

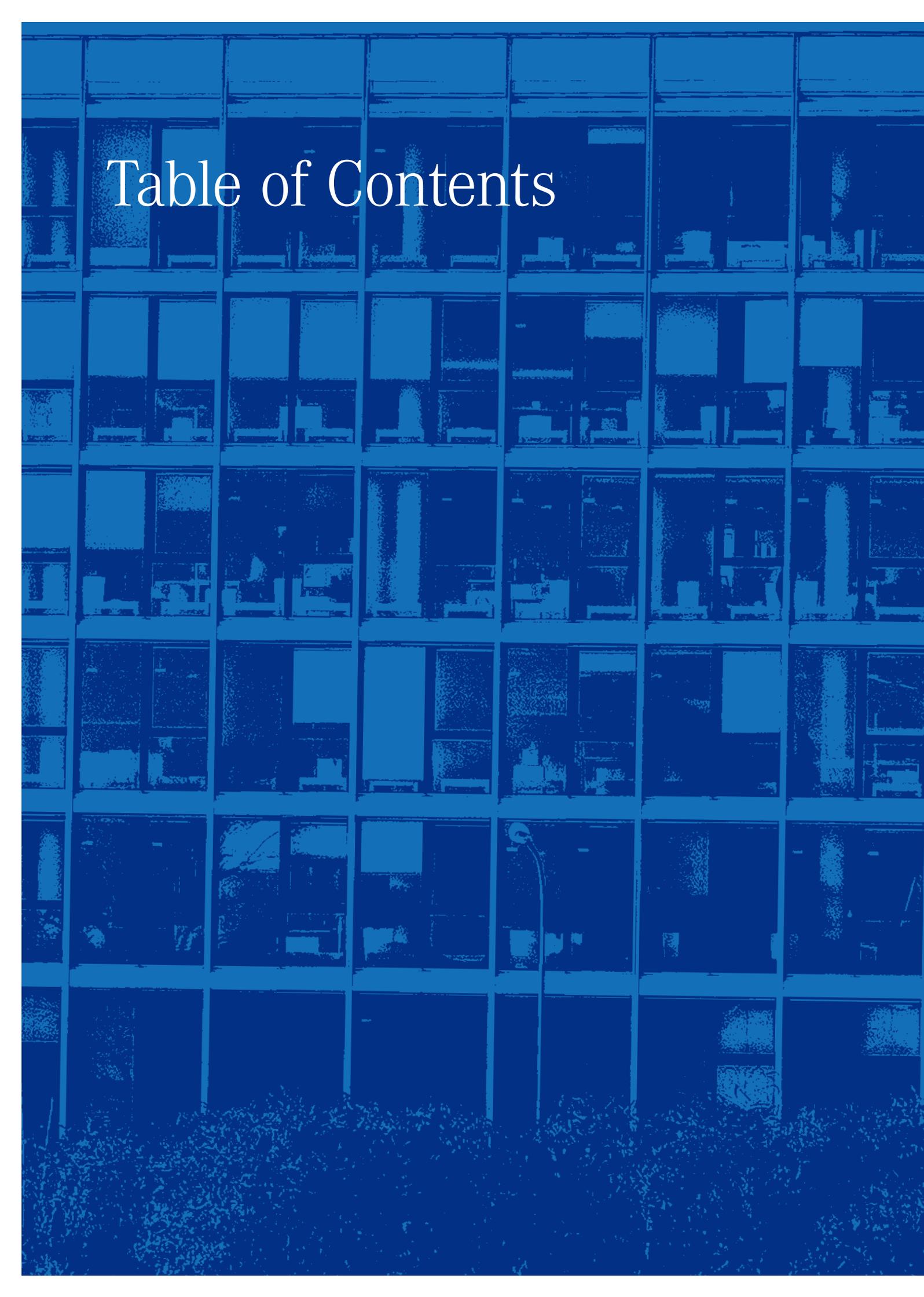
# Growing assets







**RheinLand Versicherungs AG**  
**Annual Report 2015**



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# Supervisory Board

Anton Werhahn,  
Commercial Agent,  
CEO of Wilh. Werhahn KG,  
Neuss  
Chairperson

Wilhelm Ferdinand Thywissen,  
Commercial Agent,  
General Representative of C. Thywissen GmbH,  
Neuss  
Deputy Chairperson

