

# Connecting the Future

RheinLand  
VERSICHERUNGS AG

RheinLand Versicherungs AG  
Annual Report for the Year 2018



RheinLand Versicherungs AG  
Annual Report for the Year 2018

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Minor rounding differences may arise in this report in totals and in calculating percentages.  
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in calculating percentages.

# Supervisory Board

Anton Werhahn  
Commercial agent  
Neuss  
Chairman

Wilhelm Ferdinand Thywissen  
Commercial agent  
Commercial agent, Managing Director of C. Thywissen VV GbR  
Neuss  
Deputy Chairman

Dr. Ludwig Baum  
Commercial agent  
Managing Director of Portfolio Management  
Cornel Werhahn GbR  
Munich

Jutta Stöcker  
Graduate of Business Administration  
Former member of the Executive Board of RheinLand Holding AG  
Bornheim

Andreas Daners  
Chairman of the Staff Council of RheinLand Versicherungs AG  
Jüchen  
Elected by employees

Jürgen Stark  
Business IT Professional  
Brühl  
Elected by employees

# Executive Board

Christoph Buchbender  
Certified Insurance Agent  
Neuss

Dr. Lothar Horbach  
Professional Auditor and Tax Advisor  
Cologne

Udo Klanten  
Commercial Banking Agent  
Commercial Agent  
Bonn

Andreas Schwarz  
Fully-authorised attorney  
Neuss

# Supervisory Board Report

In 2018, on the basis of written and verbal reports provided by the Executive Board in nine sessions, the Supervisory Board gained in-depth information on the status and growth of the company, business performance and fundamental questions concerning company policy. In doing so, it conferred with the Executive Board on the strategic orientation of the company and group, the planning of measures for 2018 and 2019, as well as all essential business findings and projects. Transactions requiring approval by law and company statute were discussed at length with the Executive Board.

The sales orientation of the company and the updating of the product range were discussed at length with the Executive Board. The Executive Board has informed the Supervisory Board about the achievement of the objectives for the current financial year and medium-term planning. Moreover, the discussions focused on the following: the capitalisation of the company, securing the risk-bearing capability, ensuring sufficient liquidity, measures to reduce costs, regulatory measures and consumer protection, digitalisation of the Group, as well as the rating by ASSEKURATA.

The Supervisory Board has gained an assurance of the application of the existing risk management system and devoted close attention to this management and monitoring system. The Executive Board regularly informed the Supervisory Board both in writing and verbally concerning the risk situation of the company. The risk reporting was covered in the supervisory board meetings. Furthermore, the audit findings of the internal auditing department were discussed. The Executive Board also provided a report to the Supervi-

sory Board about compliance-related topics and about the compliance organisation and processes. In addition, the Supervisory Board was informed once each in meetings by the respective managers responsible for risk management, internal auditing and compliance, as well as by the responsible actuary. Moreover, the Supervisory Board was informed by the responsible parties on the topics of data protection and IT security.

In individual talks outside the Supervisory Board meetings, the Supervisory Board Chairman discussed questions concerning business policy, strategic objectives, as well as organisation and individual transactions.

At the December meeting, the Supervisory Board again reviewed its work methodologies and the efficiency of its activities. The quantity and quality of materials, the number of meetings, the preparation time, along with the substantive organisation and transparency of the Supervisory Board meetings met the complete approval Supervisory Board of all members. In 2018, the Supervisory Board again underwent further training. The main topics here were: Reinsurance and underwriting in the case of Italy and questions in the area of bank and cooperation sales.

There is no separate remuneration by the company for the members of the Executive Board, as this is provided by the parent company, RheinLand Holding AG. The remuneration provided by Rheinland Holding AG is allocated according to an existing agreement between the companies of Rheinland Versicherungsgruppe following the cost-by-cause principle and thus proportionately to the company.



In accordance with statutory rules, the annual financial statements of 2018 and the Management Report were audited and issued an unqualified auditor's opinion by the appointed statutory auditor PriceWaterhouseCoopers GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt, Düsseldorf branch office. The statutory auditor was present during the discussion of the annual financial statements and Management Report. He reported on the performance of the audit and was available to provide additional information.

The Supervisory Board examined the annual financial statements and the Management Report. According to the final result of its audit, it has no objections and approves the annual financial statements and Management Report of RheinLand Versicherungs AG for the financial year of 2018. The presented 2018 annual financial statements are thereby approved.


The Supervisory Board thanks the Executive Board and all employees of the RheinLand Versicherungsgruppe for their hard work and dedication in the reporting year.

Neuss, 9 April 2019

The Supervisory Board

Anton Werhahn  
Chairman

# Management Report

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# Principles of the Company

## Company

The roots of RheinLand Versicherungs AG go back to the year of its founding in 1880, when Feuerversicherungs-Gesellschaft Rheinland Aktiengesellschaft (Fire insurance Rhineland Corporation) began operations. RheinLand Versicherungs AG is part of RheinLand Versicherungsgruppe and is essentially the risk carrier for business brokered by the Group's own sales force and concluded via bank and cooperation sales, to the extent that composite elements exist. The company's legal domicile is Neuss, Germany.

RheinLand Versicherungs AG has maintained a branch office in Amsterdam since 2014 and a branch office in Milan since 2017.

## Business model

The RheinLand Versicherungsgruppe brand stands for its own field sales staff, which is represented with its regional offices and branches in many major cities. Throughout Germany, some 270 general agents and customer representatives give our field sales staff a clear profile. They are specialised in the property and life insurance business. The target group, in addition to private customers, also includes commercial customers up to medium-sized enterprises.

## Relationships to Affiliated Companies

In the reporting year, RheinLand Versicherungs AG was merged with RheinLand Holding AG, Neuss, and its subsidiaries. With regard to these companies, positions in both the Supervisory Board and the Executive Board are mainly held concurrently. For further information, please refer to our statements among shares in affiliated companies in the notes. The protective clause according to Section 286 (3) (1) (2) German Commercial Code (HGB) was invoked.

There is a control and profit transfer agreement with RheinLand Holding AG.

A service contract for the technical and commercial management of the insurance portfolio, asset management and investment, as well as general administration, exists with RheinLand Lebensversicherung AG, Credit Life AG, the Rhion Versicherung AG and RheinLand Holding AG.

In addition, the life insurance field sales organisation provided brokerage service for RheinLand Lebensversicherung AG, which does not have its own sales organisation.

## Relations with affiliated companies

The following memberships exist, among others:

- German Insurance Association, Berlin, as well as its member industry associations
- Employers' Association of Insurance Companies, Munich
- Verkehrsofferhilfe e.V. (association for the assistance of traffic accident victims), Hamburg
- Deutsches Büro Grüne Karte e.V. (German Green Card Bureau), Hamburg
- Versicherungsombudsmann e.V. (Insurance Ombudsman), Berlin
- Pensions-Sicherungs-Verein VVaG (Pension Protection Mutual Organisation), Cologne.
- Berufsbildungswerk der Versicherungswirtschaft Rheinland (BWW) e.V. (Rhineland Insurance Industry's Vocational Training Centre), Cologne
- InsurLab Germany e.V., Cologne
- German Economic Institute Cologne
- Association of Sponsors of the Institute of Insurance Studies at the Cologne University of Applied Sciences

# Legal framework conditions and Compliance

For the insurance industry, there were several regulatory changes in the 2018 financial year, landmark decisions by the German Supreme Court and important announcements by the Federal Financial Supervisory Authority (BaFin). These include in particular:

- two rulings of the Federal Court of Justice of 21 February 2018 on the statute of limitations of the claim based on unjust enrichment after declaration of objection pursuant to Section 5a Insurance Contract Act previous version (policy model) and right of revocation after declaration of withdrawal according to Section 8 Insurance Contract Act old version.
- the entry into force on 23 February 2018 of Act on the implementation of Directive EU 2016/97 Insurance Distribution Directive (IDD)
- the Regulation on Information Obligations for Insurance Contracts (VVG-InfoV) of 6 March 2018
- the entry into force of the EU General Data Protection Regulation (GDPR) and the new version of the Federal Data Protection Act (BDSG) effective on 25 May 2018
- Circular 10/2018: Supervisory Requirements for IT in Insurance Undertakings (VAIT) of 2 July 2018
- the 5th Money Laundering Directive EU 2018/843 of 9 July 2018
- the Act for Implementation of a Civil Law Model Declaratory Action (Musterfeststellungsklage) of 12 July 2018
- die Regulation on Insurance Mediation (VersVermV) of 20 December 2018.

All legal amendments, decisions and announcements were reviewed in terms of need for action, and necessary adjustments were made.

With two rulings of 21 February 2018, of the Federal Court of Justice decided on the statute of limitations of the claim based on unjust enrichment after declaration of objection pursuant to Section 5a Insurance Contract Act previous version (policy model) and revocation after declaration of withdrawal according to Section 8 Insurance Contract Act old version. The rulings

are significant against the backdrop of numerous legal disputes in connection with the former policy model. The Federal Court of Justice decided that in the case of omitted or incorrect legal instruction according to the policy model, the limitation period begins with the declaration of objection or withdrawal and any claims for reimbursement are therefore normally time-barred after three years.

The Act on the implementation of Directive EU 2016/97 Insurance Distribution Directive (IDD) was implemented in German law effective 23 February 2018. The implementation took place in particular through amendments to the Trade, Commerce and Industry Regulation Act, the Insurance Supervision Act and the German Insurance Contract Act. In the course of the year, concrete ordinances (Regulation on Information Obligations for Insurance Contracts (VVG), Regulation on Insurance Mediation (VersVermV)) went into force. All new legal requirements resulting from the Act Implementing the IDD Directive and the ordinances were duly implemented by the RheinLand Versicherungsguppe within the scope of a project.

The legal requirements according to the General Data Protection Regulation and the (new) Federal Data Protection Act were implemented on schedule on 25 May 2018. The data protection management system was revised and restructured, above all taking into account the interests of the natural persons concerned (customers, prospects, employees, other third parties).

BaFin published a circular on 2 July 2018 concerning insurance supervisory requirements for IT, which takes into account the central importance of the use of information technology for insurance companies. The topics of the publication include IT strategy, IT governance, information risk management, information security management, user authorisation management, IT projects, IT operations and spin-offs, and other IT-related services. By making various process adjustments, the specific understanding of the interpretation by the supervisory authorities was taken into account.

The 5th Money Laundering Directive went into force on 9 July 2018 and is to be implemented into national law by the member states by 10 January 2020. The Directive includes the following amendments: Stricter treatment of e-money, access to the transparency register is facilitated, duties of due diligence vis-à-vis business partners with a relationship to high-risk countries are newly defined; the offices whose holders are considered politically exposed persons and thus business partners for whom special care is required.

The Act for Implementation of a Civil Law Model Declaratory Action (Musterfeststellungsklage) went into force on 1 November 2018. The purpose of the model declaratory action is to enable certain consumer protection associations to clarify the conditions giving rise to a claim in favour of at least 50 consumers by way of the declaratory action. The decision of the court is binding both for the notified consumers and on the respondent companies.

# Business Performance and Profit Position

## Business Performance

In the past business year, the premium income of RheinLand Versicherungs AG for the entire insurance business increased to € 238,909 K (previous year: € 221,099 K). The significant growth is seen above all in direct insurance business, where premiums written increased to € 227,261 K (previous year: € 213,823 K). However, also in the assumed reinsurance business, premium income, after a slight decline in the previous year, also showed a positive trend, rising to € 11,648 K (previous year: € 7,275 K).

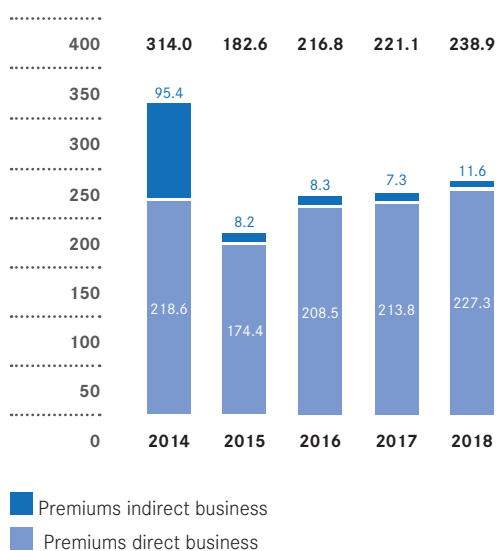
We mainly achieved the above-mentioned premium growth through bank and cooperation sales. With our German partners, operating in a highly competitive market, we were able to post significant increases with all product lines and in all business segments. A relationship has developed particularly well to a cooperative banking association, which has been relying on our expertise in hedging solutions for mortgage deals for some time and has now intensified its cooperation with us in the area of consumer credit. Cooperation with automobile credit banks also gained new momentum. The momentum recorded in the domestic market was reflected at the international level. Although growth in the Dutch and Italian markets was somewhat more restrained than in previous years, we once again recorded significant sales increases in both markets.

By contrast, the insurance business brokered via our field sales staff experienced a slight decline. In order to stop this trend in the field sales force and to begin a vigorous new approach, digital topics moved more strongly into the focus than before. This was accompanied by an even more disciplined approach in order to adapt the paradigms and habits in our field sales staff to modern requirements. For the digitalisation of our sales activities, we gathered some concrete ideas from several trips to Silicon Valley last year. It was important to us during these trips to also involve agency owners, who were able to see with their own eyes the potential that can be harnessed for sales. At the same time, we are convinced that also in the future, the strength of our field sales staff, also in the future, will lie in add-

ing a personal touch to the insurance business. As a result, we are enhancing our image compared to our competitors, especially in today's market. That is why the automation of processes and the introduction of new technical tools are mainly intended to provide support to our people in consulting and sales.

For business success, we provide our field sales staff with attractive products developed by our own company and by strong cooperation partners. Car insurance remains a significant element in this context. Upholding this high priority, a new car insurance premium scale was launched in the market last year. In designing it, the data pool behind the vehicle identification number came into focus: The information derived from it enter directly into the premium calculation. This digitalised process, in combination with the individual modules and services, was immediately met with a high level of acceptance. Moreover, we have created targeted incentives towards further developing the respective agency portfolios based on quality criteria. This has enabled us to make a big difference, especially in homeowner's insurance. On the product side, further highlights were created with the launch of the new accident premium model; towards the end of the year, independent disability insurance was also introduced.

