional risk management approach, calculating their effect on inventory and the success parameters, as well as evaluating them in comparison to target values and generating alternative courses of action.

The Executive Board, the Risk Committee and the panel responsible for controlling Property & Casualty reinsurance are regularly updated on the degree of capacity utilisation. The limit and threshold value for the 200-year net total loss for natural disasters and the capacity utilisation for Inter Hannover are as follows:

Limit and threshold value for the 200-year total loss and its capacity utilisation for Inter Hannover
Loss relating to the underwriting result

Values in EUR thousand	Limit 2016	Threshold value 2016	Actual value (July 2016)
All natural disaster risks			
200-year total loss	27,000	24,300	12,697

C.1.2 Reserve risks

The reserve risk, i.e. the danger of insufficient reserves for losses and the resulting financial burden on the underwriting result is a high priority in our risk management. A conservative level of reserves is important to us. Traditionally, we therefore have a high confidence level (> 50 %). In order to counteract the risk of insufficient reserves, we calculate our loss reserves on the basis of our own actuarial estimations and set aside extra reserves as required, in addition to the reserves established by our Claims department, which is partially outsourced to claims administrators. Third-party liability losses have a significant influence on this reserve. The IBNR reserve is calculated using a differentiated approach, based on risk classes and regions.

Inter Hannover uses statistical run-off triangles for monitoring purposes. They show how the provision has changed over the course of time with the payments made and the recalculation of the provision to be formed by the respective balance sheet date. Their appropriateness is subject to actuarial monitoring.

The quality assurance of our own underwriting calculations regarding the appropriateness of the level of reserves is also conducted on an annual basis by external actuarial and auditing companies.

C.1.3 Risk reduction techniques in Non-Life

C.1.3.1 Strategic aims and key figures

The strategic aims in relation to the placement of reinsurance business are determined by the placing unit and the relevant member of the Executive Board. The Full Executive Board oversees the placement of reinsurance, in particular the limits, premiums and contractual terms.

C.1.3.2 Description of significant reinsurance business at Inter Hannover

In the event of a claim, Inter Hannover shall receive relief from its various forms of proportional and non-proportional cover.

C.1.3.3 Quota reinsurance

Inter Hannover reinsures almost all accepted business in the form of quota share reinsurance treaties with members of the Hannover Re Group. These have reached a cession high of 85% to 100%. Generally speaking, the risks are transferred to the reinsurer as they were accepted. However, Inter Hannover as a rule receives an overrider of between 2.5% and 9.9%.

C.1.3.4 Non-proportional cover

Aspects of business accepted by Inter Hannover enjoy additional non-proportional cover. This is of particular concern to the line of business Motor Insurance (here, some unlimited insurance policies must be issued), Aviation (high limits are also to be applied here), and types of Property insurance particularly exposed to natural disasters.

The reinsurance contracts placed by the Hannover Re Group also protect the business written by Inter Hannover. Inter Hannover therefore receives relief from, for example, the Hannover Re Group Aviation, Marine and Whole Account Programme.

C.1.3.5 Process of reinsurance placement

The Executive Board derives the risk budget for underwriting risks from the global risk budget, and ensures its binding inclusion in the limit and threshold value system. The utilisation of these limits is controlled by using a traffic light system. The Risk appetite for the insurance business is then specified in the underwriting guidelines. Reinsurance is utilised in such a way that the risks align with the underwriting guidelines on a net basis. Stabilising reinsurance solutions are also obtained in individual cases given the level of volatility associated with the accepted business.

C.2 Market risk

The investments must demonstrate a high level of quality, in order to deliver the greatest possible security in relation to redemption and ongoing interest payments, while taking into consideration the most attractive return possible. For this reason, Inter Hannover aligns its portfolio with the principles of a balanced risk/return ratio and a broad level of diversification. The investments reflect both the currencies and the maturities of our liabilities on the basis of a minimal risk investment mix. Market risks include equity, interest, currency, real estate, spread and credit risks. Our portfolio predominantly contains fixed interest securities, meaning that credit and spread risks represent the most significant aspect of market risk.

The following table shows the risk capital at a confidence level of 99.5% for the market risks stemming from investments held by us or third parties.

Required risk capital for the market risks at a confidence level of 99.5%
Calculated with the internal economic capital model

Values in EUR thousand	2016
Credit and spread risk	11,748
Interest rate risk	6,812
Currency risk	10,827
Diversification	13,834
Market risk	**15,552**

In order to safeguard the value retention of the investments, we continually monitor compliance with a cross-portfolio early warning system, on the basis of a clearly defined traffic light system. This system defines clear threshold values and escalation channels for market value fluctuations and net realised gains from the investments which have occurred since the beginning of the year. These are clearly defined in line with our risk appetite and lead to predetermined information and escalation channels if a corresponding market threshold value is exceeded.

We minimise interest and currency risks through the highest possible congruence between payments from fixed-interest securities with projected, future payment obligations from our insurance contracts.

In the course of the reporting period there were a number of extremely volatile developments, in particular within the interest and spread markets, as well as within the most important investment currencies. Our silent reserves decreased as a result of increasing interest rates in our primary currencies; the escalation levels of our early warning system were not, however, called into action at any point in time.

One further important instrument used for monitoring and controlling market price risks is the short-term probability of loss measured as Value at Risk (VaR). The calculation of the VaR is on the basis of historical data, e.g. the volatility of securities and the correlation of these risks. As part of these calculations the decline in the market value of our portfolio is simulated using a predefined probability and a specific time frame. Inter Hannover's VaR as determined in line with these principles states the market value loss of our securities portfolio, which is not exceeded within a time frame of ten working days and with a probability of 95%. Inter Hannover employs a multi-factor model for the purpose of calculating the VaR performance indicators. It is based on the time series of selected representative market parameters (yield curves, spread curves, exchange rates and macroeconomic variables). All investments are listed at individual item level within the multi-factor model; residual risks (e.g. market price risks which are not explained directly by the multi-factor model) can be calculated by working backwards, and are included in the overall calculation. The model accounts for interest, credit and spread risks. During the reporting year levels of volatility affecting fixed interest securities in particular increased in comparison to the previous year (along with market price risks), in what remains to be a difficult capital market environment. Our Value at Risk continued to remain clearly below the Value at Risk limit as set out in our investment guideline, thanks to the ongoing broad diversification of risk and the alignment of our investment portfolio. At the end of the reporting period it stood at 0.51%.

We also conduct stress tests in addition to stochastic analyses. Here, the loss potential is simulated using market values and on the basis of extreme events which are either fictitious or have previously actually occurred.

Scenarios depicting the change in fair value of significant asset classes

Values in EUR thousand	Scenario	Changes in inventory on market value basis
Interest-bearing securities	Increase in yield +50 base points	-3,628
	Increase in yield +100 base points	-7,147
	Fall in yield -50 base points	3,722
	Fall in yield -100 base points	7,550

In addition to diverse stress tests which estimate the loss potential under extreme market conditions, other significant risk control measures include sensitivity and duration analyses and our Asset Liability Management (ALM). The portfolio of fixed-interest securities is also exposed to interest rate risk. Declining market returns lead to market value increases, and therefore increasing market returns leads to declining market values for a fixed-interest security portfolio. There is also the credit spread risk. Credit spread refers to the interest difference between a risk-bearing and a risk-free bond with an identical maturity. Changes to these risk premiums monitored on the market lead to market value changes for the corresponding securities, just like the changes to pure market returns.

Currency risks are particularly pronounced when there is a currency disparity between the underwriting liabilities and assets. We reduce this risk on the basis of the Group's individual balance sheets by way of extensive financial congruence in the distribution of currencies on both the assets and liabilities sides. The quantification of the currency risk is therefore not included in the short term VaR. We regularly compare the liabilities per currency with the covering assets, and optimise the currency cover by way of restructuring investments. In doing this we consider auxiliary conditions such as different accounting standards. Residual currency surpluses are systematically quantified and monitored as part of the economic modelling.

Our investments involve an exposure to credit risks, which result from the potential default (interest and/or redemption) or from a change in the creditworthiness (rating reduction) of the issuers of securities. A broad level of diversification plays just as much a central role as a creditworthiness assessment on the basis of quality criteria set out in the investment guidelines. Credit risks are initially measured using market-standard credit risk components – in particular the probability of default and the potential loss amount, whereby any forms of collateral and the ranking of individual loans (and their respective effect) are taken into consideration.

Finally, we assess the credit risks – initially at the level of the individual securities (issuances) – and summarised at issuer level in all further steps. We define various limits and apply dedicated rating scores at issuer and/or issue level, in order to limit the counter-party default risk. A comprehensive approach to risk reporting ensures the timely provision of information to those functions entrusted with risk control.

C.3 Credit risk

The credit risk or risk of receivables default primarily refers to the danger of a complete or partial default by the counter-party and the associated risk of non-payment. The necessary risk capital for receivables default stood at EUR 48,763 thousand as at 31 December 2016 with a confidence level of 99.5%, calculated according to the terms of the standard formula.

As the vast majority of business accepted by us is reinsured, the risk of receivables default within reinsurance is of particular significance to us. In order to keep it as low as possible, our reinsurers are carefully selected and continuously monitored using aspects of a creditworthiness assessment. On the basis of these ongoing monitoring efforts the reinsurance department requests collateral for receivables, if these appear to be in danger of default. The web-based risk management application supports this process by stipulating reinsurance limits at Hannover Re Group level for the individual reinsurers participating in the reinsurance programmes, and by calculating the remaining capacities available for short-, medium-and long-term business. Depending on the type and expected maturity of the reinsurance business transaction, internal and external expert assessments (e.g. market information from brokers) are utilised in addition to minimum ratings set by the ratings agencies Standard & Poor's and A.M. Best when selecting reinsurers. On balance, reinsurance policies protect our capital, stabilise and optimise our results and permit us to exploit market opportunities on a broader scale, e.g. following a major loss event. Thanks to regular visits by our reinsurers we not only possess a reliable overview of the market but also the ability to react quickly to changes in capacity levels.

The Inter Hannover business model fulfils the function of a direct insurer, and grants the Hannover Re Group access to profitable specialist business in this way. This involves a high level of integration into the Group and the cession of reinsurance business to affiliate companies:

Proportion of reinsurance business ceded to gross premium earned

Values in %	2016
Hannover Re Group	78.5
External reinsurers	13.6

Credit risks also exist in our relationships with brokers, underwriting agencies and claims administrators. Receivables default risks shall continue to exist up until the point in time of transfer, given the possibility of a loss of the premium paid by the insurance policyholder to the broker or underwriting agency. A loss of the claims payment can occur if the claims administrator does not transfer the claims payment from Inter Hannover to the insurance policyholder. We reduce these risks by, for example, reviewing relationships with intermediaries/brokers, underwriting agencies and claims administrators on the basis of criteria such as the conclusion of a professional indemnity insurance policy, payment history or orderly contract processing.

Receivables default risks are also of significance with regard to our investments.

In summary, the credit risks are continuously monitored and controlled as part of a limit and threshold value system.