Dr. rer. pol. h.c. Klaus G. Adam,  
Auditor,  
Mainz

Dr. Ludwig Baum,  
Commercial Agent,  
Managing Director of Effektenverwaltung (Portfolio Management) Cornel  
Werhahn GbR  
Munich

Andreas Daners,  
Certified Insurance Agent,  
Staff Council of RheinLand Versicherungs AG,  
Jüchen  
elected by employees

Jürgen Stark,  
Business IT Professional,  
Staff Council of RheinLand Versicherungs AG,  
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

Jutta Stöcker,  
Graduate of Business Administration,  
Bornheim  
(January 14, 2015)

# Supervisory Board Report

In 2015, on the basis of written and verbal reports provided by the Executive Board in seven sessions, the Supervisory Board gained in-depth information on the status and growth of the company, business trends 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 2015 and 2016, 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 securing the risk-bearing capacity as well as ensuring sufficient liquidity. The Supervisory Board also received reporting on the status of the preparatory steps to the introduction of Solvency II.

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 Supervisory Board about compliance-related topics and about

the development and expansion of the compliance organisation and processes. In particular, the Executive Board reported that the compliance management system of RheinLand-Gruppe has been subjected to a reserve adequacy test by an external auditor. The auditor confirmed the reserve adequacy in April 2016.

Following a tender process conducted voluntarily, the auditor was selected for the fiscal year of 2015. The Supervisory Board decided to extend the engagement of KPMG AG, Wirtschaftsprüfungsgesellschaft, Cologne.

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.

The members of the Executive Board are not separately remunerated by our company, as this is provided by our parent company, RheinLand Holding AG.

The Supervisory Board revised its rules of procedure, as well as those of the Executive Board. In particular, rules were adopted concerning the number of specified Supervisory Board meetings, the confidentiality obligation and handling of conflicts of interest. The allocation of duties was newly established for the Executive Board.

In accordance with statutory rules, the annual financial statements of 2015 and the Management Report were audited and issued an unqualified auditor's opinion by the appointed statutory auditor KPMG AG, Wirtschafts-

prüfungsgesellschaft, Cologne. 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 examination, it has no objections and approves the annual financial statements and Management Report of RheinLand Versicherungs AG for the financial year of 2015. The presented annual financial statements are thereby approved. The Supervisory Board concurs with the recommendation of the Executive Board concerning the allocation of the balance sheet profit.

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

Neuss, May 19, 2016

The Supervisory Board

Anton Werhahn  
Chairperson

# Management Report



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RheinLand  
VERSICHERUNGSRUPPE

Credit Life  
VERSICHERUNG

Rhön  
VERSICHERUNG

RheinLand  
VERSICHERUNG

RheinLandplatz

Zirkonglas

REIUNGSW  
FEUERV  
VERBODEN

Feuerwehrtafel

P  
Nur für  
Berufsaus-  
gehörige

# Committee management

## Responsible Committee Management

As a management body, the Executive Board of Rheinland Versicherungs AG manages the company on its own responsibility with the aim of creating sustainable added value. The Executive Board's function is governed by rules of procedure. Decisions are adopted in Executive Board meetings generally taking place once a month.

The Supervisory Board appoints, advises and supervises the Executive Board. Its function is specified in the statutes and in rules of procedure. As a general rule, it convenes in at least two ordinary Supervisory Board meetings each calendar half-year. The Supervisory Board is informed by the Executive Board in an ongoing and timely manner. It decides on matters requiring approval.

## Composition of the Executive Board

The Executive Board of Rheinland Versicherungs AG consists of four members. The members of the Executive Board are appointed by the Supervisory Board. In appointing Executive Board members, the Supervisory Board pays close attention to the professional qualification, experience and leadership quality of the candidates.

## Composition of the Supervisory Board

The Supervisory Board of Rheinland Versicherungs AG consists of six members, of which four members are elected by the Annual General Meeting (shareholder

representatives) and to members from the ranks of employees (employee representatives) according to the rules of the One-Third Participation Act. The term of office for Supervisory Board members is generally five years.