Development of the posted premiums in mill. €



**Composition of the posted premiums**

	2018	2017	Change
	Total	Total	in %
Direct insurance operations	227.26	213.82	6.3
Assumed Reinsurance Business	11.65	7.28	60.1
Gross premium income	238.91	221.10	8.1
Reinsurance business	39.50	36.88	7.1
Net premiums earned	199.41	184.22	8.2

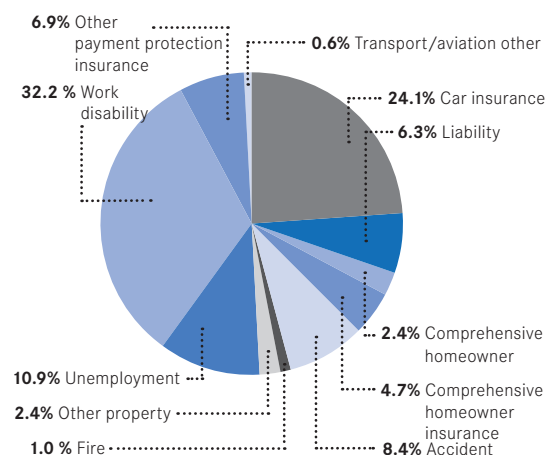
Although the portfolio was expanded in 2018, the positive development of claims expenditures continued as in the previous year. In car insurance, in particular, a favourable trend in claims led to a reduction in net claims expenditures. Aside from this development, 2018 was basically one of the worst storm years in the insurance industry. Amid the effects of these natural catastrophes, which varied in intensity by region in Germany, RheinLand Versicherungs AG was affected to a lesser extent than in previous years. In total, net expenses for insurance claims amounted to € 68,893 K in the reporting year (previous year: € 84,021 K). This development brought about an improvement of the carried loss ratio after reinsurance to 35.8% (previous year: 44.8%).

Major investments have been made to harness the opportunities offered by digitalisation. As a result of the additional costs for the expansion of our business, our costs of insurance operations rose to €130,008 K (previous year: €118,498 K).

In the net technical profit and loss account, direct insurance business generated a profit of €2,758 K (previous year: €-2,392 K) prior to change of equalisation provision. The result after reinsurance in indirect insurance business decreased to € 11,268 K (previous year: € 14,017 K).

For the entire net insurance business, a technical profit of €14,026 K (previous year: €11,625 K) was thus achieved before the change in the equalisation provision.

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**Shares of the insurance segments in the gross premium income in direct insurance operations on 31 December 2018**


## Investments and Investment earnings

RheinLand Versicherungs AG's investments decreased in the financial year by €1,432 K (0.4%) to a total of €334,733 K (previous year: €336,165 K).

At 92.5%, the asset investments are predominantly invested in fixed-income instruments.

As at 31 December 2018, the company had bank balances in the amount of €6,686 K. In addition, cash on hand amounted to € 41 K at the end of the year. The total portfolio of highly liquid investments amounted to €124,053 K as at the balance sheet date. In the financial year, there was sufficient solvency of the company at all times. There are no indications of liquidity being jeopardised at any time in the future, thanks to premium income and capital investment earnings.

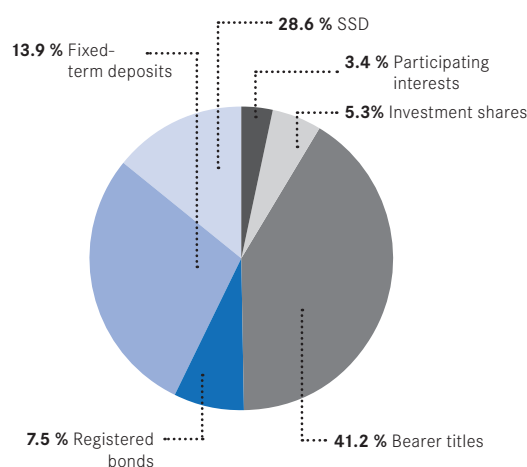
Current investment income amounts to €3,777 K (previous year: €4,867 K). Current investment costs are €352 K (previous year: €548 K).

The extraordinary investment earnings of RheinLand Versicherungs AG amount to € 467 K (previous year: €-2,538 K).

The total net investment income is € 3,892 K (previous year: €1,781).

Please refer to the Appendix from page 50 for the development of assets with details on the hidden reserves and burdens.

Composition of capital investments as a % of all investments (without deposits receivable)



## Interest

According to the formula recommended by the German Insurance Association, taking into consideration account extraordinary income and expenses, net interest is calculated based on the net investment result in proportion to the average investment portfolio. The resulting interest rate is 1.2% (previous year: 0.5%). The floating net interest of investments of the last three years (arithmetic mean of the net interest) reaches 1.4% (previous year: 1.6%). The average return on new investments for fixed-income securities, registered bonds and notes receivable declined by 0.1% to 0.8%.

## Equity

For information on the structure and development of the company's equity, please refer to the balance sheet item and our statements in the notes on page 56. There were no changes in the financial year compared with the previous year.



## Comments on the individual insurance segments

### Direct insurance operations

#### General accident

	2018	2017
	€K	€K
Gross premiums written	19,158	19,249
Gross costs for insurance claims	9,361	8,835
Gross technical income before change in the claims equalisation provision	728	1,147

The category of accident insurance covers general accident insurance and motor accident insurance. The majority of premium income, 99.8%, is generated in general accident insurance. At €19,158 K, premiums in personal accident insurance remained at previous year's level, while expenses for claims rose by around 6%, partly due to the establishment of additional reserves for major losses. Nonetheless, the insurance segment closed with a technical profit.

#### General third-party liability

	2018	2017
	€K	€K
Gross premiums written	14,306	13,826
Gross costs for insurance claims	6,279	7,843
Gross technical income before change in the claims equalisation provision	2,281	553

In the financial year, the company managed to boost premium income by 3.5% through expansion with co-operation partners. At the same time, a significantly more positive claims trend led to a positive technical result in general liability insurance.

#### Car insurance

	2018	2017
	€K	€K
Gross premiums written	54,667	60,233
Gross costs for insurance claims	44,407	49,599
Gross technical income before change in the claims equalisation provision	822	392

In the financial year, premium revenues in the car insurance sector declined by 9.2%. An essential reason for this decline is the new underwriting of the brokerage business at Rhion Versicherung AG. Following Rhion's taking up the car insurance segment in the previous year, the portfolio of brokered car insurance at RheinLand was banded at Rhion. As a result of the declining portfolio, claims expenditures simultaneously reduced by 10.5% and the car insurance business motor business again closed the business year with an underwriting profit.

In insurance against civil liability in the use of motor vehicles, due to the above-described special effect, a reduction of 9.9%. Despite an increase of the claims ratio to 87.1%, a positive technical result after equalisation provision was achieved in the segment.

In comprehensive car insurance, both premiums (7.8%) and claims expenditures (-13.0%) saw a decrease. Nevertheless, at the end of the business year, the segment posted a technical loss after equalisation provision.

The described premium income decrease (-11.3%) was also offset by higher claims expenses (18.5%) in the business year. As in the previous year, the segment achieved a net technical profit in 2018.

**Fire**

	2018	2017
	€K	€K
Gross premiums written	2,283	2,307
Gross costs for insurance claims	1,614	1,709
Gross technical income before change in the claims equalisation provision	-467	-537

The Fire sector comprises the insurance sectors of agriculture fire and Other miscellaneous fire. Premiums revenues in fire insurance experienced a slight decline compared to the previous year (-1.0%), at the same time, expenditures for insurance claims also declined (-5.6%). Despite the significantly better claims experience, the segment closed the business year with a negative underwriting result of € 543 K after changes in the claims equalisation provision.

**Comprehensive householder**

	2018	2017
	€K	€K
Gross premiums written	10,700	10,075
Gross costs for insurance claims	4,898	3,513
Gross technical income before change in the claims equalisation provision	1,381	2,368

In householders' comprehensive insurance, premium income grew by 6.2% to € 10,700 K, due to further expansion of business with existing cooperation partners. At the same time, claims expenses rose by €1,385 K, partly due to major losses. Despite the more unfavourable claims experience, a technical profit prior to equalisation provision was again achieved.

**Comprehensive homeowner**

	2018	2017
	€K	€K
Gross premiums written	5,528	4,902
Gross costs for insurance claims	5,855	4,899
Gross technical income before change in the claims equalisation provision	-3,497	-2,670

80% of business in the homeowners' comprehensive business involved co-insurance. Premiums in this segment rose by €625 K to €5,528 K thanks to business expansion and premium adjustments. Claims expenses rose by 19.5% as a result of increased damage due to natural catastrophes and major losses. Consequently, comprehensive homeowner insurance ended the business year with a net technical loss after allocation to the equalisation provision.

**Burglary**

	2018	2017
	€K	€K
Gross premiums written	1,416	1,397
Gross costs for insurance claims	1,223	1,221
Gross technical income before change in the claims equalisation provision	-279	-304

In the category of burglary insurance, premium income again saw an increase of 1.4% in the business year. Although expenditures for insurance claims remained at last year's level (+0.2%), the net technical income was negative.

**Water damage**

	2018	2017
	€K	€K
Gross premiums written	1,688	1,499
Gross costs for insurance claims	1,791	1,598
Gross technical income before change in the claims equalisation provision	-639	-602

Increased premium income (12.6 %) was also offset by higher claims expenses (12.0 %) in the business year. After allocation to equalisation provision, this led to the segment's finishing in 2018 with a negative net technical result.

**Glass**

	2018	2017
	€K	€K
Gross premiums written	709	729
Gross costs for insurance claims	157	300
Gross technical income before change in the claims equalisation provision	325	190

In glass insurance, premium income declined by 2.7 % to €709 K. Due to the more positive trend in claims, in which claims expenses declined by 47.7%, this insurance category generated a profit of €325 K at the end of the financial year.

**Windstorm**

	2018	2017
	€K	€K
Gross premiums written	1,453	1,397
Gross costs for insurance claims	875	664
Gross technical income before change in the claims equalisation provision	85	334

Premiums rose to €1,453 K, while claims expenditures rose by 31.9 %, also due to the rise in natural catastrophes. Despite the higher claims expenditure, the segment closed the business year with a positive technical result before equalisation provision.

**Transport**

	2018	2017
	€K	€K
Gross premiums written	150	143
Gross costs for insurance claims	-1	33
Gross technical income before change in the claims equalisation provision	94	51

In the business year, 4.9 % more premium income was achieved in the transport insurance segment. At the same time, due to favourable settlements in the previous year, there were lower claims expenditures. As a result, a net technical profit was generated in 2018 after allocation to the equalisation provision.

**Unemployment**

	2018	2017
	€K	€K
Gross premiums written	24,672	20,085
Gross costs for insurance claims	-192	2,079
Gross technical income before change in the claims equalisation provision	2,573	1,168

In the category of unemployment insurance, premium income again saw an increase of 22.8 % in the business year. Due to the settlement of an expiring old portfolio, there were lower expenses for insurance claims in the financial year (€ -192 K). All in all, the segment finished with a net technical profit.

**Work disability**

	2018	2017
	€K	€K
Gross premiums written	73,252	62,844
Gross costs for insurance claims	8,739	7,716
Gross technical income before change in the claims equalisation provision	1,240	3,228

Expansion of our portfolio enabled us to achieve premium growth of 16.6% in unemployment insurance. In connection with the expansion of business, expenses for insurance claims also rose by 13.3%. At the end of the business year, this segment showed a profit (€1,240 K) as with the previous year.

**Miscellaneous payment protection insurance**

	2018	2017
	€K	€K
Gross premiums written	15,769	13,744
Gross costs for insurance claims	1,199	5,067
Gross technical income before change in the claims equalisation provision	2,421	1,450

While claims expenses declined sharply (€-3,868 K), premium growth of 14.7% was achieved in other payment protection insurance solutions. Therefore, as in the previous year, it was possible to once again achieve positive technical result.

**Other and not subdivided insurance products**

	2018	2017
	€K	€K
Gross premiums written	1,509	1,394
Gross costs for insurance claims	69	304
Gross technical income before change in the claims equalisation provision	899	580

Premiums again rose in the other segments of insurance (+8.2%), while claims expenditures fell by €235 K to €69 K. As in the previous year, it was possible to generate an overall profit.

**Assumed Reinsurance Business  
Insurance business****Other and not subdivided  
Insurance**

In assumed reinsurance, premiums rose to € 11,648 K compared with the previous year, while expenses for insurance claims fell sharply. This once again resulted in a net technical profit for the financial year.

**Overall Result**

The marked increase in premium income due to the expansion of our cooperative agreements in combination with the significantly more positive claims trend was able to compensate for the higher operating expenses associated with the expansion of business, so that the company achieved a technical profit prior to changes in the equalisation provision in the business year. After the reversal of the equalisation provision of € 125 K (previous year: €-194 K), the net technical result of total business improved to €14,151 K (previous year: €11,431 K). The non-technical result decreased to €1,108 K (previous year: €2,986 K) due to extraordinary income from the reversal of provisions in the previous year.

After a tax expense of €1,893 T€ (previous year: €1,662 K), RheinLand Versicherungs AG transferred a profit of €13,366 K (previous year: €12,755 K) based on the profit and loss transfer agreement concluded with RheinLand Holding AG.

The profit transferred by the company exceeded our expectations within the scope of our strategic planning.

## Development of distribution channels

RheinLand Versicherungs AG is the risk carrier for the composite business underwritten by our full-range organisation. In addition, bank and cooperation distribution sales is allocated to RheinLand Versicherungs AG.

The solid development of our exclusive agency organisation continued in the past business year. With a predominantly constant number of agencies and staffing levels, our field sales force was able to maintain a stable level of sales results.

In order to create the best conditions for the future viability of our branch offices and regional offices, there was greater focus on digital topics than in the past. This was accompanied by an even more disciplined approach in order to adapt the paradigms and habits in our field sales staff to modern requirements. A major willingness exists to take the next steps to benefit from the new opportunities in consulting and sales.

For the digitalisation of our sales activities, we gathered some concrete ideas last year from several trips to Silicon Valley last year and evaluated various innovation in terms of their practical application. A key reference point in this regard was the Plug and Play innovation platform, with which we have concluded a cooperation agreement. It was important to us during these trips to also involve agency owners, who were able to see with their own eyes the potential that can be harnessed for sales. Those who experience firsthand the dynamic pace of the digital scene are apt to gain a new perspective and become more open to what is already reality today or will be over the medium term.

At the same time, we are convinced that the strength of our field sales staff, also in the future, will lie in adding a personal touch to the insurance business. As a result, we are enhancing our image compared to our competitors, especially in today's market. Thanks to their firm local roots and their tireless commitment,

many owners of our branch offices and regional offices have become a brand themselves. That is why the automation of processes and the introduction of new technical tools are mainly intended to provide support to our people in consulting and sales.

A good example of this is the new information portal for the field sales staff, which was launched with high expectations towards the end of the year. With this portal, we are now noticeably facilitating everyday work routines, as all work-related functionalities and processes can be easily accessed with just one registration. The portal was implemented within the framework of the interdisciplinary "DiPOSS" project.