C.4 Liquidity risk

The term liquidity risk refers to the danger of an inability to fulfil our financial obligations when they fall due. The liquidity risk consists of the refinancing risk (the required means of payment either cannot be procured, or can only be procured at higher costs) and the market liquidity risk (financial market transactions can only be completed at a worse than expected price due to insufficient market liquidity). The significant aspects of liquidity control for our investments are the control of the maturity structure of our investments on the basis of projected payment profiles originating from the underwriting obligations and, the regular planning of liquidity and the investment structure of the investments. Unexpected extraordinarily high payments could represent a danger to liquidity beyond the projected payments. However, in insurance business, significant events (major losses) are to be paid out with a predictable lead time. In order to safeguard daily liquidity we hold a significant proportion of creditworthy and subsequently highly liquid government bonds. We also maintain a minimum level of rolling demand and time deposits, as well as freely available bank deposits accessible at any time. We also receive liquid funds in particular from brokers and underwriting agencies on a regular basis as a result of ongoing business operations. Our receivables management ensures the collection of any existing outstanding accounts. These measures led to an effective reduction in the liquidity risk.

The "Total Expected profits included in future premiums (EPIFP)" stipulated as per Article 295, Para. 5 of the Delegated Directive (DVO) can be taken from the notification sheet S.23.01.01, item R0790. We do not apply this performance indicator to our liquidity management.

C.5 Operational risk

Operational risks apply with regard to the danger of loss caused by inadequate or erroneous internal processes as well as staff-, system- or externally related incidences. The operational risks are – in contrast to underwriting risks (e.g. the reserve risk) which we deliberately and carefully enter into in the course of our business activity – inseparably linked to our business activity. The focus therefore lies on risk avoidance and reduction.

With the help of self-assessments for operational risks we determine our risk management system's level of maturity and define areas for improvement. The assessment is made, for example, by estimating the degree of maturity of the risk management function, or risk monitoring and reporting. The system enables us to prioritise operational risks, and allows the calculation of capital commitment in our internal model.

Within the holistic framework of operational risks we pay particular attention to business process risks (including data quality), Compliance risks, outsourcing risks (including our distribution channels risk), fraud risks, staff risks, information and IT security risks as well as business interruption risks.

Business process risks consider the danger of inadequate or erroneous internal processes, which can occur for example as a result of inadequate process organisation. We have defined the criteria required to assess the maturity of significant processes. The monitoring of process risks is subsequently safeguarded. The process owner assesses the risks of the process together with the process participants, and develops measures should risks be deemed to exist. Data quality is an extremely critical factor for success in this regard, in particular within risk management because, for example, the validity of results delivered by the internal capital model is broadly attributable to the data made available.

Compliance risks consider the danger of breaches of standards and requirements which can result in legal action or official proceedings that can have a significant detrimental effect on the business activity of Hannover Re, if they are not observed. Supervisory compliance, compliance with business principles, data protection and anti-trust compliance were defined as particularly relevant compliance topics. Compliance risk also includes fiscal and legal risks. Using sanction assessment software, elements of the Inter Hannover portfolio are monitored for persons subject to sanctions owing to a criminal or terrorist background. If such individuals are uncovered, corresponding measures are taken. Business partners are also subject to such an assessment. Responsibilities within the Compliance organisation are regulated and documented to cover all company locations. Interfaces with risk management have been established. Regular Compliance training programmes supplement the range of instruments.

Outsourcing risks can occur as a result of the outsourcing of functions, services and/or organisational units to third parties. In order to limit risk there are binding regulations which, for example, stipulate that a risk analysis is to be conducted before any significant outsourcing. The scope of this analysis includes which specific risks exist and whether outsourcing can even be achieved.

The functional and competitive ability of Inter Hannover is predominantly attributable to the skill and commitment of our members of staff. In order to reduce staff risks we pay particularly close attention to the qualification, experience and commitment of our staff, and look to advance these aspects through staff development and management work. Through the use of regular staff surveys and the monitoring of fluctuation rates, risks are identified at an early stage and room for manoeuvre is created.

Fraud risks stem from the danger of a deliberate breach of laws or regulations by members of staff (internal fraud) and/or external parties (external fraud). Elements of the Internal Control System and the line-independent audits conducted by the Internal Audit department help to reduce risk.

Information risks and IT security risks respectively result from, the danger of inadequate resilience, confidentiality or the availability of systems and information. For example, damages which are the result of the unauthorised distribution of confidential information, the deliberate overloading of important IT systems or computer viruses are significant for Inter Hannover. In view of the broad spectrum of these risks, there are a diverse number of control and surveillance measures as well as organisational specifications, such as confidentiality agreements to be completed with service providers. Furthermore, our members of staff are sensitised to such security risks by way of practice-oriented assistance, e.g. on the Intranet, through training programmes and a staff information campaign.

The fastest possible return to normal operations following a crisis is the primary objective in the reduction of business interruption risks, e.g. through the implementation of existing emergency plans. The decisive regulatory frameworks were defined on the basis of internationally recognised standards and, among other things, an action committee was established which serves as a temporary expert panel during a crisis. The system is supplemented by regular exercises and tests. A memorandum has been issued covering the topic of appropriate conduct in the event of business interruption, which effectively summarises all the important information for members of staff (such as information channels in the event of a crisis). There is also regular reporting to the risk committee and the Executive Board.

C.6 Other material risks

Other material risks for Inter Hannover primarily include emerging risks, strategic risks and reputational risks.

C.6.1 Emerging risks

Emerging risks are defined by a risk content that cannot be reliably assessed, with particular reference to our underwriting contract portfolio. Such risks develop gradually from weak signals to clear trends. Early risk identification and a subsequent assessment are therefore of key importance to us. The HR Group has developed an efficient process aimed at the early identification of risk in collaboration with Inter Hannover, which spans all divisions and insurance lines, and which ensures the integration of risk management. Operational execution is entrusted to a purpose-built work group staffed with specialists. The analyses of this work group are used across the Group, in order to be able to derive any necessary measures (e.g. contractual exclusions or the development of new insurance products). For example, in this work group those risks are analysed which harbour the potential to cause climate change. Global warming does not only influence natural hazards, it has an impact on human health, the global economy, the agricultural sector and much more. These problem areas can also have an effect on our contract portfolio, and not just in the form of risks but also opportunities, e.g. in the form of an increased demand for insurance products. Emerging risks include, for example, technology risks, commodity shortages, political risks and supply chain risks.

C.6.2 Strategic risks

Strategic risks are the result of a potential imbalance between the corporate strategy of Inter Hannover and the continually changing regulatory frameworks of the operating environment. The causes of such an imbalance can be, for example, erroneous strategic decisions, the inconsistent implementation of predetermined strategies and business plans, or the incorrect allocation of resources. We therefore regularly examine our company strategy and adapt our processes and derived guidelines as needed. As part of the operational implementation of strategic principles and targets, we have established criteria for success and indices which are decisive for the fulfilment of the respective targets. With the software “Strategy Cockpit” the Executive Board and the Management team have access to a strategy tool, which supports them in the planning, formulation and controlling of strategic objectives and measures, and which safeguards a holistic view of the company and its strategic risks.

C.6.3 Reputational risks

Reputational risks relate to the danger that the trust placed in our company by our clients, shareholders, staff or the public could be damaged. This risk can significantly endanger the business fundamentals of Inter Hannover. A strong company reputation is therefore a fundamental prerequisite for our core business as an insurer. Reputational risks can also stem from all the business activities of Inter Hannover. Reputational damage can be triggered, for example, by a data loss brought to the public's attention, or unfavourable financial circumstances as a result of an underwriting risk. We also rely on a variety of different procedures for the purpose of risk minimisation, in addition to those procedures aimed at risk identification already presented. This also means that Inter Hannover is firmly embedded into the communication channels (e.g. guideline governing crisis communication) of the Hannover Re Group. Inter Hannover is covered by the professional PR work undertaken by the Hannover Re Group, and possesses tried and tested processes for defined crisis scenarios as well as established business principles.

C.7 Other information

Other information that has a significant influence on the risk profile is not available.

D. Valuation for solvency purposes

General valuation principles

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

In line with this concept the assets and liabilities are valued as follows:

- Assets should be valued according to the amount with which they could be exchanged between knowledgeable willing parties in an arm's length transaction.
- Liabilities should be valued according to the amount with which they could be exchanged between knowledgeable willing parties in an arm's length transaction.
- The fair value of money should be reflected, i.e. all cash flows have to be discounted.
- When valuing liabilities, no value adjustments are made in order to account for the creditworthiness of the insurance company.
- The valuation of assets and liabilities is based on the assumption that the company will continue its business activity ("going concern principle").
- Individual assets and liabilities are valued separately.
- Concepts of materiality shall apply. Absent or erroneous information pertaining to items shall be deemed significant if it could influence the individual or aggregated business decisions of the recipients.
- Simplifications may be applied when the method is deemed appropriate for the type, scope and complexity of the inherent risk.

The underlying principle used for determining the market values of assets and liabilities, with the exception of Technical Provisions, is the valuation principle pursuant to International Accounting Standards, as was adopted by the EU Commission pursuant to the Directive (EC) No. 1606/2002. For example, IFRS 13 serves as a source of orientation for determining the fair value.

The value of Technical Provisions corresponds to the current amount an insurance or reinsurance company would have to pay if it were to transfer its insurance and reinsurance obligations immediately to another insurance or reinsurance company. The Technical Provisions must be calculated in a prudent, reliable and objective manner, and must display market consistency.

The value of Technical Provisions shall be largely equal to the sum of a "best estimate" and a risk margin:

- The best estimate liability (BEL) is the cash value of all underwriting cash flows.
- The calculation of the risk margin is done using a Cost of Capital approach.

Only a small part of the cash flows from underwriting payables can be recreated by financial market products.

Any valuation methods used must always work in sync with Article 75 and Articles 77 to 82 and Article 86 of the Directive 2009/138/EC.

Assessing active markets

In the course of valuing assets, it is necessary to assess as to whether a market is either active or not. Only when a market is active may the current value be taken directly from these markets or derived from comparable assets traded there, in order to determine the market value of assets. If a market cannot be categorised as active, the market value is to be determined using valuation models. Whether or not a market can be viewed as an active market hinges on a discretionary decision regarding the type of financial instruments and local markets. At Inter Hannover this is, however, based on the following pre-determined parameters:

- Business transactions occur with sufficient frequency and corresponding volume, so that price information is continuously available
- The products which are traded on the market are homogeneous
- Contractually willing buyers/sellers can, as a rule, be found at any time
- Prices are freely accessible to the public.

An active market is deemed not to exist when, due to the complete and long-term decline in buyers and/or sellers, market liquidity is no longer established. Should transactions be verified as resulting exclusively from forced deals, compulsory liquidations or distressed sales, this is just as much an indicator for an inactive market as are high bid/ask spreads.

In the event that an inactive market has been verified, we use valuation models for the calculation of market values. Please refer to section D.4.

Note

Rounding errors of +/- one unit can occur in the following tables.

Solvency II balance sheet as at 31 December 2016

We will show our Solvency II balance sheet as of 31 December 2016 on the following two pages.

In the headings of the subsections of “D.1 Assets” and “D.3 Other payables”, we use the item designations from EIOPA for improved readability and clear assignment of the sub-chapters to the corresponding items in the Solvency II balance sheet.