## Advancement of women in management positions

Within the Rheinland Versicherungsgruppe, only Rheinland Versicherungs AG is subject to the statutory rules for codetermination companies. The company has implemented the requirements and established target quotas of 7.1% on the first management echelon and 20.4% on the second management echelon below the Executive Board.

## Mutual trust relationship between the Executive Board and Su- pervisory Board

Also in the year 2015, the working relationship between the Executive Board and the Supervisory Board was characterised by open and trusting communication. In seven sessions, as well as based on written and verbal reports provided by the Executive Board, the Supervisory Board gained in-depth information on the status and growth of the company, business trends and fundamental questions concerning company policy. Furthermore, there was an ongoing constructive exchange of information characterised by openness and objectivity between the Executive Board and the Supervisory Board, and in particular between the Chairman of the Supervisory Board and the Executive Board.

# Economic Report

## Business Performance

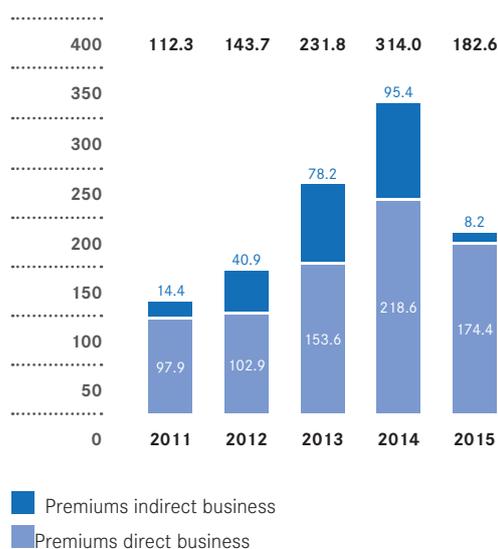
In the reporting year, the German economy experienced an increasing growth rate of 1.8% (1.6% in the previous year). Neither the crisis in Ukraine nor the turbulence caused by Greece in the European monetary union were able to break this trend. Private disposable income increased by roughly 3% in the reporting year. The inflation rate of 0.3% (prev. year 0.9%) had hardly any diminishing effect on this nominal increase. The number of persons employed increased by nearly 300,000, reaching 43 million, thus representing the highest level of employment since German reunification. The unemployment rate continue to improve to 6.4% (6.7% in the previous year).

In the reporting year, RheinLand Versicherungs AG achieved premium revenues totalling €182.6 million (previous year: €314.0 million). €174.4 million of this sum (previous year: €218.6 million) were attributable to direct insurance operations. In the reporting year, €8.2 million (previous year: €95.4 million) were attributable to reinsurance business.

An essential reason for the decline of premium income in direct insurance operations is the loss of a cooperation partner and thus the associated expiry of business in the field of purchase price insurance. By way of co-insurance, RheinLand Versicherungs AG has enlisted additional insurance company participation of 80% in integrated residential building insurance in order to reduce the storm risk. This planned selling of existing policies is the key reason for the lower premium revenues in direct insurance operations compared to the previous year.

Likewise, in the indirect insurance business, the phasing out of the payment protection insurance business for the reasons described above led to the reduction in premium revenues.

Development of the posted premiums in mill. €



An additional reason for the decline in indirect insurance business is the elimination of a fronting reinsurance contract with Rhion Versicherung AG, after the business, previously bundled with RheinLand Versicherungs AG, was contracted to external reinsurance companies.

The loss development in the insurance industry was dominated by the hurricane "Niklas" at the end of March 2015 with total damage of some €750 mill., of which roughly €500 million were attributable to residential building insurance. Due to the lack of heavy autumn storms and major damage in the fourth quarter, the cost of damages was lower than originally feared, yet it still increased by 6.5% over the previous year.