For business success, we provide our field sales staff with attractive products developed by our own company and by strong cooperation partners. Car insurance remains a significant element in this context. Upholding this high priority, we launched a new car insurance premium scale in the market last year. In designing it, the data pool behind the vehicle identification number came into focus: The information derived from it enters directly into the premium calculation. This digitalised process, in combination with the individual modules and services, was immediately met with a high level of acceptance. Moreover, we have created targeted incentives towards further developing the respective agency portfolios based on quality criteria. This has enabled us to make a big difference, especially in homeowner's insurance. On the product side, further highlights were created with the launch of the new accident premium model; towards the end of the year, independent disability insurance was also introduced. Sales activities are flanked by a broad-based marketing programme. We promote the presence of our agencies in social media and would like to generate even more attention with our offers and services at various points of the "customer journey". That is why our digital marketing for the exclusive agency organisation significantly enhanced its image over the past year. In this context, we have designed a "digital menu" that contains our strategy for the years to come.

Last year, the Bancassurance sales channel was re-named Bank and Cooperation Sales. The new name is aligned with the future-driven restructuring and expansion of the business segments. In addition to partners from the financial and insurance sectors, the focus has shifted to digital mobility providers, start-ups and payment services. As a result of this new orientation, the term "bancassurance", previously used for this distribution channel, had become obsolete. We will continue to successfully provide support to our partners with competitive concepts in the areas of payment protection insurance, term life insurance and car insurance solutions. From product development, through portfolio management, right down to claims settlement, the bank and cooperation distribution channel offers insurance solutions and services from a single source, individually adapted to the respective target groups and sales channels.

With our German partners, operating in a highly-competitive market, we were able to reverse the trend of previous years and to record significant growth impetus again with all product lines and in all business segments. A relationship has developed particularly well to a cooperative banking association, which has been relying on our expertise in hedging solutions for mortgage deals for some time and has now intensified its cooperation with us in the area of consumer credit. Cooperation with automobile credit banks also gained new momentum. In addition, we were able to attract increased attention with our range of additional credit card products and services and thus further expand this business segment.

In order to strengthen our digital know-how in bank and cooperation sales, we have launched several pilot projects. It is our goal to streamline our processes through ever-improved technical knowledge and to gain an edge at the point of sale. With our patent-pending innovation "mobiVERS"—an app—we offer car dealers the opportunity to also serve the large target group of cash payers and third-party financiers with hedging products and thus increase their own profitability. We also focus on platforms for private mortgages whose business models match our profile.

The digital development in banking and cooperative sales is being buoyed by new working environments: Agile methods, teamwork and the associated networking across department boundaries are playing an ever more important role. Against this backdrop, a significant proportion of the workplaces in our unit have been converted into an open office Space in close consultation with the works council and employees, and the positive effect on our work processes became apparent shortly after we moved in.

One of the challenges of last year was the issue of regulatory affairs. We take the associated responsibility towards our partners and customers very seriously. We have prudently dealt with the various consumer protection amendments and initiatives, analyzing in detail their possible consequences for our business. We strive towards developing forward-looking solutions on the basis of which we can continue our growth course.

The momentum recorded in the domestic market was reflected in banking and cooperation sales activities at the international level. Although growth in the Dutch and Italian markets was somewhat more restrained than in previous years, we once again recorded significant sales increases in both markets.

In Italy, working in cooperation with our local sales and settlement specialists, we successfully established with additional partners our concept for securing the country-specific credit model "Cessione del Quinto dello Stipendio" for civil servants and other employees and "Cessione del Quinto della Pensione" for pensioners with other partners. The business managed by our Milan office thus met our expectations. In the Netherlands, we were able to maintain our strong position in the product fields of term life insurance and payment protection insurance. The staffing of our team in our Amsterdam branch office has also been expanded to introduce a new underwriting model in cooperation with a major reinsurer, which will bring us significant savings and efficiency gains in the short term.



# Risk report

Pursuant to section 91 (2) Joint Stock Company Act (AktG), joint stock companies are obliged to report on the risks of future development. In addition, Solvency II prescribes additional statutory requirements for the risk management of insurance companies. The fulfilment of these requirements was implemented uniformly throughout the Group.

The risk management documentation is reviewed on an annual basis and revised where necessary. In particular, this includes the risk strategy derived from the business strategy, the internal risk management guideline, the limit system and the handling and assessment of operational strategic and reputation risks. Furthermore, the internal management and control system in the respective areas is examined at least once a year and updated if required.

For RheinLand Versicherungs AG, the underwriting risk, in this case the premium and reserve risk, along with catastrophe risk, is of essential significance. The market and default risk are considerably lower. According to the individual risk categories, the following risk position arises for the:

## Underwriting risk

Underwriting risk describes the risk, based on coincidence, error or change, the actual expense for claims and benefits, which deviates from the anticipated expense. In addition to premium and reserve risk, it also includes cost, catastrophe and accumulation risks, as well as cancellation risk.

The product range of RheinLand Versicherungs AG in the direct insurance business, the traditional products of property and casualty insurance and special products of payment protection insurance solutions.

## Payment protection insurance

In the payment protection business, the portfolio of RheinLand Versicherungs AG consists of work disability and unemployment insurance policies. These are usually brokered by a number of medium-sized cooperation partners to secure mortgage, car or consumer loans in Germany, the Netherlands and Italy.

Mastering the underwriting risk in credit life insurance is particularly challenging. For example, unlike in the traditional insurance segments in the property and casualty business, there are no statistical fundamentals provided by the German Insurance Association (GDV) or the German Actuarial Society (DAV). That is why for this special business, separate calculation bases for disability insurance and unemployment insurance are developed from the technical development of the historical portfolios in conjunction with publicly available statistics from the social insurance carriers.

Profitability levels are analysed at least once a year for each individual cooperation partner by line of insurance, underwriting year and balance sheet year using a standardised underwriting scheme. At the same time, the gross underwriting results of all major cooperation partners are compared several times a year with the corresponding budgeted figures. The results of these analyses are discussed in the management circle responsible for the operative business. This ensures that any unfavourable developments can be quickly detected, and countermeasures can be taken in a timely manner. Fundamental negative developments have not been discovered thus far. The report of the actuarial function to the Executive Board of RheinLand Versicherungs AG reported on the key aspects of this actuarial controlling.



## Property and Casualty Insurance

Subject to suitable acceptance guidelines and underwriting competencies, RheinLand Versicherungs AG pursues the expansion of property, liability and accident lines with stable contribution margins in private and commercial business mainly via its own field sales force. Because the business line has regional points of focus, there are concentration risks in the event of natural hazards. These risks particularly affect comprehensive homeowner insurance and the resulting profit volatility. In addition to acceptance and underwriting guidelines, RheinLand Versicherungs AG employs a suitable mix of coinsurance and reinsurance to reduce the possible effects of earnings volatility. Traditional large industry or commercial business with major loss and/or long-term loss potential are not underwritten.

Systematic underwriting controlling has been put in place. In doing so, the gross underwriting result before internal costs is analysed using a standardised method according to distribution channels, lines of business, cooperation partners and customer segments according to underwriting and balance sheet years. The earnings are reported directly to the managers from the Executive Board and from the line/operations and sales department responsible for the relevant business segment. In case of undesirable developments, suitable countermeasures can be promptly developed. In its 2018 report to the Executive Board of RheinLand Versicherungs AG, the actuarial function also reported on the key analyses and results of underwriting controlling for property/casualty business. In addition, where required, extensive special analyses are performed, taking into account as many aspects as possible, from the competitiveness of products and rates, right down to loss development.

The rating and reservation functions located in different departments. The reservation is in accordance with commercial and actuarial guidelines of the principle of prudence. The reservation for claims related to individual cases follows established internal loss guidelines to ensure appropriate and consistent reservation. The sufficiency of the reserves is regularly reviewed.

Under the premise of a stipulated target rate of return, as well as well as defined target claim ratios, the company engages in contribution margin-oriented multi-year planning. This is flanked by the performance of analyses and controlling of the development of the risks in the insurance portfolio.

The net loss ratios and settlement results have developed as follows in recent years:

	Carried loss ratio for own account as a % of earned premiums	Carried loss ratio for own account as a % of earned premiums (without natural disasters)	settlement results for own account as a % of the provision as at 1 January
2008	68.7	66.3	4.9
2009	76.4	75.4	4.6
2010	76.2	75.2	6.3
2011	75.0	74.0	6.6
2012	70.5	69.9	7.7
2013	69.1	67.2	6.8
2014	69.7	67.6	5.7
2015	70.8	70.1	3.9
2016	67.7	66.3	5.1
2017	70.4	69.3	4.8
<b>2018</b>	<b>67.0</b>	<b>66.1</b>	<b>5.7</b>

## Possible changes in the legal framework conditions

As in previous years, there is also the possibility that the legal framework for the insurance business may change in the future. This could result in the underwriting risk of change being realised. A current example of this is the discussion in Germany about the introduction of a so-called commission cap with the aim of regulating incentive systems in sales.

## Market risk

Market risk refers to the risk resulting directly or indirectly from the sensitivities of assets, liabilities and financial instruments with respect to changes or the volatility of the interest curve or interest rates, share prices, credit spreads (via the risk-free interest curve) as well as the market prices of real estate properties. The market risk includes the exchange rate risk. It also includes concentration risks resulting from lack of diversification in the asset portfolio.

The investments of RheinLand Versicherungs AG are cautiously conservative and geared to the requirements of their respective obligations. In order to manage investment risks, compliance with the risk capital budgets defined by risk management is analysed on a monthly basis.

A concentration of market risks are countered as follows. As a rule, all investments attributable to one and the same debtor may not exceed 5% of the protection fund. For special assets or corporate funds, a concentration of investments with one portfolio manager should be prevented if they exceed more than 20% of the protection fund.

Investment risks are monitored by defined risk capital budgets, limits and threshold values.

Its investments are primarily focused on European issuers with a high credit status (average rating of "AA-").

The bond portfolio of RheinLand Versicherungs AG is as follows:

Bond portfolio	in € K	as % of total
Total	262,914	
of which government bonds	12,449	4.7
Bank exposure	229,300	87.2
Corporate bonds	21,165	8.1

With regard to the bonds stated, there are additional safeguards through the following:

Insurance:	in € K	as % of total
Right of lien	104,400	39.7
Deposit protection	102,492	39.0
State guarantee	42,449	4.7
without hedging	43,574	16.6

With regard to the bond portfolio in the bank exposure with a total of € 229,300 K, there are none of the above hedging measures for the amount of € 22,409 K (9.8%).

There is no subordinated debt.

Fluctuations in the capital market in the future will only result in limited impairment risks due to the high degree of security of the investments for RheinLand Versicherungs AG. Declining prices would primarily lead to hidden burdens being shown due to the buy and hold strategy. The current developments are analysed continuously. At present, there is no major need for action.

## Default risk

Default risk describes the risk resulting from unexpected default or deterioration of the credit rating counterparties and debtors.

Like investments, the receivables from reinsurers, intermediaries and customers are always subject to default risk. For the provision for loan losses, RheinLand Versicherungs AG performed value adjustments with regard to the receivables portfolio where required. Outstanding receivables with a maturity date of more than 90 days prior existed in the amount of € 1,008 K on the balance sheet day.

RheinLand Versicherungs AG aims for a needs-based inexpensive reinsurance policy in consideration of the aspects of security and continuity. With regard to the selection of individual reinsurance contract partners, against the backdrop of the long-term contractual relationships being sought, as a secondary condition with respect to their credit rating, there is a requirement of a minimum "A-" rating (Standard & Poor's or a similar rating of another rating agency). Market developments and deteriorations of the credit rating are subject to continuous monitoring as part of the limit system. The reinsurance business assumed by external companies has once again gained in importance due to the contractual relationships.

## Liquidity risk

Liquidity risk describes the risk of losses due to decline of the prices or lack of liquidity of the relevant markets with sale of assets due to short-term liquidity need. It also includes servicing at all times the obligations arising from the insurance policies concluded.

Monthly liquidity budgets are drawn up to ensure that payment obligations are met at all times. Owing to the short duration (3.1 years) of the annuity portfolio and the business model, the average monthly liquidity surplus of RheinLand Versicherungs AG is approximately 3.5%, measured in terms of overall investments and the anticipated liquidity surplus without reinvestment is approx. € 69,381 K for 2019. Therefore, from today's perspective, no liquidity risk exists.

## Operational risk

Operational risk describes the risk of losses due to unsatisfactory or failed internal processes or employee- or system-related incidents or external incidents as well as compliance and legal risks.

The controlling and monitoring of the operational risks is handled by the responsible departments. For operational risks, scenario analyses are performed once a year and risk indicators concerning the monitoring over the course of the year are reviewed. Emergency plans, insurance policies, access controls as well as and authorisation rules result in low probability of occurrence and potential damage. In particular, the cyber risks that are now spreading more and more are being countered with comprehensive data backup concepts, protection programs and external, professional e-mail validation. Cyber insurance has been taken out in the event of a damage event.

As part of the risk control of operational risks, a documented Internal Control System (ICS) plays a central role. It ensures the systematic prevention and early detection of process risks. To manage the essential process risks, key controls have been set up. Compliance risks that may arise in relation to compliance with or implementation of laws, regulations, regulatory requirements or ethical/moral standards, as well as internal rules and regulations, are regulated by a defined process in accordance with the Compliance Management Directive. Fraud risks are subject to special monitoring and reporting.

In general, there is the risk that the court rulings issued in individual cases can also affect the operating units of RheinLand-Gruppe. In order to counter this risk, all pending lawsuits are assessed for general validity, monitored and regularly discussed between the specialist divisions and the legal department. Depending on the classification of the risk, an appropriate provision is formed where necessary.

## Strategic risk

Strategic risk is the risk arising from strategic business decisions. Strategic risk also encompasses the risk arising from the fact that business decisions might not be adapted to a changed economic environment. As a general rule, strategic risk constitutes a risk that arises in connection with other risks. However, it may also manifest itself as an individual risk.

Clearly regulated decision-making processes and close cooperation of all relevant decision-making bodies are the basis for efficient control of strategic risks. Planning and controlling processes guide and monitor the achievement of the strategic objectives. A structured planning process involving all relevant business segments is implemented.

Strategic risks are identified and qualitatively assessed on an annual basis within the scope of an analysis of strengths/weaknesses. The identified material risks are included in the above-mentioned risk categories.

## Reputation risk

Reputation risk constitutes the risk of possible damage sustained to the company's reputation as the result of negative public perception of RheinLand Versicherungs AG (e.g. on the part of clients, business partners, shareholders and authorities). Just as with strategic risk, as a general rule, reputation risk constitutes a risk that frequently arises in connection with other risks. However, it may also manifest itself as an individual risk.

Reputation risks are qualitatively evaluated on a regular basis and continuously monitored. No reputation risk arose for RheinLand Versicherungs AG in the past financial year.

## Summary presentation of the risk position

In 2018, RheinLand Versicherungs AG had sufficient economic and regulatory risk-bearing capability at all times. Overall, there is also currently no development evident that could unexpectedly have an adverse and lasting effect on the asset, financial and profit position of RheinLand Versicherungs AG.