Values in EUR thousand	Items	2016
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	4,541
Pension benefit surplus	R0050	
Property, plant & equipment held for own usage	R0060	1,007
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	316,578
Shares/investments in affiliates, including participations	R0090	12,548
Stocks	R0100	
Equities - Listed	R0110	
Equities - unlisted	R0120	
Bonds	R0130	283,940
Government Bonds	R0140	199,527
Corporate Bonds	R0150	84,413
Deposits other than cash equivalents	R0200	20,091
Reinsurance recoverables from:	R0270	1,457,776
Non-Life excluding Health	R0290	1,445,748
Health similar to Non-Life	R0300	12,028
Receivables from insurance companies and intermediaries	R0360	103,640
Receivables from reinsurers	R0370	30,838
Receivables (trade, not insurance)	R0380	1,524
Cash and cash equivalents	R0410	52,663
Any other assets not shown elsewhere	R0420	296
Total assets	**R0500**	**1,968,863**

Values in EUR thousand	Items	2016
Liabilities		
Technical Provisions - Non-Life	R0510	1,631,712
Technical Provisions — Non-Life (excluding Health)	R0520	1,617,477
Technical Provisions calculated as a whole	R0530	
Best Estimate	R0540	1,604,077
Risk margin	R0550	13,400
Technical Provisions — Health (similar to Non-Life)	R0560	14,235
Technical Provisions calculated as a whole	R0570	
Best Estimate	R0580	13,948
Risk margin	R0590	286
Other provisions as Technical Provisions	R0750	2,972
Pension benefit obligations	R0760	1,299
Deferred tax liabilities	R0780	9,252
Financial liabilities other than debts owed to credit institutions	R0810	392
Receivables / payables from insurance companies and intermediaries	R0820	18,399
Liabilities from reinsurers	R0830	4,723
Payables (trade, not insurance)	R0840	2,283
Subordinated liabilities	R0850	89,410
Subordinated liabilities not in BOF	R0860	19,934
Subordinated liabilities not in BOF	R0870	
Any other liabilities not shown elsewhere	R0880	8,492
Total liabilities	**R0900**	**1,768,934**
Excess of assets over liabilities	**R1000**	**199,930**

D.1 Assets

D.1.1 Intangible assets R0030

Inter Hannover has not recognised any intangible assets pursuant to Solvency II and German Commercial Code (HGB) accounting standards.

D.1.2 Deferred tax assets R0040

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Deferred tax assets	4,541	0

Should differences occur between the valuation for assets, liabilities and deferred items according to German GAAP and tax laws, which are projected to reverse in subsequent financial years, then this can on balance result in a tax relief being stated as a deferred tax asset, or a tax burden being stated as a mandatory deferred tax liability in the trade balance. In the exercising of a voting right pursuant to Section 274 Para 2 of the German Commercial Code (HGB), no deferred tax claims have been stated for a resulting over-funding in the trade balance of Inter Hannover.

The approach to and valuation of deferred tax claims in the Solvency II balance sheet is explained under item R0780 “Deferred tax liabilities”.

D.1.3 Property, plant & equipment held for own usage R0060

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Property, plant & equipment held for own usage	1,007	2,070

The fixtures, fittings and equipment are valued according to their theoretical procurement and/or manufacturing cost in line with commercial law, less scheduled and, if necessary, unscheduled depreciation. Low-value assets are fully depreciated in the year of acquisition. With regard to the fixtures, fittings and equipment the valuation base pursuant to the Solvency II balance sheet is seen as identical with the valuation base used for annual accounts in line with commercial law. A revaluation is not conducted for reasons of materiality.

Differences in valuation:

The difference between the valuation bases found in the Solvency II balance sheet and the annual accounts according to commercial law totalling EUR 1,063 thousand is predominantly attributable to software licenses, which are stated under Solvency II as intangible assets in line with IAS 39. Intangible assets are valued at zero, unless they can be disposed of individually and there is a predetermined market price on an active market for the same or similar intangible assets. The software licenses may not therefore be stated in the Solvency II balance sheet for the reasons previously listed.

D.1.4 Property (other than for own usage) R0080

Inter Hannover holds no property, and has consequently not recognised any property pursuant to Solvency II.

D.1.5 Shares/investments in affiliates including participations R0090

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Shares/investments in affiliates, including participations	12,548	12,548

Participations are essentially stated at fair market values under Solvency II. Here, Solvency II balance sheets are generated for affiliates or other participations, or the percentile fair value is calculated within the meaning of Article 13 of the Implementation Regulation (Durchführungsverordnung [DVO]).

Participations and shares/investments in affiliates are recognised pursuant to Section 255 Para 1 of the German Commercial Code (HGB) at their procurement costs less possible depreciation as a lower fair value pursuant to Section 341 b Para 1 Sentence 2 of the German Commercial Code (HGB) in connection with Section 253 Para 3 Sentence 4 of the German Commercial Code (HGB).

D.1.6 Shares R0100

Inter Hannover holds no shares, and has consequently not recognised any shares pursuant to Solvency II.

D.1.7 Bonds R0130

Government bonds, corporate bonds, structured products and collateralised bonds are essentially valued on the basis of quoted prices, which have been realised on active markets. If no publicly available price quotations are available or the markets in which they originate are deemed to be inactive, the items are allocated a theoretical valuation.

Market quotations are provided by selected price service agencies, trading information systems or intermediaries (brokers) deemed to be trustworthy. The potential sources of price information available are allocated a ranking within a hierarchy. As a rule, price quotations issued by price service agencies are allocated the highest priority, while those provided by intermediaries are allocated the lowest. Exceptions can occur, for example, for selected market segments/currency combinations.

Irrespective of the trading venue, a hierarchy of quotation types is applied. The highest priority is allocated to the quotation type “Bid”. If this is unavailable the quotations types “Traded” and “Close” are to be used in second and third place respectively.

Insofar as no market quotations are available for bonds without particular structural characteristics, the cash value method is applied as the valuation method, cf. also “D.4 Alternative valuation methods”.

All applied methods and stipulations are assessed for their topicality and/or appropriateness at least once a year, and adjusted as necessary.

D.1.8 Government bonds R0140

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Government Bonds	199,528	196,822

Under Solvency II, investments listed under the following balance sheet items pursuant to the German Commercial Code (HGB) are allocated to this item:

- Bearer bonds and other fixed-interest securities, and
- notes receivable.

For the valuation we refer to the detailed explanations in "D.1.7 R0130 – Bonds".

Differences in valuation:

The difference between the Solvency II value of these inventories and their value stated within the annual accounts pursuant to the German Commercial Code (HGB) comes to an overall total of EUR 2,705 thousand.

Here, approximately EUR 1,776 thousand are attributable to hidden reserves arising from the different valuation bases, and EUR 929 thousand to the different approaches to stating accrued interest. Pursuant to Solvency II these are aggregated to the market value (dirty value), while in line with the German Commercial Code (HGB), the accrued interest is allocated to a balance sheet item separate from investments – to accrued items.

D.1.8.1 Corporate Bonds R0150

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Corporate Bonds	84,413	82,192

Under Solvency II, investments listed under the following balance sheet items pursuant to the German Commercial Code (HGB) are allocated to this item:

- bearer bonds and other fixed-interest securities
- registered bonds, and
- notes receivable and loans.

For the valuation we refer to the detailed explanations in "D.1.7 R0130 – Bonds".

Differences in valuation:

The difference between the Solvency II value of these inventories and their value stated within the annual accounts pursuant to the German Commercial Code (HGB) comes to an overall total of EUR 2,221 thousand.

Here, approximately EUR 1,184 thousand are attributable to hidden reserves arising from the different valuation bases and EUR 1,037 thousand to the different approaches to stating accrued interest. Pursuant to Solvency II these are aggregated to the market value (dirty value), while in line with the German Commercial Code (HGB) the accrued interest of a balance sheet item is allocated separately from investments – to accrued items.

D.1.8.2 Structured notes R0160

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Structured notes	214,214	207,577

Under Solvency II, investments listed under the following balance sheet items pursuant to the German Commercial Code (HGB) are allocated to this item:

- Registered bonds
- bearer bonds and other fixed-interest securities.

In addition to the valuation methods presented in "Bonds R0130" the following interest rate models are used with structured products: the Hull-White Model, the Black-Karasinski Model and the Libor Market Model.

The application of interest rate models is based on the assumption that changes in interest rates follow certain probability distributions and stochastic processes.

Differences in valuation:

The difference between the Solvency II value of these inventories and their value stated within the annual accounts pursuant to the German Commercial Code (HGB) totals EUR 6,638 thousand.

Here, approximately EUR 6,159 thousand are attributable to hidden reserves arising from the different valuation bases and EUR 478 thousand to the different approaches to stating accrued interest. Pursuant to Solvency II these are aggregated to the market value (dirty value), while in line with the German Commercial Code (HGB) the accrued interest of a balance sheet item is allocated separately from investments – to accrued items.

D.1.9 Deposits other than cash equivalentsR0200

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Deposits other than cash equivalents	20,091	19,957

Deposits are valued at their redemption rate.

Differences in valuation:

The difference between the Solvency II value of these inventories and their value stated within the annual accounts pursuant to the German Commercial Code (HGB) totals EUR 134 thousand.

The difference is attributable to the different methods of stating accrued interest. The accrued interest is allocated in accordance with the German Commercial Code (HGB) to accrued items, while under Solvency II it is allocated to the respective balance sheet item (dirty value).

D.1.10 Reinsurance recoverables R0270

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Non-Life insurance	1,457,776	1,865,602
Total Property & Casualty (reinsurance business group)	**1,457,776**	**1,865,602**

The valuation of recoverables from reinsurance contracts under Solvency II is performed analogously to the valuation of the best estimate liability of technical provisions; cf. Chapter D.2.1 (Property & Casualty [reinsurance business group]). If a claim for the reinsurer exists, an adjustment for the default risk of the reinsurer is carried out. This adjustment only comes into effect if the recoverable is positive for each of the counterparties.

According to the German Commercial Code (HGB) the recoverables from reinsurance contracts are calculated on the basis of reinsurance contracts.

Differences in valuation

The significant proportion of differences in valuation between the German Commercial Code (HGB) and Solvency II arises from the discounting of expected future cash flows, taking into account future premium cash flows in accordance with Solvency II.

The differences in the valuation apply analogously to the differences in the valuation of the Best Estimate Liability; please refer to Chapter "D.2.1.4 Comparison with other provisions" (Property & Casualty).

D.1.11 Receivables from insurance companies and intermediaries R0360

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Receivables from insurance companies and intermediaries	103,640	354,759

Pursuant to Solvency II receivables in respect of insurance companies and intermediaries are to be valued at the expected cash value of future payment streams, i.e. they are to be discounted using the applicable rate of interest pursuant to Solvency II. Furthermore, the counter-party default risk is to be taken into consideration in the valuation. Both are omitted for reasons of simplification.

Receivables from insurers and intermediaries are recognised at their nominal amounts in line with the German Commercial Code (HGB).

Differences in valuation:

Under the German Commercial Code and/or the Insurance Accounting Decree (RechVersV) a differentiation is made with regard to Accounts Receivable / Payable between receivables from insurance companies and intermediaries, and receivables from reinsurers. The valuation differences pertaining to items R0360 and R0370 are both explained under item R0370.

D.1.12 Receivables from reinsurers R0370

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Receivables from reinsurers	30,838	317

Pursuant to Solvency II receivables from reinsurers are to be valued at the expected cash value of future payment streams, i.e. they are to be discounted using the applicable rate of interest pursuant to Solvency II.

Receivables from reinsurers are recognised at their nominal amounts in line with the German Commercial Code (HGB). Valuation reserves have been formed for default risks.

Differences in valuation:

Under Solvency II an estimated proportion of future payment streams is included in the Technical Provisions, which leads to a different valuation base in the items R0360 and R0370 in the German Commercial Code (HGB).

D.1.13 Receivables (trade, not insurance) R0380

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Receivables (trade, not insurance)	1,524	1,814

Pursuant to Solvency II, receivables are to be valued at the expected cash value of future payment streams, i.e. they are to be discounted using the applicable rate of interest pursuant to Solvency II. Furthermore, the counter-party default risk is to be taken into consideration in the valuation. Both are omitted for reasons of simplification

Receivables are recognised at their nominal amount pursuant to the German Commercial Code (HGB). Valuation reserves have been formed for default risks.