After RheinLand Versicherungs AG was affected last year in several respects from extraordinary loss events, in 2015 the company remained largely spared of catastrophic losses. To counter the overall trend of rising damage expenditures in building insurance, we continued our efforts to accordingly adjust the premiums of policies prone to damage and in new business to raise premiums accordingly and to also stagger them

**Composition of the posted premiums**

	2015	2014	Change
	Total	Total	in %
Direct insurance operations	174.4	218.6	-20.2
Assumed Reinsurance Business	8.2	95.4	-91.4
Gross premium income	182.6	314.0	-41.8
Reinsurance business	40.7	84.9	-52.1
Net premiums earned	141.9	229.1	-38.0

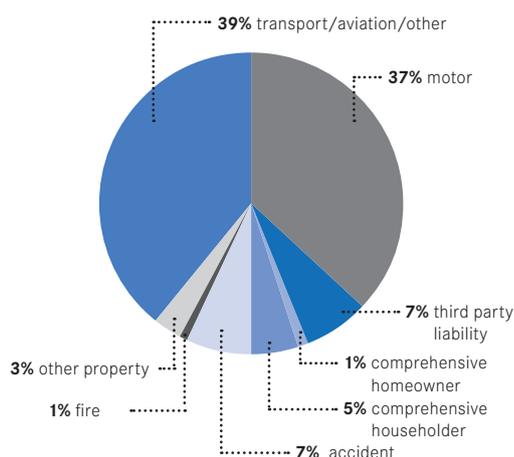
according to age. In car insurance, we have undertaken measures to counter the market trend of increasing claim expenditures with our rates, with workshop service and targeted claims management. At 82.2%, the claims ratio for the financial year remained slightly below the previous year's level. Expenditures for insurance claims in life insurance increased in the reporting year to €91.5 million (previous year: €90.2 million).

The costs of insurance operations declined year on year due to the above-described discontinued business in the field of payment protection insurance to €95.9 million (previous year €124.2 million).

The net technical results of direct insurance operations declined prior to the addition of €7.8 million (previous year €9.4 million) as an equalisation reserve. The reinsurance business rebounded significantly, showing a technical net profit in the amount of €11.1 million (previous year: €-5.2 million).

Overall, the net technical result was €18.9 million (previous year €4.2 million). After the addition of an equalisation reserve in the amount of €0.6 million (previous year €0.2 million), there was a technical profit of €18.3 million (previous year €4.4 million) for the overall business.

#### Shares of the insurance segments on the gross premium income in direct insurance operations on 31 December 2015



#### Volatile Financial Markets

In the first two quarters, the international financial markets suffered from uncertainty as to whether Greece would exit the European Monetary Union, then in the second half of the year, the significant corrections in the Chinese financial system created worldwide turbulence. Events in the German financial market were dominated by the continuous massive efforts on the part of the European Central Bank to continue to push down interest rates in order to boost the rate of inflation up to just under the 2% mark. Capital market interest rates actually dropped near zero in the spring, and the DAX continued its upward climb to 12,390.75 points. In the aftermath of the turbulence concerning Greece, the DAX once again plummeted

to below 9500 points, only to rebound throughout the course of the year, yet remained below the threshold of 10,000 points.

Capital market interest rates also responded in the second quarter, with an increase up to roughly 0.75%. Throughout the rest of the year, they experienced fluctuations, declining to a range between 0.5% and 0.25%.

## Investments

The investments (including deposits retained) of RheinLand Versicherungs AG fell in the financial year by €34.1 million to a total of €377.6 million (previous year: €411.7 million).

At 89.3%, the majority of the asset investments is invested in fixed-income investments.

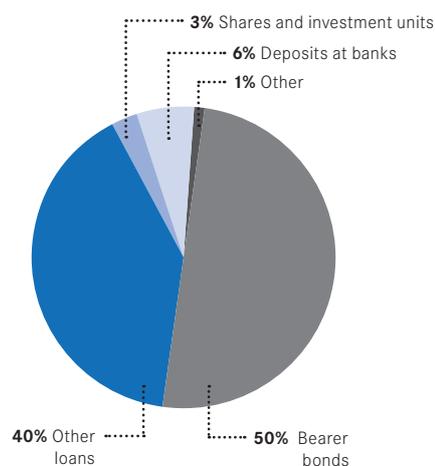
Currently in the RheinLand-ABS-Fund with a pro rata book value of €10.1 million, there are hidden burdens in the amount of €85 K. The company does not assume permanent depreciation in value.

Furthermore, there are ABS securities with a book value of €1.3 million and a fair value reserve of €0.2 million in the direct portfolio.

## Development of the result

Current income from investments was €7.5 million (previous year: €8.9 million). Current investment costs were €0.5 million (previous year: €0.6 million). The other net investment income of RheinLand Versicherungs AG was €0.3 million (previous year: €1.2 million). There is total net investment income of €7.2 million (previous year €9.4 million).