The solvency ratio according to Solvency II, not to be audited by the auditor, is higher as per December 31, 2018 than the 100% coverage of the Solvency Capital Requirement (SCR) called for by regulatory authorities and is also above the internally established limit of 120%. Further details on the solvency of RheinLand Versicherungs AG can be found in the Solvency and Financial Report (SFCR) as at 31 December 2018. Publication on the website by 23 April 2019 is required under regulatory law.

# Opportunities Report

Successful entrepreneurial steps presuppose that we will take advantage of available opportunities to generate profitable growth. In order to identify our opportunities, we very closely monitor which way the industry and markets are trending. The evaluation and critical analysis of competitive information and a keen instinct for new needs, trends, and movements enable us to be at the forefront of innovations, in order to be equipped for future challenges.

The business model of RheinLand Versicherungs AG has proven itself. We reach our customers with our products and solutions, on the one hand via our exclusive agency organisation, which is represented throughout Germany with its regional head offices and branch offices. On the other hand, we also conduct business in the Netherlands and Italy via bank and co-operation sales. Our conscientious service mind set, our flat decision-making hierarchies and lean organisations afford us many advantages: They foster a partnership in the truest sense of the word, create freedom to manoeuvre, in which we can flexibly respond to changing conditions.

RheinLand Versicherungs AG, as a member of RheinLand Versicherungsgruppe, is part of a group whose history dates back to 1880. The ownership structure, which has remained constant for generations, ensures our independence in an environment characterised by concentration processes. From the beginning, our conduct has been guided by ethical business principles. Our company has continued to develop building on this foundation of values, which is as relevant today as ever. We combine the awareness of this tradition with an innovative spirit and courage to embark upon new paths. Our employees are the most vital asset in this: For it is they who robustly shape this continuous process of change.

# Outlook

For 2019, the entire insurance industry expects stable premium growth of around 2 %. Life insurers expect an increase of around 1 %, and property and casualty insurance companies anticipate premium growth of 3 %. In pensions, the already fueled demand for products with yield opportunities and hedging mechanisms is likely to increase further, as the industry assumes that interest rates will remain at a low level in 2019. In addition, the continued rise in employment and higher wages are affording private households the latitude to take out additional insurance. In other insurance segments, the increase in cyber risks and natural hazards should lead to an increasing demand for corresponding insurance products.

In 2019, insurance companies will continue to work intensively on digitalisation of processes and business models. They are renewing their systems and establishing new technologies. Against this backdrop, our goal is to empower our local sales force, not just selectively, but comprehensively, to fully exploit the potential of digital opportunities for a profitable business. We have a responsibility to live up to here, which is why we have launched an additional development program for the sales management team of RheinLand Versicherungen AG.

The aim is to create a competence pool at the executive level, consisting of persons who keep the greatest possible open mind and willingness. We are sure that this will enable us to further deepen our uniform understanding of the opportunities offered by digitalisation. In addition to this internal impact, digital literacy has a great external impact, as it gives us a better starting position in the competition for the best minds. While the overall industry trend shows a sharp decline in the number of brokers, our goal remains to increase the number of our main brokers, partners and client advisors from the current 270 to around 300 over the next two years. In this, we pay very close attention to who is a good fit for us, in order to maintain path of development that our field sales staff has successfully embarked upon.

In banking and cooperation sales, through which RheinLand Versicherungen AG also conducts business, growth-oriented development is continuing in the current year. At the beginning of the financial year, BMW Bank, a leading new cooperation partner, was acquired. BMW Bank is one of the leading automobile banks in Germany with a subsidiary in France, along with branch offices in Italy, Spain and Portugal.

In future, BMW Bank will offer its customers special insurance solutions that can be bundled with leasing and financing products to form individual mobility packages. The new partnership is geared towards the long-term; initial products will already be launched in the second half of 2019.

Thus far in the course of the 2019 financial year, our investment portfolios and the income generated from them have developed in line with our expectations. Despite the continuing low interest rate environment, we anticipate from today's perspective that the planned current net investment income result, anticipated to be lower than in 2018. The investment earnings planned from 2020 onwards will be duly reviewed, taking into account further market developments, and adjusted if necessary.

In March, the storm fronts "Bennett" and "Eberhard" caused severe damage throughout Germany. Especially "Eberhard" was comparable in its intensity to the storm "Friederike" in January 2018. However, it was pleasing to note that this time the effects were much less pronounced than in the previous year. Residential buildings were mainly affected, whereas the damage to motor vehicles remained manageable. Nevertheless, we anticipate an overall slight increase in claims expenditures, which is due to the expansion of our insurance portfolio. At the same time, based on the growth of our company and additional investments, we anticipate rising costs of insurance operations.

We intend to continue successfully expanding our insurance portfolio in 2019 and anticipate premium growth at RheinLand Versicherungs AG to be above the market average. That is why, overall, we anticipate the company to achieve good earnings, however, slightly lower compared to the previous year. The reasons for this are positive effects arising from the settlement of an insurance portfolio in previous years, along with additional strengthening of technical provisions through the expansion of our insurance business.

# The significant

With regard to office work, the companies of RheinLand Versicherungsgruppe are mainly managed by the same organisation. RheinLand Versicherungs AG is playing a lead role in this. The average number of employees in 2018 was around 791.

Our value principles, which we have developed in cooperation with our employees, lay the cornerstone for employee cooperation in the workplace. We seek a good balance between support and expectation, give-and-take, to guarantee high satisfaction and motivation in daily work. We are proud of the long-standing loyalty of many employees and we appreciate their competence and experience. It is important for us to ensure that everyone sees learning as part of their job duties and that executives and employees will actively and cooperatively shape and promote this process. We are convinced that the ability and willingness to always learn something new is indispensable – both for us as a company and for the individual employee.

Balancing family life and career is a major priority for us. In practice, this is reflected in relevant framework conditions, in particular in flexible working hours and in the opportunity to work from home. We offer our employees comprehensive social benefits – from loans, through childbirth allowances, right down to additional work-free days. On special occasions, employees are entitled to take special leave. In addition, we support sponsor company events such as excursions and festivities. An important aim is promoting physical health: One example is our annual "fitness day". This event is geared towards all staff in inside sales and field sales, along with their family members.

RheinLand Versicherungs AG is one of the largest training companies in the Rhein-Kreis Neuss region. On 1 August 2018, RheinLand Versicherungs AG hired eight trainees – divided among three trainee professions. On 15 October 2018, two additional trainees were hired. Out of the total of ten trainees, eight are undergoing training as insurance and financial clerks,

and one trainee is completing a programme as a clerk for office management, and one trainee is involved in a programme as a specialist IT clerk for application development. Six of the eight insurance and financial clerks are being trained in this year's trainee programme in the sales department, in the regional offices and branches. At the end of the reporting year (as at 31 December 2018), the company prepared a total of 32 young people for their future careers. Of these persons, roughly 26 were assigned to sales.

In 2018, the participants of the inaugural year of the RheinLand training program began their further training to become a business administrator and/or bachelor's in insurance studies. The development program provides for special development of trainees who have distinguished themselves through outstanding completion of their trainee programme at RheinLand Versicherungs AG.

With respect to personnel costs for the financial year, please refer to the details on commissions and other remuneration of the insurance intermediaries and personnel expenditures on page 63. The Executive Board and Supervisory Board members are listed by name on pages 6 and 7. No further compensation was paid for duties at affiliated companies. €383 K have been paid out to former members of the Executive Board or their surviving dependents. The remuneration for the Supervisory Board was paid by RheinLand Holding AG. There are provisions in the amount of €4.6 million for current pensions and pension entitlements that are included in the balance sheet of RheinLand Holding AG.

## Advancement of women in management positions

In appointing members to the management bodies and executive positions, the Executive Board and Supervisory Board take particular care in promoting diversity



and an appropriate share of women. Through the law for equal participation of women and men in leadership positions in the private sector and the public sector, RheinLand Versicherungs AG is required to establish target percentages for the number of women on the Supervisory Board, on the Executive Board and in the next two echelons of management.

For the period from July 1, 2017 to June 30, 2022, new targets for the proportion of women in relevant management positions have been defined at RheinLand Versicherungs AG in accordance with legal requirements. The target figures are 16.67% for the Supervisory Board, 0.0% for the Executive Board, 6.67% for the first management echelon below the Executive Board and 24.24% for the second management echelon below the Executive Board.

# Environmental Management

As a company, RheinLand Versicherungs AG follows the guiding principles for environmental protection that are uniformly defined for all companies in the RheinLand Versicherungsgruppe. These were developed with an awareness, as an insurance group, of being particularly affected by changing environmental and climatic conditions and the associated increase in storm-related damage and the resulting claims burdens.

We strive to achieve sustainable conservation of resources, to reduce operating costs and, not least, to act as a role model. We are supported in this by an environmental management system that has guided environment-relevant processes within the Rheinland Group since 1997 and assisted us in systematically identifying and harnessing potential for improvements.

We already established the primary objective of environmental activities in the year 2007: The target was formulated to achieve CO<sub>2</sub> neutrality of our business

operation for 50 years. That is why in cooperation with "PRIMAKLIMA-weltweit e.V.", reforestation measures have been carried out in several tranches in Neuss, Germany, other European countries and other areas worldwide. In this way, we have succeeded in neutralizing all CO<sub>2</sub> emissions from our business operations. With the completion of reforestation measures in May 2011, we were one of the first insurers in the German market to achieve CO<sub>2</sub> neutrality of its business operations so quickly.

With a detailed environmental balance sheet, published as part of the sustainability report of RheinLand Versicherungsgruppe, consumption and requirements are disclosed once per financial year. By doing so, we prove that we also continue to place great value on responsible use of resources and do not take for granted the great significance that CO<sub>2</sub> neutrality means for our company. We also continue to be transparent and open in the future in providing this documentation.

We would like to thank the office and field staff as well as the full-time and part-time intermediaries for their commitment and good cooperation.

Neuss, 18 March 2019

The Executive Board

Christoph Buchbender

Dr. Lothar Horbach


Udo Klanten

Andreas Schwarz



# Annual Financial Statements





38 \_ Balance Sheet as at 31 December 2018

42 \_ Profit and Loss Account for the  
Period from 1 January to 31 December 2018

# Balance sheet

as at 31 December 2018

Assets	2018	2018	2018	2018	2017
	€	€	€	€	€
<b>A. Intangible assets</b>					
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets as well as licenses to such rights and assets				10,320,456.30	7,402,023.92
<b>B. Investments</b>					
I. Equity investments in affiliated companies and participating interests					
1. Shares in affiliated companies		6,339,710.72			6,353,960.72
2. Loans to affiliated companies		5,000,000.00			10,000,000.00
3. Participating interests		83,867.20			83,867.20
			11,423,577.92		16,437,827.92
II. Other investments					
1. Shares, units or shares in investment funds and other variable-yield securities		17,739,065.21			12,528,989.93
2. Bearer bonds and other fixed-income securities:		137,349,210.35			152,535,797.00
3. Mortgages, land charges and annuities receivable		107,371.29			184,065.07
4. Other loans					
a) Registered notes	25,000,000.00				15,000,000.00
b) Notes receivable and loans	95,565,000.00				106,093,983.88
		120,565,000.00			121,093,983.88
5. Deposits at banks		46,479,506.04			32,413,903.41
6. Other investments		20,920.00			20,920.00
			322,261,072.89		318,777,659.29
III. Deposits retained on assumed reinsurance			1,048,552.58		949,339.65
				334,733,203.39	336,164,826.86

<b>Assets</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>	<b>2017</b>
	€	€	€	€	€
<b>C. Receivables</b>					
I. Amounts receivable from direct insurance business with:					
1. Policyholders		1,986,323.27			1,323,855.53
2. Intermediaries		8,390,011.53			6,606,168.62
			10,376,334.80		7,930,024.15
II. Reinsurance receivables			2,116,537.33		2,215,728.63
III. Other receivables			12,156,525.31		14,713,608.91
of which: from affiliated companies €10,511,948.51					(11,398,644.45)
				24,649,397.44	2,485,9361.69
<b>D. Other assets</b>					
I. Fixed assets and inventories			6,017,645.85		5,662,664.65
II. Current bank balances, checks and cash balance			6,726,516.19		10,410,938.19
III. Other assets			20,000.00		20,000.00
				12,764,162.04	16,093,602.84
<b>E. Deferred items</b>					
I. Deferred interest and rent			1,356,570.34		1,715,266.33
II. Miscellaneous Deferred items			2,294,879.77		2,827,696.66
				3,651,450.11	4,542,962.99
<b>F. Subordinated liabilities from asset allocation</b>				32,027.25	42,292.92
				386,150,696.53	389,105,071.22

**Equity and liabilities**

	2018	2018	2018	2017
	€	€	€	€
<b>A. Equity</b>				
I. Subscribed capital		39,304,192.00		39,304,192.00
II. Capital reserves		9,756,701.77		9,756,701.77
III. Retained earnings				
1. Statutory reserve	2,823,717.43			2,823,717.43
2. Other retained earnings	6,580,236.52			6,580,236.52
		9,403,953.95		9,403,953.95
IV. Net profit for the year		0.00		0.00
			58,464,847.72	58,464,847.72
<b>B. Technical provisions</b>				
I. Unearned premiums				
1. Gross	124,356,955.50			112,510,615.74
2. of which: Share of the assumed reinsurance business	27,657,404.57			22,904,746.30
		96,699,550.93		89,605,869.44
II. For life insurance				
1. Gross	775,0001.09			15,559,062.62
2. of which: Share of the assumed reinsurance business	0.00			0.00
		7,750,001.09		15,559,062.62
III. Provision for outstanding claims:				
1. Gross	15,406,5301.85			160,183,233.47
2. of which: Share of the assumed reinsurance business	29,570,853.92			29,557,806.01
		124,494,447.93		130,625,427.46
IV. Equalisation provision and similar provisions		22,571,885.00		22,696,614.00
V. Other technical provisions				
1. Gross	2,701,638.79			2,052,803.75
2. of which: Share of the assumed reinsurance business	112,766.19			135,163.64
		2,588,872.60		1,917,640.11
			254,104,757.55	260,404,613.63
<b>C. Other provisions</b>				
I. Provisions for pensions and similar obligations		223,030.21		210,276.24
II. Tax provisions		0.00		1,523,752.00
III. Other provisions		11,739,104.08		12,668,505.15
			11,9621,34.29	14,402,533.39
<b>D. Deposit account liabilities resulting from the reinsurance business</b>			21,799,418.32	18,845,982.50



**Equity and liabilities**

	2018	2018	2018	2017
	€	€	€	€
<b>E. Other Liabilities</b>				
I. Liabilities arising out of direct insurance operations from:				
1. Policyholders	6,763,544.23			8,151,403.37
2. Intermediaries	3,880,340.72			2,826,253.45
		10,643,884.95		10,977,656.82
II. Reinsurance payables		2,971,675.88		2,455,757.30
III. Other Liabilities		24,666,818.33		22,013,681.64
of which: towards affiliated companies	€16,595,331.27			(14,570,294.50)
from taxes	€2,623,372.12			(2,787,483.38)
			38,282,379.16	35,447,095.76
<b>F. Deferred items</b>			1,537,159.49	1,539,998.22
			<b>386,150,696.53</b>	<b>389,105,071.22</b>

It is confirmed that the provision for the actuarial reserve disclosed in the balance sheet under items B.II. and B.III of liabilities, was calculated taking into account Section 341f and 341g German Commercial Code (HGB) as well as in observance of the legal regulations adopted based on Section 88 (3) Insurance Supervision Act (VAG).