Differences in valuation:

The difference between the items in the Solvency II balance sheet and in the annual accounts pursuant to commercial law to the amount of EUR 290 thousand are the result of re-classifications.

D.1.14 Cash and cash equivalents R0410

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Cash and cash equivalents	52,663	52,663

Cash and cash equivalents include deposits, current account balances with banks and cash in hand. Nominal amounts are recognised in accordance with both Solvency II and the German Commercial Code (HGB).

Differences in valuation:

There are no differences.

D.1.15 Any other assets, not shown elsewhere R0420

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Any other assets not shown elsewhere	296	2,111

Other assets are to be recognised at their fair value in line with Solvency II. Pursuant to the German Commercial Code (HGB) they are valued at their amortised procurement costs.

Differences in valuation:

The difference between the items in the Solvency II balance sheet and in the annual accounts pursuant to commercial law to the amount of EUR 1,815 thousand is the result of accrued interest from investments, which is stated separately in line with the German Commercial Code (HGB).

Risk Margin (RM)

Inter Hannover uses a cost of capital approach for calculating the risk margin for the entire portfolio of insurance and reinsurance obligations, pursuant to Article 37 (1) of the Delegated Directive (DVO).

A factor of 6% is applied as the cost of capital rate. The stipulated Solvency Capital Requirement (SCR) as per Solvency II is determined using the standard formula. The allocation made to the insurance lines reflects the respective amount to the SCR (Article 37).

D.2 Technical Provisions

The Technical Provisions are calculated under Solvency II as the sum of the Best Estimate Liability (BEL) and the Risk Margin (RM).

The valuation of TP is made using risk-free EIOPA yield curves. No matching or volatility adjustment is undertaken here. Nor are temporary adjustments to the risk-free yield curve within the meaning of Article 308c of the 2009/138/EC Directive made.

A temporary deduction pursuant to Article 308d listed in the 2009/138/EC Directive is also not applied.

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

Under Solvency II all contracts must be valued across the entirety of their duration (ultimate view with regard to contractual limitations).

Generally speaking, under Solvency II a contractual limitation is deemed to have been reached if (at least) one of the following criteria applies:

- The insurance policyholder/insurer has, at this point in time, the unilateral right to terminate the contract.
- The insurer has, at this point in time, the unilateral right to reject premiums, which are paid under the terms of this contract.
- The insurer has, at this point in time, the unilateral right to implement price adjustments, so that the premiums appropriately reflect the risks being entered into.

The contract portfolio held by Inter Hannover predominantly consists of one-year insurance contracts.

The BEL is always stated gross as set out below, i.e. before reinsurance, and the RM is always stated net, i.e. taking into account the risk relief through reinsurance.

Best Estimate Liability (BEL)

The calculation of the BEL is based on the projection of payment streams, which encompass all future payment inflows and outflows. Payment streams include premiums, claims and costs among others. The Best Estimate assumptions are applied in this case. The costs comprise all contract-related costs as well as costs attributable to ongoing operations.

There are no financial options and guarantees (FOGs) in the insurance and reinsurance business operations of Inter Hannover.

The projections are generated separately for assumed and reinsurance business; identical valuation bases, methods and assumptions are applied in each case.

Risk Margin (RM)

Inter Hannover uses a cost of capital approach for calculating the risk margin for the entire portfolio of insurance and reinsurance obligations, pursuant to Article 37 (1) of the Delegated Directive (EU) 2015/35.

A factor of 6% is applied as the cost of capital rate, and the Solvency Capital Requirement stipulated under Solvency II serves as the required capital, which is calculated by Inter Hannover using the standard formula. The allocation made to the insurance lines reflects the respective amount to the Solvency Capital Ratio (SCR) (Article 37). Future-oriented risk capital is updated in each insurance line using suitable risk drivers.

D.2.1 Technical Provisions for Non-Life insurance

D.2.1.1 Quantitative information on Technical Provisions

Net Technical Provisions of Inter Hannover by insurance line
Values in EUR thousand

Insurance line	BEL	RM	TP
General Liability insurance	76,893	7,360	84,252
Income protection insurance	1,935	286	2,222
Fire and other property insurance	33,334	1,968	35,302
Motor vehicle liability insurance	11,142	427	11,568
Credit and surety insurance	4,371	692	5,063
Marine, aviation and transport insurance	24,836	2,618	27,454
Other motor insurance	2,749	94	2,843
Miscellaneous financial loss insurance	4,816	233	5,049
Other insurance	173	9	182
Total	**160,249**	**13,687**	**173,936**

The above table contains an overview of Inter Hannover’s Technical Provisions. The term “Other insurance” covers the insurance lines of Workers' Compensation Insurance, Medical Expenses Insurance, Assistance and Legal Expenses Insurance.

D.2.1.2 Valuation of Technical Provisions for Non-Life insurance

Fundamentals

The company's business is broken down into homogeneous risk groups for the calculation of the BEL under Solvency II, so that the type, scope and complexity of the business is appropriately accounted for.

Generally speaking, there are no differences between the individual insurance lines with regard to the Solvency II valuation approach, for which reason the following valuation methods are valid for all insurance lines.

Methods

The BEL valuation is based on the estimation of future payment streams. In doing so, all payment inflows and outflows from the portfolio business expected in future are to be incorporated, taking into account their fair value. The BEL is stated separately by premium and loss reserve.

The premium reserve relates to loss events after the valuation due date, and thus comprises all loss-, premium- and cost payment streams, taking into account their fair value, which can be allocated to unearned business.

In contrast, the loss reserve relates to loss events up until the valuation due date, and thus comprises all loss-, premium- and cost payment streams, taking into account their fair value, which can be allocated to earned business.

The Solvency II calculations used to determine all payment streams relevant for the premium and loss reserve are a Best Estimate. The calculation of the BEL is initially made on a gross basis. The payment streams for premiums, claims and costs are modelled separately. A holistic view is adopted when considering all contractual relationships entered into, through which all payment streams are projected up until their expiration within the contractual limits. The BEL is thus the sum of discounted payment streams. The resulting BEL is aggregated from the contractual level to the lines stipulated under Solvency II.

The breakdown into lines has been established as follows for Non-Life insurance obligations:

- Medical expense insurance
- Income protection insurance
- Occupational accident insurance
- Motor vehicle liability insurance
- Other motor insurance
- Marine, aviation and transport insurance
- Fire and other property insurance
- General liability insurance
- Credit and surety insurance
- Legal expense insurance
- Assistance
- Miscellaneous financial losses

Assumptions

Run-off patterns and estimated ultimate loss ratios are applied in the homogeneous segments for calculating the BEL. These are determined based on run-off triangles with the aid of established actuarial methods, which are generated from up-to-date and quality-assured data.

The payment streams are then discounted by applying the risk-free yield curve stipulated by the EIOPA, and then converted on the due date using a fixed exchange rate into the reporting currency.

On balance, the valuation principles, methods and assumptions help to ensure that the calculated BEL best aligns with the nature, scope and complexity of the underlying risks.

Recoverables from reinsurance contracts

Generally speaking, the valuation of demandable amounts from reinsurance contracts is undertaken analogously to the principles applied for the calculation of underwriting (gross) provisions.

Receivables from reinsurance contracts are to be adjusted with regard to the expected loss upon default of the counter-party. This adjustment is to be determined separately and is based on the valuation of the probability of default per counter-party – whether it be through insolvency or legal dispute – as well as the resulting average loss per default.

According to the German Commercial Code (HGB) the receivables from reinsurance contracts are calculated on the basis of reinsurance contracts. Valuation reserves have been formed for default risks.

The differences between a valuation in line with the German Commercial Code (HGB) and Solvency II apply analogously to the differences in the valuation of the Best Estimate Liability; please refer to Chapter D.2.1.4.

D.2.1.3 Degree of uncertainty

The economic valuation of loss reserves contains a degree of uncertainty. This results from the fact that the actual point in time when future payment streams are paid out and the actual level of the ultimate loss are unknown, as well as the potential default of the reinsurer. This uncertainty is subject to regular monitoring by way of different estimations.

In addition to internal quality assurance and validation, an additional quality assurance and assessment procedure is conducted by external actuarial and auditing companies regarding the actuarial calculations used, in order to ensure the appropriateness of the loss reserve level.

It is ensured within the scope of segmentation and acceptance that the process for determining the economic value of provisions is defined by a cautious, reliable and objective approach, in line with the specifications of Section 75 of the Insurance Supervision Act (VAG). The nature and complexity of the insurance business and the inherent reserve risks and uncertainties regarding data are hereby taken into account.

In order to cover a possible default by reinsurers, an adjustment to the counter-party default risk is made, based on the rating of the reinsurers.

The risk margin allocated to the different insurance lines can be seen as an indicator for the business' inherent level of uncertainty.

The risk margin calculation contains a level of uncertainty through the value of the Solvency Capital Requirement, and through the projected future development of the Solvency Capital Requirement. The Solvency Capital Requirement is calculated using the standard formula. The assumptions made regarding the projected future development of the Solvency Capital Requirement are coordinated on a company-internal basis, and are subject to an external assessment by an auditing company within the scope of the Solvency II balance sheet.

D.2.1.4 Comparison with other provisions

This chapter deals with the transition of Technical Provisions before recoverables from reinsurance contracts from the German Commercial Code (HGB) pursuant to Solvency II as at 31 December 2016.

Significant revaluation effects

Values in EUR thousand	2016
Underwriting net provisions Property and Casualty in line with the German Commercial Code (HGB)	**222,801**
Provision for insurance claims not yet settled pursuant to the German Commercial Code (HGB) incl. equalisation provision and similar. Provision	158,525
Unearned premiums	64,276
Reclassification equalisation reserve	-6,613
Revaluation from the viewpoint of an economic ultimate loss	-52,193
Discounting of payment streams under Solvency II	-3,746
Risk margin approach under Solvency II	13,686
Total revaluation effect from the German Commercial Code (HGB) to Solvency II	**-48,866**
Technical provisions Property & Casualty (reinsurance, business, market) pursuant to Solvency II	**173,935**

Due to the fact that the valuation methodology used for Technical Provisions for all insurance lines is the same, the breakdown of reclassification effects on Solvency II business lines is omitted.

Under Solvency II, safety margins are omitted in the valuation of the BEL owing to the Best Estimate principle, whereas a principle of caution under the German Commercial Code (HGB) means these are implicitly included in the loss reserves. Under Solvency II, the equalisation reserve, which serves as the Technical Provision under the German Commercial Code (HGB) for the stabilisation of the result by equalising fluctuations over time, is also omitted.

Instead, under Solvency II a risk margin is formed. This should cover the cost of provisioning own funds amounting to the Solvency Capital Requirement, which are required to cover insurance obligations through to their maturity.

Furthermore, differences can arise when valuing and stating contracts under Solvency II and the German Commercial Code (HGB) owing to, for example, the different interpretation of contractual limits.

Inter Hannover has, applying prudence, not accounted for payment streams arising from insurance contracts, which had been signed by the valuation due date, but for which the liability period is only due to start after the valuation due date. By contrast, when valuing the Technical Provisions pursuant to the German Commercial Code (HGB) the realisation principle applies, whereby only profits already realised may be stated. Accruals or deferrals like unearned premiums pursuant to the German Commercial Code (HGB) are therefore not required under Solvency II.