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



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

The result of non-technical business in the financial year amounted to € 1.6 million (previous year: €4.2 million). Reasons for the year-on-year decline is a drop in other income as well as earnings as well as profits from disposals of investments in the previous year.

## Overall Result

The result from ordinary business operations of RheinLand Versicherungs AG increased, essentially due to the technical results improving to to €19.9 million in the reporting year (previous year: €8.5 million). After a tax expenditure in the amount of €3.8 million, resulting from a transfer of profit from the Dutch subsidiary to RheinLand Holding AG in the amount of €16.1 million, the company concluded the financial year with a balanced result.

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.

## Remarks on the individual segments

### Direct insurance Insurance business

#### General accident

Increasing premium income and declining claims expenses led to technical profit in the casualty segment, after dissolution from the equalisation provision.

Despite slightly declining premium income, there was a positive technical result in the automobile accident insurance segment.

#### General third party liability

The premium income for third-party liability insurance remained practically constant. Despite increased claims expenses, the segment once again finished with a technical profit.

#### Car insurance

The premium income in the automobile insurance segment increased year on year. The claims expenses increased in proportion to the premium income. Thanks to a significant reduction in operating costs, earnings before equalisation provision once again finished positive. After an allocation to the equalisation provision, there was a technical loss.

Premium income in automotive third-party liability insurance was above the prior year's level. The claims expenses after processing increased, yet were able to be partially offset by decreased operating costs. Therefore, after allocation to the equalisation provision, another positive technical result was able to be achieved.

In automotive comprehensive insurance, increased premium income was offset by claims expenses that

remained virtually constant. Therefore, it was possible to improve the negative segment result of the previous year prior to allocation to the equalisation provision. After allocation to the equalisation provision, however, the segment did, in fact, finish with a negative technical result.

With increased year-on-year premiums and constant year-on-year loss development, partially comprehensive vehicle insurance finished with an improved technical result. After allocation to the equalisation provision, the financial year finished with a technical loss.

#### Fire

In the agricultural fire insurance segment, it premium income remained on the level of the previous year. The claims experience for the financial year was significantly worse compared to the previous year. Thus, the segment finished the financial year with a negative technical result.

Despite year-on-year increased premium income in the segment of fire and other insurance, an unfavourable loss experience led to a significant worsening of the result compared to the previous year. As a result, the segment finished the financial year with a negative technical result, even after a dissolution from the equalisation provision.

#### Comprehensive homeowner insurance

Nearly constant premium income in the financial year was accompanied by lower claims expenses. This development in the financial year led comprehensive homeowner insurance to a positive technical result in the financial year.

**Comprehensive homeowner insurance**

We moved 80% of the comprehensive homeowner insurance business into co-insurance. There has been a heavy corresponding year-on-year decline in premium income. Co-insurance has similar ramifications on the annual loss experience. Due to efforts to adjust the premiums accordingly in case of loss-making policies and to increase the premiums accordingly in new policies, and to furthermore stagger them by age, company was able to improve the net result compared to the previous year. After dissolution of the equalisation provision, however, there still remains a technical loss.

**Burglary insurance**

In the financial year, the premium income remained at the previous year's level, while the claims expenditures rose in comparison to the previous year. After allocation to the to the equalisation provision, the segment finished with a slightly improved negative technical result over the previous year.

**Water damage**

Premium income remained constant, along with a markedly worse loss development, despite allocation to the equalisation provision, led to a slightly improved negative technical result compared to the previous year.

**Glass**

For virtually unchanged premium income and claims expenditures, the segment finished with a slightly improved profit, thanks to trimming of operational costs.

**Windstorm**

Premium income experienced a slight boost in the financial year, and claims expenditures declined compared to the previous year. The necessary allocation to the equalisation provision, however, a technical loss.

**Transport**

The premium income remained practically constant. Despite rising claims expenditures, the segment finished with a positive technical result.

**Other and not subdivided insurance products**

Declining premium income and slightly higher expenses for insurance claims led to a diminished positive result compared to last year.

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

Heavily declining premium income, a commensurate decline in claims expenditures, and a high yield from the equalisation provision ensured a positive technical result.