Neuss, 15 March 2019

The responsible actuary

Lutz Bittermann


# Profit and Loss Account

	2018	2018	2018	2017
	€	€	€	€
<b>I. Technical account</b>				
1. Net premiums earned				
a) Gross premiums entered	238,908,819.52			221,098,532.44
b) Reinsured premiums	39,500,296.33			36,876,218.08
		199,408,523.19		184,222,314.36
c) Change in gross unearned premiums	-11,846,339.76			3,107,077.09
d) Change in the share of the reinsurers in gross unearned premiums	-4,752,658.27			-414,478.23
		-7,093,681.49		3,521,555.32
			192,314,841.70	187,743,869.68
2. Net technical interest			185,354.00	186,089.33
3. Other net technical income				
			105,766.30	74,785.15
4. Net costs of insurance claims				
a) Payments for insurance claims				
aa) Gross amount	90,690,235.23			98,266,265.40
bb) Share of the reinsurers	15,477,079.73			17,282,208.09
		75,213,155.50		80,984,057.31
b) Change in the provision for outstanding insurance claims				
aa) Gross amount	-6,307,061.22			-17,9371.44
bb) Share of the reinsurers	13,047.91			-3,216,279.66
		-6,320,109.13		3,036,908.22
			68,893,046.37	84,020,965.53
5. Change in other miscellaneous technical net provisions				
a) Net provision for future policy benefits		-7,809,061.53		-14,424,668.48
b) Other net technical provisions		671,232.49		102,636.48
			-7,137,829.04	-14,322,032.00
6. Costs of insurance operations for own account				
a) Gross costs of insurance operations		130,007,576.47		118,498,310.20
b) of which: Reinsurance business commissions and profit shares received		13,825,946.00		12,541,895.29
			116,181,630.47	105,956,414.91
7. Other miscellaneous net insurance operations expenditures				
			643,030.20	724,693.73
8. Sub-total			14,026,084.00	11,624,701.99
9. Change in the equalisation provision and similar provisions			124,729.00	-193,676.00
10. Net technical income			14,150,813.00	11,431,025.99

for the period from 1 January to 31 December 2018

	2018	2018	2018	2017
	€	€	€	€
Transfer of net technical income			14,150,813.00	11,431,025.99
<b>II. Non-technical account</b>				
1. Investment income				
a) Income from participating interests	0.00			190,000.00
thereof: from affiliated companies: 0.00 €				(190,000.00)
b) Income from other investments	3,776,778.48			4,676,538.49
thereof: from affiliated companies: 41,575.34 €				(50,000.00)
c) Income from write-ups	36,535.49			76,177.91
d) Gains arising from the disposal of investments	432,140.00			622,217.61
		4,245,453.97		5,564,934.01
2. Investment costs				
a) Costs for the administration of investments, interest expenses and other expenditures for the administration of investments	352,303.43			547,668.58
b) Depreciation on investments	0.00			3,218,678.71
c) Losses from the disposal of investments	1,252.59			17,856.83
		353,556.02		3,784,204.12
		3,891,897.95		1,780,729.89
3. Technical interest income		-185,354.00		-165,489.00
			370,654.95	1,615,240.89
4. Other income		46,538,949.83		49,265,065.73
5. Other expenses		49,137,792.31		47,894,748.33
			-2,598,842.48	1,370,317.40
6. Result from ordinary business operations			15,258,514.47	14,416,584.28
7. Tax on income and profit	1,889,993.00			1,655,951.80
		1,889,993.00		1,655,951.80
8. Miscellaneous Tax		2,967.00		5,549.00
			1,892,960.00	1,661,500.80
9. Profits transferred based on profit pooling, a profit transfer agreement or a partial profit transfer agreement			13,365,554.47	12,755,083.48
10. Net income for the year			0.00	0.00
11. Net profit for the year			0.00	0.00

# Notes

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# Accounting and Valuation Methods

The annual financial statements were prepared according to the regulations set out in the German Commercial Code (HGB) and the Stock Corporation Act (AktG), the Insurance Supervision Act (VAG) and the German Accounting Regulations for Insurance Companies (RechVersV).

## Assets

### Intangible assets

The valuation of the intangible assets acquired (IT software) was performed at acquisition cost. They were depreciated linearly depreciated on a pro rata basis.

### Investments

#### **Shares in affiliated companies and participating interests**

Shares in affiliated companies and participating interests are valued at acquisition cost less depreciation pursuant to Section 341b (1) German Commercial Code (HGB) in conjunction with Section 253 (3) (5) German Commercial Code (HGB).

#### **Loans to affiliated companies and participating interests**

Loans to affiliated companies and participating interests are valued in accordance with Section 341c German Commercial Code (HGB) at amortised cost in conjunction with Section 253 (3) (5) German Commercial Code (HGB). Where there are differences compared to the repayment amount (premium or discount), the effective interest method is applied for amortisation over the remainder of term.

#### **Shares, units or shares in investment funds and other variable yield securities**

They are generally valued at acquisition cost in accordance with Section 341b (2) German Commercial Code (HGB) in conjunction with Section 253 (1), (3) and (5) German Commercial Code (HGB). An average acquisition value has been formed from different acquisition costs of the same securities.

The fair value was estimated as the valuation standard for RheinLand-ABS-CLO Fund. The fair value was calculated by means of the so-called nominal value method based on the nominal values for the securities contained in the Fund at maturity, unless credit rating-linked adjustments are to be made.

Other assets contained in the fund (e.g. cash in hand) are carried at nominal values. Possible impairments are monitored based on the traffic light system.

#### **Bearer bonds and other fixed-income securities**

Bearer bonds and other fixed-interest securities are generally valued at acquisition cost in accordance with Section 341b (2) German Commercial Code (HGB) in conjunction with Section 253 (1), (3) and (5) German Commercial Code (HGB).

### **Mortgages, land charges and annuities receivable**

Mortgages, land charges and annuities receivable are valued at amortised cost in accordance with Section 341c German Commercial Code (HGB).

### **Other loans**

Registered bonds, promissory notes and other loans are valued in accordance with Section 341c German Commercial Code (HGB) at amortised cost in conjunction with Section 253 (3) (5) German Commercial Code (HGB). Where there are differences compared to the repayment amount (premium or discount), the effective interest method is applied for amortisation over the remainder of term.

The company is not making use of the option pursuant to Section 341c (1) German Commercial Code (HGB) to carry registered bonds at their nominal value.

### **Deposits at banks**

Deposits at banks are reported at nominal value.

### **Other investments**

The other investments are valued at acquisition costs.

## **Other assets**

Receivables from policyholders and intermediaries arising out of direct insurance operations, as well as reinsurance receivables from reinsurance business were carried at their nominal value, minus any valuation adjustments.

Individual write-downs were made in a sufficient amount in case non-recoverability was obvious. The general provision for doubtful debts for the general default risk is based on our experience.

The other receivables were valued at their nominal value.

The fixed assets were capitalised at their acquisition costs and linearly depreciated. Low-value assets with acquisition costs of less than €150 were fully depreciated in the year of acquisition. A compound item was formed for assets between €150 and €1,000 was formed, depreciated as scheduled over five financial years.

Accrued interest and rent were recognised at their nominal values.

The inventories are valued at cost prices including value added tax.

The other assets were valued at acquisition costs minus value adjustments.

The other assets not individually stated were valued at their nominal amounts.

## Current bank balances, checks and cash balance

Current bank balances, checks and cash balance are carried at nominal values.

## Deferred tax assets

Deferred taxes result from different valuations of balance sheet items in the commercial and tax balance sheet. As the income tax consequences result due to different accounting under commercial and tax law by the controlling company, the valuation differences existing between the commercial and tax balance sheet as at 31 December 2018 will be taken into account at RheinLand Holding AG. RheinLand Versicherungs AG therefore did not recognise any deferred taxes as at 31 December 2018.

## Subordinated liabilities from asset allocation

In order to hedge the provision for employer-funded pension entitlements, the company has taken out pension plan reinsurance policies for each employee. These insurance policies are pledged to the respective employee, thus other creditors do not have access to them. In accordance with Section 246 (2) German Commercial Code (HGB), the fair value to be applied is offset against the underlying obligations. As the asset value of the pension plan reinsurance exceeds the underlying obligation, it is carried on the balance sheet as subordinated liabilities from asset allocation. The fair value to be applied to the covered funds corresponds to the book value. The acquisition costs according to Section 255 (1) German Commercial Code (HGB) and the fair values to be applied to the offset assets according to Section 255 (4) German Commercial Code (HGB) are a total of €188 K. The settlement amount of the offset liabilities is €156 K in accordance with Section 253 (1) 2 German Commercial Code (HGB). This results in a net asset position in the amount of €32 K. In the asset difference from asset offsetting, expenses in the amount of € 15 K and income in the amount of € 4 K were offset in accordance with § 285 No. 25 German Commercial Code.

# Equity and liabilities

## Technical provisions

The unearned premiums of the direct insurance operations were generally determined according to the 1/360 system from the entered premiums. Shares of the reinsurers were calculated taking into account the corresponding reinsurance agreements in relation of reinsurance premium to gross premium. Flat rates were applied to assumed insurance business based on the average of the previous insurers' assignments, to the extent that the previous insurers' instructions were not available. The determination of the unearned premium amounts was performed according to decree by the Minister of Finance of 30 April 1974. To determine the unearned premiums for guarantee insurance and payment protection insurance, a general cost deduction in the amount of the entire paid commissions was applied, which fully takes into account the commissions accrued at the time of the policy was concluded, using the (no longer applicable) state decree dated 30 April 1974.

The provisions for life insurance in the assumed reinsurance were generally recognised in the balance sheet according to the instructions of the assignors. The premium cover provision for casualty insurance policies was determined according to actuarial principles and the business plan.

The provisions for claims of the direct operations not yet settled were determined according to the individual claims provisions for outstanding claims as at 31 December 2018.

A provision was made for IBNR claims on the balance sheet date. The calculation for each claims year was based on the average claims expenditures and the number of the subsequently notified claims to be expected on the basis of the experience of past years.

The actuarial reserve for annuities was calculated according to the actuarial assumptions in the business plan.

Provisions were made for claims adjustment expenditures according to the coordinated state decree dated 2 February 1973.

The shares of reinsurers were taken into account according to the individual reinsurance contracts. We established the claims provision for reinsurance business according to the available assignments of previous underwriters, whereby estimates were made in cases where no information was available. The reinsurers' shares were determined according to the contractual obligations.

The calculation of the equalisation provision was performed according to Section 29 German Accounting Regulations for Insurance Companies (RechVersV) and the relevant notes.

The provision for unearned premiums from dormant motor insurance policies was determined based on individual contracts. In calculating the provision for contract cancellation, the default rates for the dunning status and outstanding accounts were used as a guide.

The other actuarial provisions correspond to the assignments of our assignors in accordance with the contractual agreements.

To keep currency risks as low as possible, the actuarial obligations in the main currencies were covered with funds denominated in the same currency wherever possible. Amounts in foreign currencies were converted at the mean exchange rate on the balance sheet date.



## Other provisions

The calculation of provisions for pensions was made according to the internationally typical Projected Unit Credit Method (PUC method) in connection with Section 253 (1) 2 German Commercial Code on the basis of the Heubeck 2018G actuarial tables. In addition to current developments, future developments and trends, along with fluctuation, were taken into account. Discounting was performed at the average interest rate of the past ten years published by the Bundesbank with an assumed remaining term of 15 years according to Section 253 (2) 2 German Commercial Code (HGB).

The following actuarial parameters were used for determining the obligations:

Pension age	average age threshold
Annuity growth	2.00 % p.a.
Interest rate	3.21 % p.a.

The fluctuation to be taken into account corresponds to the generally observable age-related average of the industry, with only minor influence on the settlement amount. The alternative amount, determined with the average interest rate of the past seven years (2.32 %), is €420 K. The subordinated liability per Section 253 (6) German Commercial Code in the amount of €47 K is subject to a dividend payout restriction, taking into account any deferred taxes. However, there are sufficiently high retained earnings in the company.

## Other Liabilities

The deposits and reinsurance payables, payables from direct insurance business towards policyholders and insurance intermediaries and other miscellaneous liabilities have been recognised at the settlement amount.

In addition to the current trends, future developments, along with trends and fluctuation in salary growth of 2.0 % p.a. were taken into account in calculating the provision for anniversary bonuses. Discounting was performed at the average interest rate of the past seven years published by the Bundesbank according to the German Regulation on Discounting of Provisions (RückAbzinsVO) in the amount of 2.36% with an assumed remaining term of 15 years according to Section 253 (2) 2 German Commercial Code (HGB).

All other provisions were valued at their repayment amount at the level of the anticipated requirement. Provisions with a remaining term of more than one year were also discounted at the average market rate of the past seven years according to their remaining maturity.

# Explanatory notes on Balance sheet

## Assets

Development of asset items A. and B. in the 2018 financial year

<b>Assets</b>	<b>Balance-sheet values Previous year</b>	<b>Additions</b>	<b>Disposals</b>
	T€	€K	€K
<b>A. Intangible assets</b>			
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets as well as licenses to such rights and assets	7,402	5,407	0
<b>B. I. Investments in affiliated companies and participating interests</b>			
1. Shares in affiliated companies	6,354	3,457	3,471
2. Loans to affiliated companies	10,000	0	5,000
3. Participating interests	84	0	0
Total B.I	16,438	3,457	8,471
<b>II. Other investments</b>			
1. Shares, units or shares in investment funds and other variable yield securities	12,529	5,414	241
2. Bearer bonds and other fixed-income securities	152,536	32,567	47,754
3. Mortgages, land charges and annuities receivable	184	0	77
4. Other loans			
a) Registered notes	15,000	10,000	0
b) Notes receivable and loans	106,094	10,000	20,529
5. Deposits at banks	32,414	14,066	0
6. Other investments	21	0	0
Total B.II	318,778	72,047	68,600
<b>total</b>	<b>342,618</b>	<b>80,910</b>	<b>77,071</b>

<b>Assets</b>	<b>Re-allocations</b>	<b>Write-ups</b>	<b>Depreciation</b>	<b>Balance-sheet values</b>
	€K	€K	€K	Financial year €K
<b>A. Intangible assets</b>				
Purchased concessions, industrial and similar rights and assets and licenses in such rights and assets as well as licenses to such rights and assets	6	0	2,495	10,320
<b>B. I. Investments in affiliated companies and participating interests</b>				
1. Shares in affiliated companies	0	0	0	6,340
2. Loans to affiliated companies	0	0	0	5,000
3. Participating interests	0	0	0	84
<b>Total B.I</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,424</b>
<b>II. Other investments</b>				
1. Shares, units or shares in investment funds and other variable yield securities	0	37	0	17,739
2. Bearer bonds and other fixed-income securities	0	0	0	137,349
3. Mortgages, land charges and annuities receivable	0	0	0	107
4. Other loans				
a) Registered notes	0	0	0	25,000
b) Notes receivable and loans	0	0	0	95,565
5. Deposits at banks	0	0	0	46,480
6. Other investments	0	0	0	21
<b>Total B.II</b>	<b>0</b>	<b>37</b>	<b>0</b>	<b>322,261</b>
<b>total</b>	<b>6</b>	<b>37</b>	<b>2,495</b>	<b>344,005</b>

We have exercised the option of Section 341b (2) 1 German Commercial Code (HGB) to allocate investment assets at the book value of €17,739 K as well as fixed-income securities at the book value of €137,349 K, along with registered bonds and promissory notes at the book value of €120,565 K to its fixed assets. The fair values are € 17,740 K for the investment assets, € 139,077 K for fixed-income securities, and € 123,225 K for the registered bonds and promissory notes.