One further significant valuation difference is that under Solvency II the payment streams are discounted using a risk-free interest rate, whereby under the German Commercial Code (HGB) only pension reserves are discounted as a rule.

D.3 Other liabilities

D.3.1 Other Technical Provisions R0730

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Other Technical Provisions	0	6,613

The equalisation provision and similar provisions are included in the other Technical Provisions in the Solvency II balance sheet under the German Commercial Code (HGB) value.

Equalisation provisions are to be formed in the financial statements in line with commercial law pursuant to Section 341 h of the German Commercial Code (HGB). Under Solvency II no equalisation provision is formed. This leads to a difference amounting to EUR 6,613 thousand in the other Technical Provisions.

D.3.2 Provisions other than Technical Provisions R0750

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Other provisions as Technical Provisions	2,972	8,429

The following items are listed in the Solvency II balance sheet under non-Technical Provisions:

- Annual leave and overtime remuneration
- Bonus payments and anniversary benefits

In the Solvency II balance sheet, the fair value calculated pursuant to the regulations stipulated by IAS 37 is applied.

In accordance with commercial law, other provisions are formed according to the necessary settlement value dictated by sound business judgement.

Differences in valuation:

The difference in the Solvency II balance sheet and in the annual accounts pursuant to commercial law to the amount of EUR 5,457 thousand is the result of the different discounting of

Share Awards in the amount of EUR 261 thousand, as well as a different allocation of Other Provisions totalling EUR 5,196 thousand, which were allocated to item R0880 under Solvency II.

D.3.3 Pension benefit obligations R0760

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Pension benefit obligations	1,299	548

In the Solvency II balance sheet, the valuation of pension payment obligations is made analogously to the valuation pursuant to IAS 19 "Employee Benefits" using the Projected Unit Credit Method, which is described in Chapter "D4. Alternative methods for valuation".

Pursuant to the German Commercial Code (HGB) pension payment obligations are determined according to the necessary settlement value dictated by sound business judgement. They are discounted at 4.00% using the average interest rate of the previous ten years and with an assumed residual maturity of 15 years, as published by the German Central Bank (Deutsche Bundesbank) pursuant to the Regulation on the Discounting of Provisions (RückAbzinsVO). The pension provision is calculated according to the Projected Unit Credit Method. An assumed salary trend is set at 2.50 % and a pension trend at 1.86 %. Probabilities of fluctuation are calculated separately depending on age and gender. The calculations are based on Klaus Heubeck's 2005 G mortality tables. With employee-financed pension commitments, the amount of which is dictated exclusively by the fair value of a reinsurance claim, a valuation is made pursuant to Section 253 Para 1 Sentence 3 German Commercial Code (HGB). For these commitments, the settlement value corresponds to the fair value of the actuarial reserve plus profit participation.

Differences in valuation:

The difference between the valuation bases found in the Solvency II balance sheet and in the annual accounts according to commercial law totalling EUR 751 thousand is particularly attributable to the different interest rates applied for discounting. Pursuant to Solvency II a lower rate of interest is applied, which subsequently leads to a higher valuation for pension payment obligations.

D.3.4 Funds withheld on ceded business R0770

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Funds withheld on ceded business	0	7,368

The "Funds withheld on ceded business" are offset for the economic valuation with the Technical Provisions, if:

- in the event of insolvency of the cedant, there is an off-set provision in the contractual relationship, and
- Inter Hannover is not substantially exposed to the risks involved in the underlying investments, or these risks have been eliminated by way of additional contractual regulations in the same contractual relationship.

For funds withheld from assumed business to be offset, the associated cash flows (build-up and depletion of deposits and deposit interest) is integrated in the calculation of Technical Provisions.

D.3.5 Deferred tax liabilities R0780

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Deferred tax	9,252	0

In the annual financial statements of Inter Hannover no deferred tax liabilities are stated as, on balance, an asset surplus exists.

A deferred tax liability in the amount of EUR 9,252 thousand is stated in the Solvency II balance sheet. The calculation of deferred taxes stated in the Solvency II balance sheet is made in two steps.

The first step involves the calculation of deferred taxes on the basis of valuation differences between the IFRS balance sheet and the tax balance sheet. Here, deferred tax assets or liabilities are recognised pursuant to IAS 12 (Income taxes) as well as on an intra-year basis pursuant to IAS 34 (Interim financial reporting). Deferred tax assets or liabilities are generated, insofar as asset or liability items in the IFRS balance sheet are to be recognised at lower or higher amounts than in the tax balance sheet, and that these differences will reverse in future (temporary differences). Temporary differences principally result from valuation differences between a tax balance sheet generated in line with national standards and the IFRS balance sheet.

Deferred tax assets are also formed from tax loss carry forwards and tax credits. Value adjustments are made in relation to deferred tax assets as soon as the realisation of the deferred tax assets appears to be no longer probable in future. Deferred taxes are valued using the ratified rates of tax in the respective country, which apply and/or have been decreed as at the reporting due date.

The second step involves the calculation of deferred taxes on the basis of valuation differences between the Solvency II balance sheet and IFRS. As with IAS 12, no discounting is applied in the valuation of deferred taxes in the Solvency II balance sheet.

The result of these two steps is the generation of deferred taxes on the basis of valuation differences between the tax balance sheet and the Solvency II balance sheet.

D.3.6 Financial liabilities other than debts owed to credit institutions R0810

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Financial liabilities other than debts owed to credit institutions	392	392

The economic value of “Financial liabilities except for liabilities to credit institutions” is derived from the related German Commercial Code (HGB) value. The amount comprises the accrued interest of subordinated loans. Discounting is not applied for reasons of materiality.

D.3.7 Liabilities from insurance companies and intermediaries R0820

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Receivables / payables from insurance companies and intermediaries	18,399	14,291

Liabilities are recognised at their fulfilment amounts in line with commercial law. Liabilities are to be valued using the expected cash value of future payment streams pursuant to Solvency II. The proportion of liabilities as between insurers and intermediaries in line with the German Commercial Code (HGB), which reflects payment streams due in future, is included in the Technical Provisions pursuant to Solvency II. Reclassifications will also be made.

Differences in valuation:

Under Solvency II, an estimated proportion of future payment streams is included in the Technical Provisions, which leads to the higher valuation base of liabilities from insurance companies and intermediaries.

D.3.8 Liabilities from reinsurers R0830

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Liabilities from reinsurers	4,723	213,987

Liabilities are recognised at their fulfilment amounts in line with commercial law.

Liabilities are to be valued using the expected cash value of future payment streams pursuant to Solvency II. The proportion of liabilities from reinsurers in line with the German Commercial Code (HGB), which comprises payment streams due in future, is included in the Technical Provisions pursuant to Solvency II. The residual part of liabilities from reinsurers is not discounted for reasons of materiality.

Differences in valuation:

Under Solvency II an estimated proportion of future payment streams is included in the Technical Provisions, which leads to the lower valuation base of liabilities from reinsurers.

D.3.9 Payables (trade, not insurance) R0840

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Payables (trade, not insurance)	2,283	2,283

Liabilities are to be valued using the expected cash value of future payment streams pursuant to Solvency II. For reasons of materiality no discounting is applied. Liabilities are recognised at their fulfilment amounts in line with commercial law.

D.3.10 Subordinated liabilities not in BOF R0860

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Subordinated liabilities not in BOF	19,935	19,526

The amount of the subordinated loan in the statutory accounts is dictated by the fulfilment amount. In the Solvency II balance sheet the valuation takes into account a discount of the future payment streams.

Differences in valuation:

The difference of EUR 409 thousand is attributable to the difference between the current market interest rate and the agreed interest rate.

D.3.11 Subordinated liabilities not in BOF R0870

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Subordinated liabilities not in BOF	69,475	63,489

Subordinated loans can be classified under Solvency II as subordinated own funds, which belong to basic own funds. Subordinated loans represent financial contractual obligations, which are subordinate to all other loan payables and obligations. The creditors have subordinated rights in comparison to all other debt capital providers. In particular in the event of insolvency, the subordinated capital possesses subordinated claims as opposed to other debt capital.

The economic valuation for the Solvency II balance sheet can be derived from the fair value approach pursuant to IAS 39; here, adjustments due to changes in the company's own creditworthiness are not accounted for in Solvency II.

Differences in valuation:

Payables – including those which are subordinate – are to be recognised pursuant to Solvency II at the expected cash value of future payment streams; they are principally subject to discounting. Pursuant to commercial law, payables are recognised at their fulfilment amounts and are not discounted. This results in a difference between the items in the Solvency II balance sheet and in the annual accounts pursuant to commercial law to the amount of EUR 5,986 thousand.

D.3.12 Any other liabilities, not elsewhere shown R0880

Values in EUR thousand	Solvency II value	Value in financial statements as per the German Commercial Code (HGB)
Any other liabilities not shown elsewhere	8,492	3,296

Liabilities are to be valued using the expected cash value of future payment streams pursuant to Solvency II. For reasons of materiality no discounting is applied. Liabilities are recognised at their fulfilment amounts in line with commercial law.

Differences in valuation:

The difference between the items in the Solvency II balance sheet and in the annual accounts pursuant to commercial law to the amount of EUR 5,196 thousand is the result of re-classifications, please see Chapter D.3.2.

D.4 Alternative valuation methods

Valuation principles are applied pursuant to Solvency II. In addition to the general valuation principles the following valuation hierarchy is applied to the recognition and valuation of assets and other liabilities:

A. Stock exchange prices observed on active markets are utilised as part of the standard valuation method. The use of stock exchange prices should be based on the criteria stipulated for an active market, which are defined in International Accounting Standards.

B. If no stock exchange prices in active markets are available for the assets and liabilities to be valued, stock exchange prices from similar assets and liabilities are used. Adjustments are made in order to reflect the differences.

C. In instances where the criteria for the use of stock exchange prices are not fulfilled, alternative valuation methods are utilised (different methods to those described in number 2). If alternative valuation methods are used these should be – to the greatest extent possible – based on market data, and should contain – to the least extent possible – company-specific influencing factors.

Inter Hannover uses alternative valuation methods for some balance sheet items, which are subsequently described in more detail:

D.4.1 Projected Unit Credit Method

This method is applied for calculating pension payment obligations. It is calculated according to actuarial principles and is based on the commitments made by Inter Hannover to retirement, invalid and widow's pensions. The commitments are aligned with the duration of company tenure and the level of salary. This exclusively concerns performance-related pension plans (Defined Benefit Plans). The basis of the valuation is the estimated future salary development of those eligible for a pension. The discounting of benefit entitlements is made by applying the capital market interest rate for the highest rated securities.

D.4.2 Calculating the market value for unlisted assets

For the calculation of market values for assets which are not listed on a stock exchange, or whose relevant markets are deemed to be inactive at the point in time of valuation (please also refer to Section D "Assessment of active markets"), we use the following valuation models and methods as an alternative. They represent the standard and recognised methods used for the respective assets, and are used in order to be able to determine a market price in spite of the absence of available valuations from active markets.

Alternate evaluation methods for unlisted assets

Financial instruments	Parameters	Valuation models / methods
Unlisted fixed interest securities	Yield curves	Cash value method
Unlisted participations	Procurement costs, payment streams, EBIT multiples, book value as required	Gross rental method, DCF method, multiples

The overwhelming proportion of inventories valued using alternative valuation methods is valued on the basis of the cash value method. This is a predominantly assumption-free method, with which the future cash flows of securities are discounted with the use of suitable yield curves. These yield curves are derived from appropriate market data observed on publicly accessible markets. The interest rates applied for discounting consist of a maturity-dependent base component (derived from the risk-free interest rate) and an issuer / issue-specific risk surcharge to account for spread-, migration-and default risks. Broadly speaking, this procedure is premised on the assumption generally accepted in the market that price differences for comparable securities listed in transparent markets with regard to risk, term and creditworthiness are predominantly the result of issuance-specific characteristics and lower liquidity, and are thus deemed immaterial with regard to their influence on market value.