## Development of distribution channels

The consolidation path in the exclusive organisation was consistently continued and completed in the reporting year. All the measures were aimed at providing our professionally structured sales unit the basis for sustainable, quality-based growth. This was accompanied by a significant streamlining of the organisational and administrative structure. The five distribution centres were closed throughout the course of the year. The local activities there were bundled in the newly established sales service department at Group headquarters in Neuss. Despite this significant change, the support of our agencies by the sales service department was totally guaranteed already in the transition phase. The sales service department supports the sales executives, is the point of contact for all agencies and acts as an interface to the corporate sales department. Feedback coming in from the agencies demonstrates that the establishment of the sales service Department was a step in the right direction.

As part of this centralisation, the sales territory was divided into two regions: "North" and "South". These are each responsibly supervised by a Country Direc-

tor reporting directly to the Division Manager of the exclusive organisation. The Country Director manages and supervises the Regional Sales Managers, provides sales support and advances human resources development in his sales region.

In order to harness the growth potential in the commercial business even more effectively, a team of certified commercial specialists was assembled in the reporting year. The members of the team support the sales professionals during customer calls, in the preparation of offers and in the analysis of existing insurance policies. In addition, the team provides assistance towards developing integrated solutions in new and existing business. In order to position itself accordingly in the commercial segment, the already established "Commercial Compact" insurance concept, which includes tailor-made solutions for small to medium-sized commercial operations, was optimized. Among other things, the list of insurable types of businesses was considerably expanded in order to reflect industry diversity even more effectively.

So-called value selling is increasingly gaining in importance. This new approach is already being applied very successfully in the selling of car insurance. Value selling means always offering the customer the maximum best coverage: He initially receives an overview of all the deliverables, i.e. values. It is up to the customer to decide whether he wishes to make individual modifications. The RheinLand sales organisation very quickly internalised this new sales strategy and made value selling a key feature in the car insurance market.

As an interface between inside sales and field sales, over the past year, with the establishment of the sales support department, a new unit has been created at company headquarters: It has enabled sales aids, marketing tools, sales campaigns and other topics pertaining to sales to be evaluated and implemented based on practical criteria, in order to provide our field sales force even better instruments for business success. This sales-centred trend is also reflected in the new department and team organisation of the SHU operations division. Experienced professionals, with special

knowledge of the specific interests of the agencies, were deployed in teams formed solely for the needs of exclusivity campaign, and are available as personal points of contact.

In summary, the measures aimed at our own field sales force have led to a significant boost in efficiency and cost reduction while noticeably improving the overall level of service. The strategic objective of focusing on the economic and future viability of the agencies more than ever did lead to a reduction of locations and within the sales team; the subsequent strengthening and new orientation of sales support units through flanking measures, however, have led to favourable revenue effects, thus confirming to us that we made the proper adjustments.

Via our distribution channel, Bancassurance, we offer our partners customised insurance solutions from a single source: Individually conceived and adapted to target groups and distribution channels. As a specialist, we support banks, insurance companies, agents, manufacturers and commerce in the field of payment protection insurance, policies for automotive and term life insurance with competitive coverage concepts.

In the reporting year, we were able to achieve impressive growth results. In Germany, the payment protection insurance business, operated under the brand name of Credit Life International, continues to grow successfully; our primary objective is and always will be to strengthen and further expand our network of current partners, in addition to acquiring and integrating new cooperation partners. Thanks to the strategy, over the past few years, Credit Life International has been able to firmly establish itself in the German market among the leading providers of payment protection insurance, and now is in a favourable starting position to consistently promote expansion.

The new product field for the distribution channel of Bancassurance, guarantee insurance, for which initial partners have been enlisted not only for Germany but also for the Netherlands, also remained in the test phase in the previous reporting year. The key segment of automotive, by contrast, developed more favourably. Growth was achieved in the sales of purchase price insurance policies compared to the previous year.

# Legal framework conditions

In the financial year 2015, there were numerous important high court decisions and relevant legislative amendments for the insurance industry, e.g.:

On 24 November 2015, the European Parliament adopted the "Insurance Distribution Directive" (IDD) and published it in the Official Gazette of the EU on 22 February 2016. The IDD as the objective of creating a stable and European-wide standardised basis for fair insurance distribution. The increased transparency requirements and the new rules for advanced training of insurance intermediaries are intended to lead to increased advisory quality. The member states are required to transform the EU directive international law within a period of 24 months.