### Information about the investments shown in the balance sheet at acquisition costs with hidden charges

#### Shares, units or shares in investment funds and other variable-yield securities:

The book value of the investments on which no write-downs were performed is € 16,853 K on 31 December 2018, the fair value of which amounts to € 16,611 K.

#### Bearer bonds and other fixed-income securities:

The book value of the investments on which no write-downs were performed is € 14,923 K on 31 December 2018, the fair value of which amounts to € 14,718 K.

#### Other loans:

The book value of the investments on which no write-downs were performed is € 23,000 K on 31 December 2018, the fair value of which amounts to € 22,826 K.

We currently assume that the impairments are only interest-induced and will thus not be permanent. Accordingly, we have not made any write-downs pursuant to Section 253 (3) (5) German Commercial Code (HGB).

### Fair values of asset items A. I. to II. in the 2018 financial year

#### Assets

	Balance-sheet values Financial year	Hidden burdens	Hidden reserves	Fair values Financial year
	T€	€K	€K	€K
<b>A I. Investments in affiliated companies and participating interests</b>				
1. Shares in affiliated companies	6,340	0	35,957	42,297
2. Loans to affiliated companies	5,000	79	0	4,921
3. Participating interests	84	0	0	84
<b>A II. Other investments</b>				
1. Shares, units or shares in investment funds and other variable yield securities	17,739	242	243	17,740
2. Bearer bonds and other fixed-interest securities	137,349	205	1,933	139,077
3. Mortgages, land charges and annuities receivable	107	0	5	113
4. Other loans				
a) Registered notes	25,000	1	710	25,710
b) Notes receivable and loans	95,565	94	2,045	97,515
5. Deposits at banks	46,480	0	0	46,480
6. Other investments	21	0	0	21
<b>total</b>	<b>333,685</b>	<b>621</b>	<b>40,894</b>	<b>373,957</b>

### Details regarding the fair value determination of all investments

The determination of the fair values is based on risk surcharges that are characterised by the current capital market situation.

#### **Investments in affiliated companies and participating interests:**

The fair values are mainly determined on the basis of the capitalized earnings value or net asset value method. In the case of companies for which no planning information is available, the nominal value of the capital or the acquisition costs are applied as the basis.

#### **Shares, units or shares in investment funds and other non-fixed-income securities:**

The fair values are determined on the basis of the market prices or redemption prices on the balance sheet date.

The fair value of the RheinLand ABS-CLO Fund is determined indicatively by the capital management company.

#### **Bearer bonds and other fixed-income securities:**

The fair values of the bearer bonds and other fixed-income securities are determined by means of the exchange rates on the balance sheet date.

#### **Mortgages, land charges and annuities receivable:**

The fair value was determined by means of individual title risk-adjusted-yield curves that were adjusted for 2018 according to the spread development.

#### **Registered bonds, notes receivables and loans:**

The fair value was determined by means of individual title risk-adjusted-yield curves that were adjusted for 2018 according to the spread development.

#### **Deposits at banks:**

The fair value of deposits at banks is calculated on the basis of the nominal value.

#### **Other investments:**

The fair values are determined on the basis of the acquisition costs.

## To B. Investments

### To II. Investments in affiliated companies and participating interests

List of the share property as at 31 December 2018 per Section 285 (11) German Commercial Code (HGB)	Interest in share capital		Earnings of the last business year 31 December 2018	Equity of each respective company 31 December 2018
		%	€	€
<b>Domestic</b>				
RheinLand Vermittlungs GmbH, Neuss	100	direct	679,661.24	4,636,443.35
Credit Life & DEVK Vermittlungs GmbH, Neuss	51	direct	10,776.08	37,776.08
RheinLand Betriebsrestaurant GmbH, Neuss	100	direct	6,030.61	61,259.53
<b>Foreign</b>				
Rheinland Groep Nederland B.V., Amsterdam	100	direct	-400,935.01	5,883,439.10
Callas Holding N.V., Amstelveen	100	indirect	0.00	45,000.00
Callas Nederland B.V., Amstelveen	100	indirect	0.00	18,000.00
Lazur B.V., Amstelveen	100	indirect	0.00	18,000.00

The protective clause according to Section 286 (3) (1) (2) German Commercial Code (HGB) was invoked.

### To III Other investments

1. Shares, units or shares in investment funds and other variable yield securities

### Information concerning the investment fund assets according to Section 285 (26)

#### German Commercial Code (HGB)

	Book value 31 December 2018	Fair value 31 December 2018	Valuation reserves	Dividend distri- bution 2018
	€	€	€	€
<b>Special assets</b>				
Infinigon Investment Grade Liquid Alternative Fund	5,000,000.00	4,968,800.00	- 31,200.00	11,712.67
Rheinland ABS-CLO Fund	10,936,598.37	10,733,369.78	- 203,228.59	149,578.47
<b>total</b>	<b>15,936,598.37</b>	<b>15,702,169.78</b>	<b>- 234,428.59</b>	<b>161,291.14</b>

The investment goal is always to generate long-term stable income. The withdrawal of the shares is possible at any time. The capital management companies are obliged to redeem shares at the applicable redemption price for the fund's account.

The valuation reserve of the Rheinland ABS-CLO Fund is the difference between the stated value to be applied and the market value.

## 2. Bearer bonds and other fixed-income securities

Based on a retrocession agreement, the bearer bonds are subject to restraints on disposal in the form of a pledge with a carrying amount of €20,776 K (previous year: €39,692 K).

## Deposits receivable

	2018	2017
	€	€
to non-affiliated companies	1,048,552.58	949,339.65
<b>total</b>	<b>1,048,552.58</b>	<b>949,339.65</b>

## Other receivables

	2018	2017
	€	€
Receivables from affiliated companies	10,511,948.51	11,398,644.45
Tax refund claims	254,485.00	0.00
other	1,390,091.80	3,314,964.46
<b>total</b>	<b>12,156,525.31</b>	<b>14,713,608.91</b>

## Fixed assets and inventories

	2018	2017
Operating and business equipment	5,970,078.60	5,619,149.76
Inventories	47,567.25	43,514.89
<b>total</b>	<b>6,017,645.85</b>	<b>5,662,664.65</b>

For insolvency hedging of the semi-retirement obligations, investment funds in the amount of €917 K were assigned to the employees.

## Equity and liabilities

### Subscribed capital

The share capital as at 31 December 2018 amounts to €39,304,192.00 and is divided into 767,660 no-par shares. RheinLand Holding Aktiengesellschaft, Neuss, holds 100% of our company's share capital.

### Technical gross provisions

	total		for outstanding claims:	
	2018	2017	2018	2017
	€	€	€	€
General accident	24,775,988.21	22,033,205.62	22,449,999.94	19,745,466.17
Automobile accident	971.90	1,286.35	0.00	0.00
<b>Accident overall</b>	<b>24,776,960.11</b>	<b>22,034,491.97</b>	<b>22,449,999.94</b>	<b>19,745,466.17</b>
<b>Liability</b>	<b>15,428,275.22</b>	<b>16,011,720.06</b>	<b>12,450,963.82</b>	<b>13,254,985.38</b>
Motor vehicle liability	78,301,312.32	79,850,434.98	68,160,276.73	68,250,053.95
Other motor vehicle	1,288,408.73	11,708,444.49	4,825,848.14	5,056,641.17
<b>Total motor vehicle</b>	<b>91,185,394.05</b>	<b>91,558,879.47</b>	<b>72,986,124.87</b>	<b>73,306,695.12</b>
Fire	3,807,410.87	2,875,054.28	3,261,683.23	2,418,345.06
Comprehensive householder	6,285,264.67	6,339,074.59	2,400,510.52	1,656,831.32
Comprehensive homeowner	4,883,866.82	4,134,140.79	3,428,023.02	2,982,046.43
miscellaneous property	7,143,618.04	6,280,898.59	2,520,899.48	2,076,863.39
<b>Fire and property overall</b>	<b>22,120,160.40</b>	<b>19,629,168.25</b>	<b>11,611,116.25</b>	<b>9,134,086.20</b>
<b>Transport / Aviation</b>	<b>75,073.87</b>	<b>58,580.24</b>	<b>14,363.00</b>	<b>27,697.94</b>
Unemployment	28,070,651.48	24,622,093.94	3,432,355.24	5,578,171.41
Work disability	73,347,007.12	63,451,751.16	15,779,889.12	14,354,953.00
miscellaneous payment protection insurance	14,179,304.42	14,268,755.25	33,147,95.48	4,548,058.99
miscellaneous	809,251.14	903,441.55	107,675.20	171,782.10
<b>other total</b>	<b>116,406,214.16</b>	<b>103,246,041.90</b>	<b>22,634,715.04</b>	<b>24,652,965.50</b>
<b>Total direct business</b>	<b>269,992,077.81</b>	<b>25,253,8881.89</b>	<b>142,147,282.92</b>	<b>140,121,896.31</b>
<b>Assumed reinsurance business</b>	<b>41,453,704.42</b>	<b>60,463,447.69</b>	<b>11,918,018.93</b>	<b>20,061,337.16</b>
<b>total</b>	<b>311,445,782.23</b>	<b>313,002,329.58</b>	<b>154,065,301.85</b>	<b>160,183,233.47</b>



## Equalisation provision and similar provisions

	2018	2017
	€	€
<b>Accident</b>	0.00	0.00
<b>Liability</b>	0.00	0.00
Motor vehicle liability	8,818,170.00	10,132,121.00
Other motor vehicle	7,038,925.00	5,579,172.00
<b>Total motor vehicle</b>	<b>15,857,095.00</b>	<b>15,711,293.00</b>
Fire	150,189.00	73,890.00
Comprehensive householder	1,616,723.00	2,546,201.00
Comprehensive homeowner	559,609.00	344,821.00
miscellaneous property	3,847,032.00	3,463,987.00
<b>Fire and property overall</b>	<b>6,173,553.00</b>	<b>6,428,899.00</b>
<b>Transport / Aviation</b>	<b>35,494.00</b>	<b>7,977.00</b>
miscellaneous	505,743.00	548,445.00
<b>other total</b>	<b>505,743.00</b>	<b>548,445.00</b>
<b>Total direct business</b>	<b>22,571,885.00</b>	<b>22,696,614.00</b>
<b>total</b>	<b>22,571,885.00</b>	<b>22,696,614.00</b>

## Other provisions

	2018	2017
	€	€
Human Resources	8,455,455.38	9,155,343.60
Commissions and payments similar to commission	1,361,000.00	821,624.00
other provisions	1,922,648.70	2,691,537.55
<b>total</b>	<b>11,739,104.08</b>	<b>12,668,505.15</b>

## Accounts receivable / payable from reinsurance operations

	Receivables		Liabilities	
	2018	2017	2018	2017
towards	€	€	€	€
affiliated companies	200,000.00	0.00	0.00	0.00
non-affiliated companies	1,916,537.33	2,215,728.63	2,971,675.88	2,455,757.30
<b>total</b>	<b>2,116,537.33</b>	<b>2,215,728.63</b>	<b>2,971,675.88</b>	<b>2,455,757.30</b>

## Other Liabilities

	2018	2017
	€	€
towards affiliated companies	16,595,331.27	14,570,294.50
non-cashed cheques	510,218.30	829,419.59
Taxes still to be paid	2,623,372.12	2,787,483.38
Trade accounts payable	146,124.92	118,797.55
other	4,791,771.72	3,707,686.62
<b>total</b>	<b>24,666,818.33</b>	<b>22,013,681.64</b>

Other liabilities completely involve obligations with a remaining maturity of less than one year.