The use of models includes different model risks, which can lead to a degree of valuation uncertainty:

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

Through a process of regular validation in which a systematic, quantitative and qualitative assessment of the appropriateness of valuation models and methods is undertaken, model risks can be limited. Furthermore, the model results (for items which are predominantly valued using alternative valuation methods) are continuously subject to plausibility checks as part of daily quality assurance processes.

D.5 Other information

Other information that has a significant influence on the valuation for solvency purposes is not available.

E. Capital management

Please note: Rounding errors of +/- one unit can occur in the following tables.

E.1 Own funds

E.1.1 Management of own funds

Capital management processes contain a classification of all own funds components with regard to the Solvency II tiering specifications, whether they are basic own funds or ancillary own funds and how effectively available they are. The results of these processes are taken into consideration for the ORSA process, in particular for the medium term capital plan.

In general, it is our objective that our hybrid capital instruments correspond with the tier 2 category. In accordance with the total balance sheet approach, hybrid capital is evaluated as basic own funds. The timing of each new issue takes into account the current market conditions and our medium-term growth objectives. Inter Hannover is integrated into the capital management process of the Hannover Re Group, hence our hybrid capital instruments have to date been issued exclusively by Hannover Re.

Inter Hannover's economic capital model is used for the evaluation of both the quantitatively measurable individual risks and also the overall risk position. The assumptions and calculation methods for the determination of the risk-bearing capacity of the company are recorded in the documentation of the risk model and in regular reports. Inter Hannover applies the specifications set by the Solvency II standard formula when calculating the Solvency Capital Requirement and the Minimum Capital Requirement.

E.1.2 Tiering

The classification of own funds with regard to their ability to cover losses represents a central component of shareholders' capital regulations pursuant to Solvency II. The individual components of the own funds will be classified into one of the three quality categories ("tiers") here.

Own fund items classified under tier 1 possess the highest degree of quality, owing to the fact that they are permanently available. They absorb verifiable losses, both during ongoing business operations and in the event of company liquidation. Tier 2 refers to basic own funds and ancillary own funds which can equalise losses incurred in the event of a company liquidation. Own fund items, which are not categorised under tier 1 or tier 2, are categorised under tier 3.

E.1.3 Basic own funds

The following table displays the composition of basic own funds held by Inter Hannover as of 31 December 2016.

Composition of basic own funds

Values in EUR thousand	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2
Subscribed capital	121,600	121,600	-	-
Reconciliation reserve	78,330	78,330	-	-
Subordinated own funds	69,475	-	-	69,475
Total	**269,405**	**199,930**	**0**	**69,475**

The individual quality categories are subject to legal limitations in their ability to absorb losses. Against this background, the available basic own funds are not available to completely cover Inter Hannover's overall risk position. The proportion of basic own funds that can be called upon to cover the overall risk position pursuant to the SCR and MCR is designated as eligible own funds in the following section.

Comparison of the available and eligible own funds

Values in EUR thousand	2016
Available own fund items	269,405
Eligible own fund items SCR	269,405
Eligible own fund items MCR	207,957

As a result of the regulations for the minimum capital requirements (MCR) with regard to the quality requirements on the loss-bearing own funds, own funds of the tier 2 level are allocated proportionately to the corresponding own funds items.

Inter Hannover's basic own funds can be derived from shareholders' capital as stated under the German Commercial Code (HGB). Shareholders' equity in line with the German Commercial Code (HGB) is corrected for differences in values and valuations and supplemented by deferred tax effects between the two balance sheet accounting regulations.

Transition of HGB shareholders' capital to Solvency II own funds

Values in EUR thousand	2016
Shareholders' capital (HGB)	168,845
Differences in values and valuations - Solvency II to HGB:	**35,797**
Equalisation reserve	6,613
Intangible assets	-1,063
Fixed-interest securities and other investments	5,059
Assets and liabilities from insurance companies and intermediaries	-15,442
Underwriting assets and liabilities	49,620
Subordinated loan	-6,395
Miscellaneous non-underwriting assets and liabilities	-2,595
Deferred taxes on tax differences between Solvency II and HGB	-4,711
Available own funds (Solvency II)	**199,930**

E.1.3.1 Subscribed capital

The subscribed capital of Inter Hannover stands at EUR 121,600 thousand as at the balance sheet date. The shares have been paid up in full. The ordinary share capital is divided into 95,000 no-par value registered shares, which carry both voting and dividend rights. Every share grants the same right to vote and the same dividend entitlement. As at the balance sheet date no treasury shares were held by the company.

No new shares were issued in the reporting period.

The ordinary share capital paid in forms own funds of the highest degree of quality, which can be relied upon to equalise losses in the course of business operations.

E.1.3.2 Reconciliation reserve

The reconciliation reserve pursuant to Solvency II represents an item of basic own funds attributable to category tier 1 (unrestricted). It primarily comprises the excess of assets over liabilities, adjusted by the subscribed capital.

At the balance sheet date, the reconciliation reserve was EUR 78,330.

The reconciliation reserve increased by EUR 13,713 thousand during the reporting period.

The reconciliation reserve represents reserves (in particular retained earnings); moreover, it harmonises the differences between the accounting valuation pursuant to the German Commercial Code (HGB) and the valuation pursuant to the Directive 2009/138/EC.

E.1.3.3 Subordinated own funds

Inter Hannover held a subordinated loan in its portfolio at the balance sheet date, which fulfils the criteria stipulated under Solvency II pertaining to subordinated liabilities, and thus can be classified under basic own funds.

No new subordinated own funds were issued in the reporting period.

Subordinated own funds

Values in EUR thousand	2016
Subordinated loan	69,475
Total	**69,475**

As part of efforts to strengthen the company's own funds in line with statutory regulations, Hannover Re granted Inter Hannover a subordinated loan in the amount of GBP 54,300 thousand. The loan has been paid into the account of Inter Hannover to the full amount.

The loan’s residual maturity is 29 years as at the reporting date. The interest rate is fixed for a total of 10 years.

Under Solvency II this subordinated loan is classified as Tier 2 own funds of Inter Hannover.

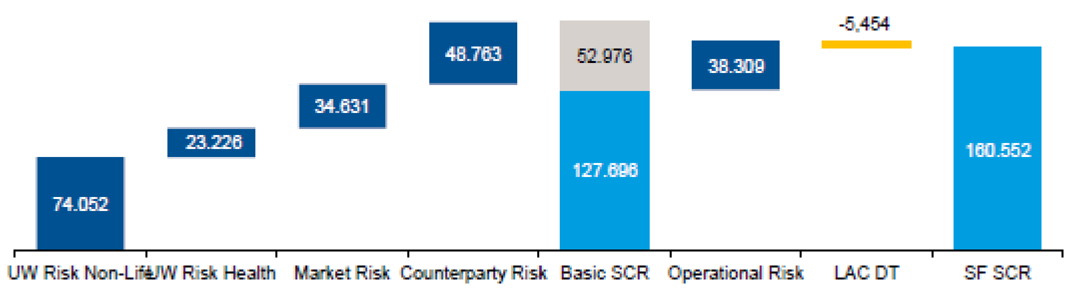
E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement (SCR)

E.2.1.1 Solvency Capital Requirement (SCR) contingent on risk category

In the following, the total amount of the regulatory Solvency Capital Requirement (SCR) is stated for Inter Hannover. This total amount is divided into different risk categories. It concerns primary risk categories, which are calculated using the standard formula of Inter Hannover.

Solvency Capital Requirement – Breakdown by risk category
Values in EUR million



Inter Hannover does not set any company-specific parameters for calculating the standard formula.

Solvency Capital Requirement – Breakdown by risk category
Values in EUR thousand

Solvency Capital Requirement (SCR)	2016
Underwriting risk – Non-Life insurance	74,052
Underwriting risk – Health insurance	23,226
Market risk	34,361
Counter-party default risk	48,763
Diversification	**52,976**
Basic total risk	**127,696**
Operational risk	38,309
Total risk (pre-tax)	**166,006**
Deferred tax	5,454
Total risk (post-tax)	**160,552**

E.2.2 Minimum Capital Requirement

The following table shows the current Solvency Capital Requirement and Minimum Capital Requirement, as well as the corresponding eligible own funds. So-called Tiering Restrictions pursuant to Solvency II apply here. The ratio of eligible own funds and the respective capital requirement are also presented.

Ratio of available own funds to Minimum and/or Solvency Capital Requirement

Values in EUR thousand / percent	SCR	MCR
Eligible own funds	269,405	207,957
SCR/MCR	160,552	40,138
Ratio of eligible own funds to SCR/MCR	**168 %**	**518 %**

E.3 Use of the duration-based equity risk sub-module when calculating the Solvency Capital Requirement

Inter Hannover does not employ a duration-based submodule to quantify the equity risk. The Federal Republic of Germany has not exercised the option to permit the use of a duration-based equity risk sub-module.

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

Inter Hannover confirms that the standard formula represents a conservative depiction of the risk profile, while the economic capital model of Inter Hannover – which is applied for the purposes of corporate controlling and risk management – comprises all significant and quantifiable risks, as well as operational activities. We are therefore of the opinion that a more appropriate representation of Inter Hannover's risk profile can be achieved with the model results.

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

Both solvency and minimum capital requirements were complied with at all times during the observation period.

E.6 Other information

Other information that has a significant influence on capital management is not available.

Glossary of abbreviations and terms

German Stock Corporation Act (AktG): German Stock Corporation Act

Fiscal Code (AO): Fiscal Code

Federal Financial Supervisory Authority (BaFin): Federal Financial Supervisory Authority (BaFin)

Best Estimate: Best Estimate, without safety margins

BEL: Best Estimate Liability – Best Estimate of Technical Provisions, without safety margins

DCF: Discounted cash flow

Delegated Directive (DVO): Delegated Directive (EU) 2015/35 by the Commission dated 10 October 2014

ECM: Economic Capital Model, internal capital model

EBIT: Earnings before interest and taxes, operative result

EIOPA: European Insurance and Occupational Pensions Authority

EPIFP: Expected Profit included in Future Premiums

EEA: European Economic Area

FOG: Financial options and guarantees

GA: Group Auditing, Internal Audit of Hannover Re Group

GPB: Group Performance Bonus

P&L: Profit and loss statement / Statement of income

Hannover Re: Hannover Rück SE, Hannover

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

German Commercial Code (HGB): German Commercial Code

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards

ICS: Internal Control System

Inter Hannover: International Insurance Company of Hannover, SE, Hannover

MCR: Minimum Capital Requirement

NAV: Net asset value

ORSA: Own Risk and Solvency Assessment (ORSA)

Insurance Accounting Decree (RechVersV): Insurance Accounting Decree (RechVersV)

Risk appetite: Denotes the level of risk a company is prepared to assume, in order to achieve its goals. Determining a company's risk appetite is an important part of risk strategy.