On 1 January 2016, EU Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), a European-wide standardised rule goes into effect, which is intended to make risks visible early and requires appropriate provisions by companies. In Germany, the requirements were implemented by Solvency II in particular through the law published in the Federal Gazette on 6 March, 2015 concerning the supervision of insurance companies (Insurance Supervision Act - VAG 2016). The resulting requirements in terms of capital, governance, risk management (ORSA) and reporting duties have been thoroughly prepared by RheinLand Versicherungsgruppe and implemented in a timely manner at the end of the year and thus prior to entry into force of Solvency II and the necessary processes.

In 2015, the work of compliance in RheinLand Versicherungsgruppe was marked to a large extent by the implementation of the Solvency II Directive. A total of 35 internal guidelines in accordance with the Solvency II requirements were newly created, examined and - where necessary - revised and adapted. The auditing of the RheinLand-Gruppe compliance management

system by an external auditor has begun. The object of this audit is to determine the adequacy of the compliance management system, taking into account the requirements under Solvency II as at 31 December, 2015. The auditor confirmed the reserve adequacy in April 2016.

The law for equal participation of women and men in leadership positions in the private sector and the public sector entered into force on May 1, 2015. The law as the objective of significantly increasing the proportion of women in executive positions within business and administration. Codetermination companies are required by the law to specify internally binding target parameters concerning the underrepresented gender for the Supervisory Board and the Executive Board, as well as the two top management echelons below the Executive Board. The agreed target numbers and deadlines are required to be published in the declaration by the company management (Section 289 a German Commercial Code (HGB)).

RheinLand Versicherungsgruppe implemented the requirements of accession to the rules of conduct for the handling of personal data by the German insurance industry (Code of Conduct) deadline of 31 December, 2015.

Where required, RheinLand Versicherungsgruppe has taken the necessary measures to reasonably respond to the amended legal framework conditions.

# Supplementary Report

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

# Forecast Report

The German economy made a brisk debut into the current year of 2016, yet the investment climate remains cautious. Even exports, traditionally the most powerful impetus driving the economy, is currently somewhat sluggish. Both the expenditures of private households as well as government spending, however, continue to grow. Disposable income of private households is expected to increase by roughly 3%.

For the 2016 financial year, the property and casualty insurance segment of the German insurance industry anticipates unchanged growth of 2.5%. In particular, moderate growth is anticipated for automobile and liability insurance, whereas portfolio attrition will presumably persist in casualty insurance.

The current year got off to a promising start for our field sales force. The completed new orientation is bearing fruit. Organisational and structural questions have receded into the background. Our newly established and dynamic RheinLand salesforce is now once again pulling out all the stops to take full advantage of its core competency of pensions and risk protection.

The current priority is casualty insurance. At present, there are still many thousands of customers whose policies are based on old conditions. This creates immediate cause for action, as especially in personal hedging, it is especially important always to have the latest and best risk protection. Thus we have a responsibility towards our customers, which we uphold as a sustainably operating insurer. The new aspect is that all the agencies can determine on a totally individual basis, when they wish to focus on the topic of casualty insurance. This flexibility in a sales campaign was not customary previously, and it is being universally welcomed by the field sales force.

Homeowner's insurance also offers many approaches for a successful business. It will form an additional thrust of sales activities. Moreover, value selling, which has been practiced for quite some time by our field sales service in automotive insurance, will be expanded to other insurance segments. The system will be implemented in our completely revamped personal liability insurance and householder insurance, thus offering an opportunity to even more effectively demonstrate to our customers the range of these two essential types of insurance.

The growth impetus that is maintaining our distribution channel Bancassurance in the Dutch market will have a positive effect on the results of the current financial year. The upswing currently witnessed in the real estate segment is proving to be robust and stable. That is why it is our aim, through strategic investments, to shore up and consistently expand the standing we have attained in the Netherlands as a provider of customised insurance solutions, especially in the field of mortgage financing. This will enable us to further increase what is already a high level of market penetration.

For our activities in the German market, we are also witnessing an upward trend. Here we have managed over the past two years to build up a healthy new foundation and grow our business through several strong cooperation partners.