# Explanatory notes on Profit and Loss account

## Gross premiums written

	2018	2017
	€	€
General accident	19,127,977.26	19,210,899.70
Automobile accident	29,873.84	37,908.77
<b>Accident overall</b>	<b>19,157,851.10</b>	<b>19,248,808.47</b>
<b>Liability</b>	<b>14,306,477.41</b>	<b>13,825,536.31</b>
Motor vehicle liability	30,525,100.82	33,880,703.14
Other motor vehicle	24,1421,66.65	26,352,602.70
<b>Total motor vehicle</b>	<b>54,667,267.47</b>	<b>60,233,305.84</b>
Fire	2,282,777.97	2,306,843.17
Comprehensive householder	10,699,912.56	10,074,808.87
Comprehensive homeowner	5,527,545.73	4,902,171.52
miscellaneous property	5,555,238.44	5,270,684.28
<b>Fire and property overall</b>	<b>24,065,474.70</b>	<b>22,554,507.84</b>
<b>Transport / Aviation</b>	<b>149,939.53</b>	<b>142,888.34</b>
<b>miscellaneous</b>	<b>114,913,807.48</b>	<b>97,818,345.24</b>
<b>Total direct business</b>	<b>227,260,817.69</b>	<b>213,823,392.04</b>
<b>Assumed reinsurance business</b>	<b>11,648,001.83</b>	<b>7,275,140.40</b>
<b>total</b>	<b>238,908,819.52</b>	<b>221,098,532.44</b>

## Composition of the posted premiums as direct business

	2018	2017
	€	€
from Germany	156,642,062.56	154,118,558.13
from the other member states of the EU and other signatory states to the Agreement on the European Economic Area	70,18,755.13	59,704,833.91
<b>total</b>	<b>227,260,817.69</b>	<b>213,823,392.04</b>

## Earned premiums

	Gross		Net	
	2018	2017	2018	2017
	€	€	€	€
General accident	19,090,773.44	19,126,158.15	18,955,615.05	18,888,314.83
Automobile accident	29,973.55	38,328.20	23,888.28	30,569.44
<b>Accident overall</b>	<b>19,120,746.99</b>	<b>19,164,486.35</b>	<b>18,979,503.33</b>	<b>18,918,884.27</b>
<b>Liability</b>	<b>14,087,339.69</b>	<b>13,722,101.15</b>	<b>13,915,957.37</b>	<b>13,556,112.49</b>
Motor vehicle liability	30,648,859.16	33,892,823.32	23,384,169.75	25,969,808.58
Other motor vehicle	24,181,869.69	26,338,891.69	19,026,438.15	20,651,420.97
<b>Total motor vehicle</b>	<b>54,830,728.85</b>	<b>602,31715.01</b>	<b>42,410,607.90</b>	<b>46,621,229.55</b>
Fire	2,270,076.55	2,291,037.60	1,063,430.34	1,138,963.51
Comprehensive householder	10,569,139.68	9,795,466.78	10,556,464.54	9,783,670.64
Comprehensive homeowner	5,442,229.29	4,845,811.97	4,209,232.65	3,800,613.19
miscellaneous property	5,520,723.08	5,293,314.79	4,580,081.06	4,463,026.87
<b>Fire and property overall</b>	<b>23,802,168.60</b>	<b>22,225,631.14</b>	<b>20,409,208.59</b>	<b>19,186,274.21</b>
<b>Transport / Aviation</b>	<b>147,994.96</b>	<b>141,828.90</b>	<b>147,994.96</b>	<b>141,828.90</b>
Unemployment	19,147,358.38	19,210,356.09	14,441,105.66	14,561,858.90
Work disability	65,389,260.17	57,852,110.20	52,309,546.76	44,975,030.98
miscellaneous payment protection insurance	14,722,931.39	17,352,129.53	14,190,626.40	15,763,409.09
miscellaneous	1,208,103.39	1,124,559.59	904,443.39	838,549.72
<b>other total</b>	<b>100,467,653.33</b>	<b>95,539,155.41</b>	<b>81,845,722.21</b>	<b>76,138,848.69</b>
<b>Total direct business</b>	<b>212,456,632.42</b>	<b>211,024,917.96</b>	<b>177,708,994.36</b>	<b>174,563,178.11</b>
<b>Assumed reinsurance business</b>	<b>14,605,847.34</b>	<b>13,180,691.57</b>	<b>14,605,847.34</b>	<b>13,180,691.57</b>
<b>total</b>	<b>227,062,479.76</b>	<b>224,205,609.53</b>	<b>192,314,841.70</b>	<b>187,743,869.68</b>

## Technical interest income

Pursuant to Section 38 German Accounting Regulations for Insurance Companies (RechVersV), technical interest income must be reported for the provision for future pension benefits. This amounts to 2.75% of the arithmetic mean of the opening and closing balance of the provision for future pension benefits.

The gross premium cover provision for child accident insurance also bears interest at 2.75% of the total at the beginning and end of the year.

## Gross costs

	for insurance claims		for insurance operations	
	2018	2017	2018	2017
	€	€	€	€
General accident	9,360,923.93	8,835,492.76	9,148,456.21	9,273,746.84
Automobile accident	0.00	0.00	6,961.30	10,159.70
<b>Accident overall</b>	<b>9,360,923.93</b>	<b>8,835,492.76</b>	<b>9,155,417.51</b>	<b>9,283,906.54</b>
Liability	6,279,341.35	7,842,804.60	5,571,703.38	5,329,800.49
Motor vehicle liability	25,322,774.58	27,470,476.54	5,086,239.93	5,334,023.03
Other motor vehicle	19,084,071.74	22,128,052.85	4,549,767.12	4,903,174.66
<b>Total motor vehicle</b>	<b>44,406,846.32</b>	<b>49,598,529.39</b>	<b>9,636,007.05</b>	<b>10,237,197.69</b>
Fire	1,613,965.59	1,709,362.74	1,088,201.60	1,080,060.56
Comprehensive householder	4,898,201.00	3,512,761.20	3,996,360.01	3,635,623.47
Comprehensive homeowner	5,854,966.66	4,899,301.97	2,941,244.50	2,478,095.09
miscellaneous property	4,089,515.23	3,856,130.07	1,801,428.44	1,745,595.14
<b>Fire and property overall</b>	<b>16,456,648.48</b>	<b>13,977,555.98</b>	<b>9,827,234.55</b>	<b>8,939,374.26</b>
<b>Transport / Aviation</b>	<b>-1,312.43</b>	<b>32,591.93</b>	<b>56,146.01</b>	<b>59,299.74</b>
Unemployment	-191,500.60	2,0785,44.53	16,696,155.25	15,999,751.55
Work disability	8,738,937.89	7,716,114.76	54,802,625.18	46,628,729.37
miscellaneous payment protection insurance	1,198,905.40	5,067,381.17	11,004,981.83	10,751,543.82
miscellaneous	25,111.91	230,804.20	418,770.99	384,268.77
<b>other total</b>	<b>9,771,454.60</b>	<b>15,092,844.66</b>	<b>82,922,533.25</b>	<b>73,764,293.51</b>
<b>Total direct business</b>	<b>86,273,902.25</b>	<b>95,379,819.32</b>	<b>117,169,041.75</b>	<b>107,613,872.23</b>
<b>Assumed reinsurance business</b>	<b>-1,890,728.24</b>	<b>2,707,074.64</b>	<b>12,838,534.72</b>	<b>10,884,437.97</b>
<b>total</b>	<b>84,383,174.01</b>	<b>98,086,893.96</b>	<b>130,007,576.47</b>	<b>118,498,310.20</b>

From the gross costs, the following is attributed to insurance operations

	2018	2017
	€	€
Acquisition costs	62,464,250.47	56,408,013.11
Administrative expenses	67,543,326.00	62,090,297.09
<b>total</b>	<b>130,007,576.47</b>	<b>118,498,310.20</b>

## Technical account results

	Reinsurance		for own account	
	2018	2017	2018	2017
	€	€	€	€
General accident	-22,634.80	53,595.46	727,766.87	1,065,406.01
Automobile accident	3,703.19	4,733.18	19,480.84	23,525.27
<b>Accident overall</b>	<b>-18,931.61</b>	<b>58,328.64</b>	<b>747,247.71</b>	<b>1,088,931.28</b>
<b>Liability</b>	<b>-1,587,730.75</b>	<b>166,719.97</b>	<b>3,868,628.07</b>	<b>385,871.59</b>
Motor vehicle liability	1,383,524.93	1,384,330.74	185,355.02	1,944,622.64
Other motor vehicle	724,370.23	200,839.98	-1,625,196.60	-2,260,601.82
<b>Total motor vehicle</b>	<b>2,107,895.16</b>	<b>1,585,170.72</b>	<b>-1,439,841.58</b>	<b>-315,979.18</b>
Fire			-950,330.71	-1,313,602.92
Comprehensive householder			2,301,780.07	2,223,671.19
Comprehensive homeowner			-3,789,060.48	-3,255,656.45
miscellaneous property			-967,088.62	-1,220,825.56
<b>Fire and property overall</b>	<b>802,076.50</b>	<b>1,499,861.86</b>	<b>-3,404,699.74</b>	<b>-3,566,413.74</b>
<b>Transport / Aviation</b>	<b>0.00</b>	<b>0.00</b>	<b>66,688.88</b>	<b>42,564.14</b>
Unemployment	1,412,405.48	1,534,701.11	1,158,354.75	-371,120.75
Work disability	1,810,642.36	3,529,996.40	-562,247.31	-317,117.04
miscellaneous payment protection insurance	551,063.66	1,218,429.07	1,870,109.46	231,943.21
miscellaneous	240,417.67	234,258.06	578,373.89	235,327.06
<b>other total</b>	<b>4,014,529.17</b>	<b>6,517,384.64</b>	<b>3,044,590.79</b>	<b>-220,967.52</b>
<b>Total direct business</b>	<b>5,317,838.47</b>	<b>9,827,465.83</b>	<b>2,882,614.13</b>	<b>-2,585,993.43</b>
<b>Assumed reinsurance business</b>	<b>113,725.95</b>	<b>26,450.30</b>	<b>11,268,198.87</b>	<b>14,017,019.42</b>
<b>total</b>	<b>5,431,564.42</b>	<b>9,853,916.13</b>	<b>14,150,813.00</b>	<b>11,431,025.99</b>

## Commissions and other remunerations of the intermediaries, personnel costs

	2018	2017
	€	€
1. Commissions of all kinds for intermediaries within the meaning of Section 92 German Commercial Code (HGB) for direct insurance operations	76,842,473.02	70,671,984.24
2. Other remuneration for intermediaries within the meaning of Section 92 German Commercial Code (HGB)	3,878,848.76	3,164,206.82
3. Wages and salaries	49,152,596.71	49,612,763.14
4. Social contributions and costs for support	8,041,992.41	7,661,573.75
5. Costs for old-age pension	1,673,175.06	1,075,308.99
<b>Total expenditures</b>	<b>139,589,085.96</b>	<b>132,185,836.94</b>

**Information pursuant to Section 277 (5) German Commercial Code (HGB)**

The interest costs include costs arising from the addition of accrued interest to the anniversary provision on 31 December 2018 in the amount of €69 K. Foreign exchange earnings in the amount of €5 K were stated under other income. They are offset by exchange rate losses under the other expenditures in the amount of €21 K.

## Investment income

	2018	2017
	€	€
Participating interests	0.00	190,000.00
thereof: from affiliated companies: 0.00 €		
Shares, units or shares in investment funds and other variable yield securities	161,291.14	222,802.08
Bearer bonds and other fixed-income securities	1,537,531.43	1,904,248.74
Mortgages, land charges and annuities receivable	2,587.64	9,659.83
Registered notes	301,236.17	305,387.04
Notes receivable	1,525,255.79	2,067,635.56
thereof: from affiliated companies: 41,575.34 €		
Deposits at banks	248,098.71	166,027.64
Other investments	777.60	777.60
<b>total</b>	<b>3,776,778.48</b>	<b>4,866,538.49</b>

## Number of the at least one-year insurance contracts of the direct insurance business

	<b>2018</b>	<b>2017</b>
	Unit	Unit
General accident	97,812	101,302
Automobile accident	713	828
<b>Accident overall</b>	<b>98,525</b>	<b>102,130</b>
<b>Liability</b>	<b>126,556</b>	<b>119,039</b>
Motor vehicle liability	123,902	129,508
Other motor vehicle	109,991	113,159
<b>Total motor vehicle</b>	<b>233,893</b>	<b>242,667</b>
Fire	3,713	3,916
Comprehensive householder	82,171	76,883
Comprehensive homeowner	50,053	41,568
miscellaneous property	10,152	10,577
<b>Fire and property overall</b>	<b>146,089</b>	<b>132,944</b>
<b>Transport / Aviation</b>	<b>219</b>	<b>245</b>
<b>miscellaneous</b>	<b>6,697</b>	<b>6,048</b>
<b>total</b>	<b>611,979</b>	<b>603,073</b>



# Miscellaneous

## Staff

Over the course of the financial year, RheinLand Versicherungs AG employed an average of 733 persons in inside staff and 58 employees in its field sales staff (total: 791 employees; 781 in the previous year). The number of trainees included in that number is 28 persons (previous year: 37 persons).

With respect to personnel costs for the financial year, please refer to the details on commissions and other remuneration of the insurance intermediaries and personnel expenditures on page 63. The Executive Board and Supervisory Board members are listed by name on pages 6 and 7.

No further compensation was paid for duties at affiliated companies. €371 K have been paid out to former members of the Executive Board or their surviving dependents. The remuneration for the Supervisory Board and Executive Board was paid by RheinLand Holding AG. There are provisions in the amount of €4.5 million for current pensions and pension entitlements that are included in the balance sheet of RheinLand Holding AG.

## Details of shareholders

The investment management company Cornel Werhahn GbR, Neuss, has merely informed us as a precaution in the event that should it assume company status as defined by property Section 20 Joint Stock Company Act (AktG), it indirectly holds a majority stake in the company. Furthermore, Verena Countess Huyn, Neuss, Dr. Ludwig Baum, Munich, and Heinrich Straaten, Königswinter, merely as a precaution in case they assume company status as defined in Section 20 Joint Stock Company Act and the participating interests they hold should qualify as dependent companies according to the principles of multiple parents, informed us that they indirectly own a majority stake in the company.

## Financial Obligations

Additional payment obligations of €6 K exist for cooperative shares.

Due to our membership in Verkehrsofopferhilfe e.V. (an association for the assistance of traffic accident victims), we are obliged to provide this association with the funds necessary to the pursue of its objectives at a level commensurate with our share in the premium revenue that member companies have achieved from direct motor third-party liability insurance in the calendar year before last. The annual funding is limited to 0.5% of premium income.

A letter of subordination was issued to a subsidiary for current and future receivables; furthermore, the company agreed to cover any potential losses.

The company is liable for the fulfilment of the purchase price obligations of Rheinland Groep B.V. based on an acquisition of a stake in Rheinland Groep B.V.

The pension and early retirement commitments were transferred in 1993, the partial retirement obligations in 1997, to RheinLand Holding AG. RheinLand Versicherungs AG remains liable in joint cooperation with RheinLand

Holding AG for the fulfilment of pension obligations. A financial obligation in the amount of €22.0 million remained on the balance sheet date. For insolvency hedging of the semi-retirement obligations, investment funds in the amount of €0.9 million were assigned to the employees.

## Further Information

RheinLand Versicherungs AG, registered in Neuss, is entered in the Commercial Register at the Local Court of Neuss (HRB 1477).

The details on the Group companies and on the outsourced functions and joint facilities are presented in the Management Report under the item Relationships to Affiliated Companies on page 11.

Pursuant to Section 285 No. 17 German Commercial Code (HGB), information about the total auditor's fee is provided with exempting effect in the consolidated financial statements of RheinLand Holding AG, Neuss. In addition to the fee for the audit of the financial statements, payments were made to PricewaterhouseCoopers GmbH for fiduciary services in the reporting year.

RheinLand Versicherungs AG is included in the consolidated financial statements of RheinLand Holding AG, Neuss, which at the same time corresponds to the smallest and largest group of consolidation and is published in the German electronic Federal Gazette. According to Section 291 German Commercial Code (HGB), we are exempt from the obligation to prepare consolidated financial statements and a Group management report.

# Supplementary Report

There have not been any events of particular importance after the conclusion of the financial year.

Neuss, 18 March 2019

The Executive Board

Christoph Buchbender

Dr. Lothar Horbach

Udo Klanten

Andreas Schwarz

# Audit Report

of the independent auditor

To RheinLand Insurance AG, Neuss

## Report on the audit of the annual financial statements and the Management Report

### Audit opinions

We have audited the annual financial statements of RheinLand Versicherungs AG, Neuss, – comprising the balance sheet as at 31 December 2018 and the profit and loss account for the financial year from 1 January to 31 December 2018 and the notes, including the presentation of the accounting and valuation methods. In addition, we have audited the Management Report of RheinLand Versicherungs AG for the financial year from 1 January to 31 December 2018. We have not examined the content of the corporate governance declaration pursuant to Section 289f (4) German Commercial Code (HGB) (statements on the women's quota) in accordance with German statutory provisions.