RM: Risk margin

Regulation on the Discounting of Provisions (RückAbzinsVO): Regulation on the Discounting of Provisions (RückAbzinsVO)

SCR: Solvency Capital Requirement

SFCR: Solvency and Financial Condition Report

Talanx: Talanx AG, Hannover

TP: Technical provisions

Insurance Supervision Act (VAG): Law governing the supervision of insurance companies (VAG)

VaR: Value-at-Risk; risk measure

Actuarial function (VMF): Actuarial function (VMF)

WHO: World Health Organization

German Securities Trading Act (WpHG): German Securities Trading Act (WpHG)

German Securities Acquisition and Takeover Act (WpÜG): German Securities Acquisition and Takeover Act (WpÜG)

Notification sheets to be published

All values in EUR thousand, unless otherwise stated.

If a value is less than EUR 0.5 thousand, a “0” is stated in the following notification sheets. Empty cells mean that Inter Hannover has no value to state there.

Due to computational reasons rounding errors of +/- one unit can occur in the tables.

Inter Hannover does not employ any transitional measures, volatility- or matching adjustments. The notification sheet “S.22.01.21 Effects of long-term guarantees and transitional measures” is therefore not generated by Inter Hannover.

S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	4,541
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own usage	**R0060**	1,007
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	316,578
Property (other than for own usage)	**R0080**	
Shares/investments in affiliates, including participations	**R0090**	12,548
Stocks	**R0100**	0
Equities - Listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	283,940
Government Bonds	**R0140**	199,527
Corporate Bonds	**R0150**	84,413
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective investment undertakings	**R0180**	
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	20,091
Other assets	**R0210**	
Assets held for index-linked and unit-linked contracts	**R0220**	
Loans and mortgages	**R0230**	0
Policy loan	**R0240**	
Loans and mortgages to private individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	1,457,776
Non-Life insurance and Health insurance similar to Non-Life	**R0280**	1,457,776
Non-Life excluding Health	**R0290**	1,445,748
Health similar to Non-Life	**R0300**	12,028
Life and Health similar to Life, excluding Health and index-linked and unit-linked	**R0310**	0
Health similar to Life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	
Funds withheld from assumed business	**R0350**	0
Receivables from insurance companies and intermediaries	**R0360**	103,640
Receivables from reinsurers	**R0370**	30,838
Receivables (trade, not insurance)	**R0380**	1,524
Treasury shares (held directly)	**R0390**	
In relation to own funds components, amounts due or funds subject to recovery but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	52,663
Any other assets not shown elsewhere	**R0420**	296
Total assets	**R0500**	1,968,864

		Solvency II value
Liabilities		**C0010**
Technical Provisions - Non-Life	**R0510**	1,631,712
Technical Provisions — Non-Life (excluding Health)	**R0520**	1,617,477
Technical Provisions calculated as a whole	**R0530**	
Best Estimate	**R0540**	1,604,077
Risk margin	**R0550**	13,400
Technical Provisions — Health (similar to Non-Life)	**R0560**	14,235
Technical Provisions calculated as a whole	**R0570**	
Best Estimate	**R0580**	13,949
Risk margin	**R0590**	287
Technical Provisions — Life (excluding index-linked and unit-linked)	**R0600**	0
Technical Provisions — Health (similar to Life)	**R0610**	0
Technical Provisions calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions — Life (excluding health and index-linked and unit-linked)	**R0650**	0
Technical Provisions calculated as a whole	**R0660**	
Best Estimate	**R0670**	
Risk margin	**R0680**	
Technical Provisions — index-linked and unit-linked	**R0690**	0
Technical Provisions calculated as a whole	**R0700**	
Best Estimate	**R0710**	
Risk margin	**R0720**	
Contingent liabilities	**R0740**	
Other provisions as Technical Provisions	**R0750**	2,972
Pension benefit obligations	**R0760**	1,299
Funds withheld on ceded business	**R0770**	0
Deferred tax liabilities	**R0780**	9,252
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	392
Receivables / payables from insurance companies and intermediaries	**R0820**	18,399
Liabilities from reinsurers	**R0830**	4,723
Payables (trade, not insurance)	**R0840**	2,283
Subordinated liabilities	**R0850**	89,410
Subordinated liabilities not in BOF	**R0860**	19,935
Subordinated liabilities not in BOF	**R0870**	69,475
Any other liabilities not shown elsewhere	**R0880**	8,492
Total liabilities	**R0900**	1,768,934
Excess of assets over liabilities	**R1000**	199,930

S.05.01.02

Premiums, receivables and expenses by division

		Line of Business for: Non-Life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General liability insurance	Credit and surety insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Written premiums										
Gross – Direct insurance business	**R0110**	0	10,527	0	54,004	3,740	198,611	256,940	182,179	11,281
Gross – accepted proportional reinsurance business	**R0120**	0	4	0	2,331	0	3,730	6,662	3,642	0
Gross – accepted non-proportional reinsurance business	**R0130**									
Share of reinsurers	**R0140**	0	8,786	0	54,129	3,391	184,448	240,774	167,802	9,444
Net	**R0200**	0	1,745	0	2,205	349	17,893	22,829	18,018	1,837
Earned premiums										
Gross – Direct insurance business	**R0210**	0	10,801	0	45,359	7,751	203,776	254,797	159,626	12,115
Gross – accepted proportional reinsurance business	**R0220**	0	2	0	2,821	0	3,873	7,627	9,287	7
Gross – accepted non-proportional reinsurance business	**R0230**									
Share of reinsurers	**R0240**	0	9,114	0	47,451	6,882	192,154	242,149	153,917	9,491
Net	**R0300**	0	1,690	0	729	869	15,495	20,275	14,997	2,631
Expenses for insurance claims										
Gross – Direct insurance business	**R0310**	0	3,372	0	33,441	10,249	87,893	133,376	108,329	1,671
Gross – accepted proportional reinsurance business	**R0320**	0	1	0	2,015	0	1,783	4,135	3,522	21

		Line of Business for: Non-Life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General liability insurance	Credit and surety insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Gross – accepted non-proportional reinsurance business	**R0330**									
Share of reinsurers	**R0340**	0	2,760	0	32,516	9,906	78,421	126,544	102,865	3,147
Net	**R0400**	0	612	0	2,940	344	11,255	10,968	8,986	-1,456
Change in other Technical										
Gross – Direct insurance business	**R0410**	0	0	0	0	141	-360	1,448	-1	1,222
Gross – accepted proportional reinsurance business	**R0420**	0	0	0	44	0	1,777	0	-1,353	0
Gross – accepted non-proportional reinsurance business	**R0430**									
Share of reinsurers	**R0440**	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	44	141	1,417	1,448	-1,354	1,222
Expenses incurred	**R0550**	0	699	0	1,619	1,018	-2,537	11,611	8,745	1,808
Other expenses	**R1200**									
Total expenses	**R1300**									

		Line of Business for: Non-Life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of Business for: accepted non-proportional reinsurance business				Total
		Legal expense insurance	Assistance	Miscellaneous financial losses	Health	Accident	Marine, aviation and transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Written premiums									
Gross – Direct insurance business	**R0110**	3,653	0	21,806					742,741
Gross – accepted proportional reinsurance business	**R0120**	0	0	0					16,368
Gross – accepted non-proportional reinsurance business	**R0130**				0	0	0	0	0
Share of reinsurers	**R0140**	3,142	0	19,050	0	0	0	0	690,967
Net	**R0200**	510	0	2,756	0	0	0	0	68,142
Earned premiums									
Gross – Direct insurance business	**R0210**	1,711	0	21,409					717,345
Gross – accepted proportional reinsurance business	**R0220**	0	0	0					23,618
Gross – accepted non-proportional reinsurance business	**R0230**				0	0	0	0	0
Share of reinsurers	**R0240**	1,658	0	18,772	0	0	0	0	681,588
Net	**R0300**	53	0	2,637	0	0	0	0	59,375

		Line of Business for: Non-Life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)			Line of Business for: accepted non-proportional reinsurance business				Total
		Legal expense insurance	Assistanc e	Miscellaneous financial losses	Health	Accident	Marine, aviation and transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Expenses for insurance claims									
Gross – Direct insurance business	**R0310**	1,238	0	18,517					398,085
Gross – accepted proportional reinsurance business	**R0320**	0	0	0					11,477
Gross – accepted non-proportional reinsurance business	**R0330**				0	0	0	0	0
Share of reinsurers	**R0340**	1,177	0	16,199	0	0	0	0	373,535
Net	**R0400**	60	0	2,318	0	0	0	0	36,027
Change in other Technical									
Gross – Direct insurance business	**R0410**	0	0	0					2,450
Gross – accepted proportional reinsurance business	**R0420**	0	0	0					469
Gross – accepted non-proportional reinsurance business	**R0430**				0	0	0	0	0
Share of reinsurers	**R0440**	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	2,918
Expenses incurred	**R0550**	261	0	1,088	0	0	0	0	24,312
Other expenses	**R1200**								
Total expenses	**R1300**								24,312

S.05.02.01
Premiums, receivables and expenses by country

		Country of origin	Top 5 countries (by amount of gross premiums written) — Non-Life obligations					Total – top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		AU	CA	GB	SE	US	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Written premiums								
Gross – Direct insurance business	R0110	26,395	40,352	66,574	146,031	84,650	245,028	609,030
Gross – accepted proportional reinsurance business	R0120	1,302	0	0	6,589	921	0	8,812
Gross – accepted non-proportional reinsurance business	R0130	0	0	0	0	0	0	0
Share of reinsurers	R0140	25,313	36,310	59,127	210,601	71,238	216,825	619,413
Net	R0200	2,384	4,042	7,447	-57,981	14,333	28,203	-1,571
Earned premiums		0	0	0	0	0	0	0
Gross – Direct insurance business	R0210	27,213	39,081	54,784	139,866	77,386	234,494	572,825
Gross – accepted proportional reinsurance business	R0220	1,234	0	0	13,469	902	43	15,648
Gross – accepted non-proportional reinsurance business	R0230	0	0	0	0	0	0	0
Share of reinsurers	R0240	25,952	35,432	50,007	211,824	65,334	207,427	595,977
Net	R0300	2,496	3,649	4,777	-58,489	12,953	27,110	-7,504
Expenses for insurance claims		0	0	0	0	0	0	0
Gross – Direct insurance business	R0310	7,684	22,750	38,197	69,083	41,624	139,699	319,037
Gross – accepted proportional reinsurance business	R0320	22	0	69	10,865	-215	24	10,765
Gross – accepted non-proportional reinsurance business	R0330	0	0	0	0	0	0	0
Share of reinsurers	R0340	-26	20,331	34,706	122,709	33,886	124,406	336,012
Net	R0400	7,732	2,419	3,560	-42,761	7,523	15,317	-6,210

		Country of origin	Top 5 countries (by amount of gross premiums written) — Non-Life obligations					Total – top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		AU	CA	GB	SE	US	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Change in other Technical Provisions								
Gross – Direct insurance business	R0410	0	0	0	2,450	0	0	2,450
Gross – accepted proportional reinsurance business	R0420	0	0	0	469	0	0	469
Gross – accepted non-proportional reinsurance business	R0430	0	0	0	0	0	0	0
Share of reinsurers	R0440	0	0	0	0	0	0	0
Net	R0500	0	0	0	2,918	0	0	2,918
Expenses incurred	R0550	55	604	-269	-5,728	-3,007	12,953	4,607
Other expenses	R1200							2,952
Total expenses	R1300							7,559