In our opinion, based on the findings of our audit,

- the attached annual financial statements comply in all material respects with German commercial law and give a true and fair view of the net assets and financial position of the company as at 31 December 2018 and its profit position for the business year from 1 January to 31 December 2018 in accordance with German generally accepted accounting principles; and
- the attached Management Report as a whole provides a suitable view of company's position. In all material respects, this Management Report is consistent with the annual financial statements, complies with German legal requirements and accurately presents the opportunities and risks of future development. Our audit opinion on the Management Report does not extend to the content of the above declaration on corporate governance.

In accordance with Section 322 (3) (1) German Commercial Code (HGB), we declare that our audit has not led to any objections to the correctness of the annual financial statements and the Management Report.

### Basis for the audit opinions

We conducted our audit of the annual financial statements and Management Report in accordance with Section 317 German Commercial Code (HGB) and the EU Statutory Auditing Regulation (No. 537/2014; referred to below as "EU-APrVO"), in compliance with generally accepted principles in Germany concerning proper statutory auditing of annual financial statements, as specified by the Institute of Public Auditors (IDW). Our responsibility in accordance with these regulations and principles is further described in the section "Responsibility of the auditor to audit the annual financial statements and the Management Report" of our audit opinion. We are independent of the company in accordance with European and German commercial and professional regulations and have fulfilled our other German professional duties in accordance with these requirements. In addition, we declare in accordance with Article 10 (2) f) Statutory Auditing Regulation (EU-APrVO) that we have not provided any prohibited non-audit

services pursuant to Article 5 (1) Statutory Auditing Regulation (EU-APrVO). We are of the opinion that the audit evidence we have obtained is sufficient and suitable to provide a basis for our auditor's opinion on the annual financial statements and the Management Report.

## Particularly important audit issues in the audit of the annual financial statements

Particularly important audit issues are those which, in our best judgment, were most significant in our audit of the annual financial statements for the business year from 1 January to 31 December 2018. These matters have been considered in connection with our audit of the financial statements as a whole and in forming our opinion thereon; we are not issuing a separate opinion on these matters.

In our opinion, the following facts were most significant in our audit:

- 1. Valuation of Investments**
- 2. Valuation of claims provisions**

We have structured our presentation of these particularly important respective audit issues as follows:

1. Facts and problems
2. Audit approach and findings
3. Reference to further information

The most important audit issues are described below:

### **1. Valuation of Investments**

1. In the annual financial statements of the company, investments amounting to € 334.7 million (86.7% of the balance sheet total) are reported on the balance sheet. In the case of investments where valuation is not based on stock exchange prices or other market prices (e.g. for unlisted participating interests, derivatives, asset-based securities, other structured and other structured and illiquid bonds and real estate), there is an increased valuation risk due to the necessity of using model calculations. In this context, the legal representatives have to make discretionary decisions, estimates and assumptions. Minor changes in these assumptions and the methods used may have a material effect on the valuation of the investments. Due to the quantitatively material importance of the investments for the net asset and profit position of the company, and the considerable discretionary scope of the legal representatives and the associated estimation uncertainties, the valuation of investments within the scope of our audit was of particular importance.
2. Within the scope of our audit, in view of the importance of investments to the overall business of the company, working together with our internal in-house investment specialists for investments, we assessed the models used by the company and the assumptions made by the legal representatives. In doing so, among other things, we applied our valuation expertise for investments, our industry knowledge and our industry experience. In addition, we acknowledged the structure and effectiveness of the company's established controls for assessing investments and recording the investment earnings. On this basis, we performed further analytical audit procedures and individual audit procedures in terms of the valuation of the investments. Among other things, we also reviewed the underlying valuation methods and their validity based on the documents provided and have

reviewed the consistent application of the valuation methods and period definition. In addition, we took into account the valuation reports prepared or obtained by the company (including the valuation parameters applied and assumptions made) for the company's major investments. On the basis of our audit procedures, we were able to ascertain that the estimates and assumptions made by the legal representatives regarding the valuation of investments are well-founded and adequately documented.

3. The company's information on investments is contained in the sections "accounting and valuation methods", along with attached "explanatory notes on the balance sheet".

## **2. Valuation of claims provisions**

1. In the company's annual financial statements, technical provisions (so-called "claim provisions") in the amount of € 124.5 million (32.2 % of the balance sheet total) are reported on the balance sheet under "Provisions for outstanding claims". Insurance companies are required to set up technical provisions to the extent necessary according to reasonable commercial judgement, to ensure ongoing fulfilment of the obligations under insurance policies. The determination of assumptions on the valuation of technical provisions requires the company's legal representatives to take into account not only the commercial and regulatory requirements but also an assessment of future events and the application of suitable valuation methods. The methods and calculation parameters used to determine the amount of the claim provisions are based on discretionary decisions and assumptions made by the legal representatives. Minor changes in these assumptions and the methods used can have a material impact on the valuation of claim provisions. Due to the quantitatively material importance of these provisions for the net asset and profit position of the company, and the considerable discretionary scope of the legal representatives and the associated estimation uncertainties, the valuation of claim provisions within the scope of our audit was of particular importance.
2. Within the scope of our audit, in view of the importance of claim provisions to the overall business of the company, working together with our in-house valuation specialists, we assessed the models used by the company and the assumptions made by the legal representatives. In doing so, among other things, we applied our industry knowledge and experience and took recognised methods into account. In addition, we have taken into account the structure and effectiveness of the company's established controls for determining and recording claim provisions. On this basis, we have performed further analytical audit procedures and individual audit procedures with respect to the valuation of claim provisions. Among other things, we have also reconciled the data on which the calculation of the settlement value is based with the basic documents. As a result, we have reconstructed the calculated results of the company for the amount of the provisions on the basis of the applicable statutory provisions and have reviewed the consistent application of the valuation methods and the period accruals. On the basis of our audit procedures, we were able to ascertain that the estimates and assumptions made by the legal representatives regarding the valuation of claim provisions are well-founded and adequately documented.
3. The company's information on claim provisions is contained in the sections "Accounting and valuation methods" and "Explanatory notes on the Balance sheet".

## Other information

The legal representatives are responsible for the other information. Other information includes the corporate governance declaration in accordance with Section 289f (4) German Commercial Code (HGB) (statements on the women's quota).

The other information also includes the other parts of the annual report—without further cross-references to external information—with the exception of the audited annual financial statements, the audited Management Report and our audit opinion.

Our audit opinions on the annual financial statements and Management Report do not extend to other information, and accordingly we do not express an audit opinion or any other form of audit conclusion.

In connection with our audit, we have the responsibility to read the other miscellaneous information and, in doing so, to assess whether the other information

- contains material discrepancies compared to the annual financial statements, the Management Report or our knowledge gained during the audit, or
- otherwise appears to contain material misstatements.

## Responsibility of the legal representatives and the Supervisory Board for the Annual financial statements and Management Report

The legal representatives are responsible for the preparation of the annual financial statements in accordance with German commercial law in all material respects, and for ensuring that the annual financial statements provide a true and fair view of the asset, financial and profit position of the company in adherence with German principles of proper accounting. In addition, the legal representatives are responsible for the internal controls they have determined necessary in accordance with German generally accepted accounting principles to enable the preparation of annual financial statements that are free from material misstatements—whether intentional or not.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. Moreover, they are responsible for disclosing any facts related to the going concern assumption, to the extent they are relevant. In addition, they are responsible for drawing up a balance sheet based on the going concern accounting principle, unless there are actual or legal circumstances to the contrary.

In addition, the legal representatives are responsible for the preparation of the Management Report, which as a whole provides a suitable view of the Company's position, is consistent in all material respects with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary to enable the preparation of a Management Report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the management report.

The Supervisory Board is responsible for monitoring the company's accounting process for the preparation of the annual financial statements and the Management Report.

## Auditor's responsibility for the audit of the annual financial statements and the Management Report

Our aim is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatements – whether intentional or unintentional – and whether the Management Report as a whole provides a suitable view of the company's position and, in all material respects, is consistent with the annual financial statements and the findings of our audit, complies with German law and suitably presents the opportunities and risks of future development, and to issue an opinion on the annual financial statements and management report.

Sufficient certainty means a high degree of certainty but is no guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU-APrVO in accordance with the generally accepted standards for the audit of financial statements issued by the Institute of Public Auditors (IDW) will always reveal a material misstatement. Misstatements may result from violations or inaccuracies and are considered material if they could reasonably be expected to influence the economic decisions of users, individually or collectively, based on these financial statements and Management Report.

During the examination we exercise due discretion and maintain professional scepticism. In addition,

- we identify and assess the risks of material misstatements – whether intentional or unintentional – in the financial statements and Management Report, plan and perform audit procedures in response to these risks and obtain audit evidence sufficient and appropriate to serve as a basis for our audit opinion. The risk that material misstatements are not detected is higher in the case of violations than in the case of inaccuracies, since violations may involve fraudulent collusion, falsifications, intentional incompleteness, misleading representations or the suspension of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the annual financial statements and the precautions and measures relevant to the audit of the Management Report that are appropriate in the circumstances, but not for the purpose of issuing an opinion on the effectiveness of these company systems.
- we assess the appropriateness of the accounting methods used by the legal representatives and the reasonableness of the estimated values and related disclosures presented by the legal representatives.
- we draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, based on the audit evidence obtained, whether there is a material uncertainty in connection with events or circumstances that could raise significant doubts as to the company's ability to continue as a going concern. If we reach the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the annual financial statements and Management Report in our audit report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on audit evidence obtained by the date of our audit opinion. However, future events or circumstances may prevent the company from continuing its business activities.
- we express an opinion on the overall presentation, structure and content of the annual financial statements, including the information, and whether the annual financial statements present the underlying business transactions and events such that the annual financial statements provide a true and fair view of the asset, financial and profit position of the company in accordance with German generally accepted principles of accounting.



- we assess the consistency of the Management Report with the annual financial statements, its compliance with the law and the view it conveys of the company's situation.
- we perform audit procedures concerning the forward-looking statements made by the legal representatives in the Management Report. On the basis of sufficient suitable audit evidence, we follow in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent opinion on these forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events could materially deviate from the forward-looking statements.

Among other topics, we discuss with those responsible for monitoring the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we have identified during our audit.

We issue a statement to those responsible for supervision that we have complied with the relevant independence requirements and discuss with them all relationships and other facts that can reasonably be expected to affect our independence and the precautions taken for that purpose.

Among the facts we have discussed with those responsible for supervision, we determine the facts that were most significant in the audit of the annual financial statements for the current reporting period and are therefore particularly important audit-related facts. We describe these facts in the auditor's report, unless laws or other legal provisions exclude public disclosure of the facts.

## Other legal and other statutory requirements

### Other information referred to in Article 10 EU Statutory Auditing Regulation (EU-APrVO)

We were elected and appointed as auditors by the Supervisory Board on 4 December 2018. We have been the auditors of RheinLand Versicherungs AG, Neuss, uninterrupted since the 2017 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Audit Committee under Article 11 EU-APrO (Audit Report).

## Responsible auditor

The auditor responsible for the audit is Michael Peters.

Düsseldorf, 9 April 2019

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Alexander Hofmann  
Auditor

Michael Peters  
Auditor

# Appendix to the Management Report

## RheinLand Versicherungs AG Report on Equality and Equal Remuneration according to Section 21 Transparency of Remuneration Act (EntgTranspG)

The report on equality and equal remuneration is prepared every five years in accordance with Section 22 (1) Transparency of Remuneration Act (EntgTranspG). The report was first prepared in 2018. The next report will thus be prepared in 2023 and will cover the reporting period of 2018 to 2022.

# Further Details on the Management Report

## List of Lines and Types of Insurance Managed

### Management Report

#### Accident insurance

- Individual accident insurance without premium refund
- Group accident insurance without premium refund
- Motor accident insurance
- other and not subdivided accident insurance

#### Liability insurance

- Private third-party liability insurance (including sport boat and dog owner liability insurance)
- Company and professional liability insurance
- Environmental liability insurance
- Financial loss liability insurance
- other and not subdivided general third-party liability insurance

#### Motor insurance

- Insurance against civil liability in respect of the use of motor vehicles
- Comprehensive insurance
- Partially comprehensive insurance
- other and not subdivided motor insurance

#### Fire insurance

- Agricultural fire insurance
- Other fire insurance (including forest fire insurance)

#### Burglary insurance and theft insurance

#### Water damage insurance

#### Glass insurance

#### Windstorm insurance

- Windstorm insurance
- Insurance of additional natural hazards in case of commercial risks

#### Comprehensive householder insurance

- Comprehensive householder insurance excluding further natural hazard losses
- Comprehensive householder insurance including further natural hazard losses

#### Comprehensive homeowner insurance

- Comprehensive homeowners insurance excluding further natural hazard losses
- Comprehensive homeowner insurance including further natural hazard losses

#### Hail insurance

#### Technical insurances

- Machinery insurance (including construction equipment insurance)
- Electronics insurance
- other and not subdivided technical insurance

#### Transport insurance

- Comprehensive insurance
- other and not subdivided transport insurance

#### Insurance of additional hazards regarding fire and/or fire and business interruption insurance extended coverage (EC) insurance

### Business interruption insurance

- Fire and business interruption insurance
- Technical business interruption insurance
- Other business interruption insurance

### Travel assistance insurance

- Roadside recovery insurance
- Roadside recovery insurance under inclusion of the so-called Majorca Policy
- other and not subdivided travel assistance insurance

### Aviation and space liability insurance

- Aviation liability insurance

### Other non-life insurance

- other casualty insurance
- other financial loss insurance
- other combined insurance

### Payment protection insurance

\* only in assumed reinsurance segments

# List of companies

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# RheinLand Versicherungs AG

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Commercial agent  
Neuss  
Chairman

Wilhelm Ferdinand Thywissen  
Commercial agent  
Commercial agent, Managing Director of C. Thywissen  
VV GbR  
Neuss  
Deputy Chairman

Dr. Ludwig Baum  
Commercial agent  
Managing Director of Portfolio Management  
Cornel Werhahn GbR  
Munich

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Graduate of Business Administration  
Former member of the Executive Board of  
RheinLand Holding AG  
Bornheim

Andreas Daners  
Chairman of the Staff Council of  
RheinLand Versicherungs AG  
Jüchen  
Elected by employees

Jürgen Stark  
Business IT Professional  
Brühl  
Elected by employees

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Certified Insurance Agent  
Neuss

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For the sake of readability, the male form of speech is used. All references to persons shall be understood to refer to male, female and diverse forms of speech.