S.17.01.02

Technical Provisions Non-Life insurance

		Direct insurance business and accepted proportional reinsurance business								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General liability insurance	Credit and surety insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical Provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0	0
Total recoverables from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counter-party default associated to TP calculated as a whole	**R0050**									
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Unearned premium reserve										
Gross	**R0060**	0	-376	0	9,977	1,619	-2,029	27,916	41,099	3,882
Total recoverables from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counter-party default	**R0140**	0	-255	0	5,687	1,526	-2,914	21,726	30,369	3,141
Net Best Estimate for unearned premium reserve	**R0150**	0	-120	0	4,290	93	885	6,191	10,730	741

		Direct insurance business and accepted proportional reinsurance business								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General liability insurance	Credit and surety insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Loss reserves										
Gross	**R0160**	-29	14,353	0	51,898	13,069	371,433	290,807	756,735	15,675
Total recoverables from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counter-party default	**R0240**	-14	12,298	0	45,047	10,412	347,482	263,664	690,571	12,046
Net Best Estimate for loss reserves	**R0250**	-15	2,056	0	6,852	2,657	23,951	27,144	66,163	3,630
Best Estimate total – gross	**R0260**	-29	13,978	0	61,875	14,687	369,404	318,723	797,833	19,557
Best Estimate total – net	**R0270**	-15	1,935	0	11,142	2,749	24,836	33,334	76,893	4,371
Risk margin	**R0280**	0	286	0	427	94	2,618	1,968	7,360	692
Scope of the transitional measure with Technical Provisions										
Technical Provisions calculated as a whole	**R0290**									
Best Estimate	**R0300**									
Risk margin	**R0310**									

		Direct insurance business and accepted proportional reinsurance business								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other property insurance	General liability insurance	Credit and surety insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical Provisions – total										
Technical Provisions – total	**R0320**	-29	14,264	0	62,302	14,781	372,022	320,691	805,193	20,249
Total recoverables from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counter-party default	**R0330**	-14	12,042	0	50,734	11,938	344,568	285,389	720,940	15,186
Total Technical Provisions less recoverables from reinsurance / SPV and Finite Re	**R0340**	-15	2,222	0	11,568	2,843	27,454	35,302	84,252	5,063

		Direct insurance business and accepted proportional reinsurance business			Accepted non-proportional reinsurance business				
		Legal expense insurance	Assistance	Miscellaneous financial losses	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligations
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical Provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0
Total recoverables from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counter-party default associated to TP calculated as a whole	**R0050**								
Technical provisions calculated as a sum of BE and RM									
Best Estimate									
Unearned premium reserve									
Gross	**R0060**	307	0	2,579	0	0	0	0	84,974
Total recoverables from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counter-party default	**R0140**	135	0	475	0	0	0	0	59,889
Net Best Estimate for unearned premium reserve	**R0150**	172	0	2,104	0	0	0	0	25,085

		Direct insurance business and accepted proportional reinsurance business			Accepted non-proportional reinsurance business				
		Legal expense insurance	Assistance	Miscellaneous financial losses	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligations
		C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Loss reserves									
Gross	**R0160**	846	0	18,264	0	0	0	0	1,533,052
Total recoverables from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counter-party default	**R0240**	831	0	15,552	0	0	0	0	1,397,887
Net Best Estimate for loss reserves	**R0250**	16	0	2,712	0	0	0	0	135,165
Best Estimate total – gross	**R0260**	1,154	0	20,843	0	0	0	0	1,618,026
Best Estimate total – net	**R0270**	188	0	4,816	0	0	0	0	160,249
Risk margin	**R0280**	9	0	233	0	0	0	0	13,687
Scope of the transitional measure with Technical Provisions									
Technical Provisions calculated as a whole	**R0290**								
Best Estimate	**R0300**								0
Risk margin	**R0310**	0	0	0	0	0	0	0	0
Technical Provisions – total									
Technical Provisions – total	**R0320**	1,162	0	21,077	0	0	0	0	1,631,712
Total recoverables from reinsurance / SPV and Finite Re after the adjustment for expected losses due to counter-party default	**R0330**	966	0	16,027	0	0	0	0	1,457,776
Total Technical Provisions less recoverables from reinsurance / SPV and Finite Re	**R0340**	197	0	5,049	0	0	0	0	173,936

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Claims from Non-Life insurance

Claim year / Underwriting year	Z0010	2

Gross claims paid (not cumulative)
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+		In the current year	Total years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Befo	R0100											8,818	R0100	8,818	8,818
N-9	R0160	11,883	58,587	42,006	27,426	10,241	22,455	5,149	1,922	869	3,533		R0160	3,533	184,071
N-8	R0170	19,140	61,845	56,371	33,158	29,554	7,119	6,459	5,166	5,973			R0170	5,973	224,785
N-7	R0180	6,829	60,233	73,734	43,027	35,019	15,996	19,929	9,198				R0180	9,198	263,965
N-6	R0190	16,406	117,224	121,557	71,961	79,781	64,805	30,630					R0190	30,630	502,365
N-5	R0200	28,641	130,340	138,291	109,831	71,378	52,359						R0200	52,359	530,839
N-4	R0210	18,412	138,244	111,214	85,011	57,214							R0210	57,214	410,094
N-3	R0220	44,094	192,629	179,909	82,678								R0220	82,678	499,310
N-2	R0230	23,630	187,943	102,635									R0230	102,635	314,208
N-1	R0240	34,011	171,766										R0240	171,766	205,776
N	R0250	30,791											R0250	30,791	30,791
												Total	R0260	555,594	3,166,204

Best Estimate (gross) for non-discounted loss reserves
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Befo	R0100											53,907
N-9	R0160	-	-	-	-	-	-	-	-	-	16,167	
N-8	R0170	-	-	-	-	-	-	-	-	28,525		
N-7	R0180	-	-	-	-	-	-	-	33,931			
N-6	R0190	-	-	-	-	-	-	80,035				
N-5	R0200	-	-	-	-	-	130,202					
N-4	R0210	-	-	-	-	199,705						
N-3	R0220	-	-	-	251,878							
N-2	R0230	-	-	228,391								
N-1	R0240	-	317,311									
N	R0250	218,641										

		Year-end (discounted data)
		C0360
	R0100	52,495
	R0160	15,657
	R0170	27,800
	R0180	32,868
	R0190	77,513
	R0200	126,509
	R0210	193,445
	R0220	245,167
	R0230	222,986
	R0240	310,803
	R0250	214,741
Total	R0260	1,467,488

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Own funds

		Total	Tier 1 — unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deducting participations and other financial sectors within the meaning of Article 68 of the Delegated Directive (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	121,600	121,600			
Issue premium applicable to ordinary share capital	**R0030**	0				
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings	**R0040**	0				
Subordinated mutual member accounts	**R0050**	0				
Surplus funds	**R0070**	0				
Preference shares	**R0090**	0				
Issue premium applicable to preference shares	**R0110**	0				
Reconciliation reserve	**R0130**	78,330	78,330			
Subordinated liabilities	**R0140**	69,475			69,475	
An amount equal to the value of net deferred tax assets	**R0160**	0				
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0				
Total amount of basic own funds after deductions	**R0290**	269,405	199,930	0	69,475	0

		Total	Tier 1 — unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Supplementary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, which were not paid in and not requested, but which can be recovered upon request	**R0310**	0				
Unpaid and uncalled preference shares callable on demand	**R0320**	0				
A legally binding obligation to write and settle subordinated liabilities upon demand	**R0330**	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0				
Other letters of credit and guarantees as such pursuant to Article 96 Para 2 of the 2009/138/EC Directive	**R0350**	0				
Requests issued to members for back payment pursuant to Article 96 Para 3 Sub-Para 1 of the 2009/138/EC Directive	**R0360**	0				
Requests issued to members for back payment – others as such pursuant to Article 96 Para 3 Sub-Para 1 of the 2009/138/EC Directive	**R0370**	0				
Other supplementary own funds	**R0390**	0				
Total ancillary own funds	**R0400**	0				
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	269,405	199,930	0	69,475	
Total available own funds to meet the MCR	**R0510**	269,405	199,930	0	69,475	
Total eligible own funds to meet the SCR	**R0540**	269,405	199,930	0	69,475	
Total eligible own funds to meet the MCR	**R0550**	207,957	199,930	0	8,028	
Solvency Capital Requirement (SCR)	**R0580**	160,552				
Minimum Capital Requirement	**R0600**	40,138				
Ratio of eligible own funds to SCR	**R0620**	1.6780				
Ratio of eligible own funds to MCR	**R0640**	5.1811				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	199,930	
Treasury shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**		
Other basic own fund items	**R0730**	121,600	
Adjustment for restricted own fund components in matching-adjustment portfolios and ring-fenced funds	**R0740**		
Reconciliation reserve	**R0760**	78,330	
Expected profits			
Expected profits included in future premiums (EPIFP) — Life business	**R0770**	56	
Expected profits included in future premiums (EPIFP) — Non-Life business	**R0780**	3,498	
Total expected profits included in future premiums (EPIFP)	**R0790**	3,554	

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Solvency Capital Requirement — for undertakings on standard formula

		Gross Solvency Capital Requirement	USP	Simplifications
		C0100	C0090	C0100
Market risk	R0010	34,631		
Counter-party default risk	R0020	48,763		
Life underwriting risk	R0030	0		-
Health underwriting risk	R0040	23,226		-
Non-life underwriting risk	R0050	74,052		-
Diversification	R0060	-52,976		
Risk intangible assets	R0070	0		
Basic Solvency Capital Requirement	R0100	127,696		

Calculating the Solvency Capital Requirement		C0100
Operational risk	R0130	38,309
Loss absorption capability of Technical Provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-5,454
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement without capital add-on	R0200	160,552
Capital add-on already set	R0210	0
Solvency Capital Requirement (SCR)	R0220	160,552
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to the aggregation of the fictitious Solvency Capital Requirement for ring-fenced funds pursuant to Article 304	R0440	

S.28.01.01
Minimum Capital Requirement — Only Life or only Non-Life insurance or reinsurance activity

Component of the linear formula for Non-Life insurance and reinsurance obligations

		C0010
MCR_{NL} result	R0010	24,007

		Best Estimate (of reinsurance / SPV) best estimate and TP calculated as a whole	Written premiums (after the deduction of reinsurance) in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	-15	0
Income protection insurance and proportional reinsurance	R0030	1,935	1,286
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	11,142	5,854
Other motor insurance and proportional reinsurance	R0060	2,749	349
Marine, aviation and transport insurance and proportional reinsurance	R0070	24,836	16,589
Fire and other damage to property insurance and proportional reinsurance	R0080	33,334	23,135
General liability insurance and proportional reinsurance	R0090	76,893	15,151
Credit and surety insurance and proportional reinsurance	R0100	4,371	1,837
Legal expenses insurance and proportional reinsurance	R0110	188	510
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	4,816	2,700
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional Non-Life reinsurance	R0170	0	0

A component part of the linear formula for Life insurance and reinsurance obligations

		C0040
MCR_L result	R0200	0

		Best Estimate (of reinsurance / SPV) best estimate and TP calculated as a whole	Net (after deduction of reinsurance / SPV) total capital at risk
		C0050	C0060
Obligations with profit participation — guaranteed benefits	R0210	0	
Obligations with profit participation — future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other Life (re)insurance and Health (re)insurance obligations	R0240	0	
Total risk capital for all Life (re)insurance obligations	R0250		0

Total MCR calculation

		C0070
Linear MCR	R0300	24,007
SCR	R0310	160,552
MCR cap	R0320	72,248
MCR floor	R0330	40,138
Combined MCR	R0340	40,138
Absolute MCR floor	R0350	3,700
		C0070
Minimum Capital Requirement	R0400	40,138