In the 2016 business year, the new Solvency II set of rules goes into effect, a far-reaching, EU-wide reform of insurance supervision. In Germany, the Insurance Supervision Act was amended for this purpose. The new regulatory regime is centring on contingent valuation for both assets and liabilities. What's more, all quantifiable risks are required be backed up by capital commensurate with their weight. For this purpose, we refer to our remarks in the risk report concerning this topic.

The momentum towards high-yield investments coming especially out of the United States ensures that the Euro will remain weak vis-à-vis the US dollar. This is very much in line with the extremely expansive strat-

egy of Mario Draghi, President of the European Central Bank. The persistence of very low inflation rate in the Euro zone is leading the European Central Bank to maintain its projected expansive strategy well into the year 2017.

Over the course of the 2016 financial year, our investment portfolios and the resulting regular income developed according to our expectations. Despite the continuing pressure on investments, we anticipate from today's perspective that the planned current net investment income result and that the other miscellaneous investment income result will be achieved for 2016.

The planned net investment income results from 2017 will be evaluated in due time and adjusted if necessary, taking into account the subsequent market development.

From today's perspective, in 2016. We anticipate an increase in gross premium income entered, especially in payment protection and purchase price insurance. Due to the expansion of essential new business segments, we expect a slightly increasing cost development. With a sustained positive course of business performance, especially in property and casualty insurance and unchanged capital markets, we anticipate a comparably strong result for the 2016 financial year.

# Opportunities Reporting

The business model of RheinLand Versicherungsgruppe is focussed on the three sales channels of own field sales service, broker business and bancassurance. In the context of its continuous expansion, the Group has a clear and lean structure with a profit-oriented focus. Furthermore, reorganisation measures as well as innovative products ensure that each business segment contributes to the Group's profitability. An increased level of awareness for changes contributes to strengthened creativity, innovation and success.

RheinLand Versicherungs AG sees its strengths in its own field sales force, in particular in property, third party liability and casualty insurance, as well as in bancassurance in payment protection and purchase price insurance. The stronger focus on profitable business segments and the additional expansion of distribution channels guarantee the continued viability of RheinLand Versicherungs AG in the insurance market.

# Risk reporting

Pursuant to section 91 (2) Joint Stock Company Act (AktG), joint stock companies are obliged to report on the risks of future development. Additional statutory requirements have been placed on risk management – in anticipation of the qualitative supervision according to Solvency II – with Sections 55c and 64 Insurance Supervision Act (VAG) in its version in force on 31 December 2015 and the minimum requirements of risk management systems in insurance companies (Ma-Risk VA), as well as the regulatory requirements arising from the preparatory directives for Solvency II. The fulfilment of these requirements was implemented uniformly throughout the Group. Launched in 2010, the groupwide project to prepare for Solvency II was concluded in 2015. The project was very ambitious due to its complexity in terms of capacities and costs.

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 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. It also includes cost and disaster risk.

In addition to standard products in the property and casualty business, for several years, the product range of RheinLand Versicherungs AG is also increasingly included 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 brokered by a series of medium-sized cooperation partners, generally to secure mortgage, car or consumer loans.

RheinLand Versicherungsgruppe, under the "Credit Life International" brand, is among the leading payment protection insurance specialists in Germany and the Netherlands. The technical risks are controlled on the basis of existing data fundamentals and experience. Profitability models are analysed for each individual cooperation partner by means of a standardized schema according to segment, underwriting year and balance sheet year. This enables undesirable trends to be quickly detected. Fundamental negative developments have not been discovered thus far.

## Property and Casualty Insurance

According to suitable underwriting guidelines and authorities to sign, RheinLand Versicherungs AG pursues the extension of property, third party liability and casualty segments in the private and commercial business with stable contribution margins essentially via its own field sales organisation. Due to the regional focus with regard to the business segment, there are concentration risks in case of natural disasters. These risks particularly affect comprehensive homeowner insurance and the resulting profit volatility. The objective, through an appropriate mix consisting of co-insurance and re-insurance, to significantly reduce the potential effects. Traditional large-scale industry or commercial business with major loss and/or long-term loss potential are not underwritten. There is consistent hedging of income regular controlling of the insurance segments, and diligent restructuring, where necessary.

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 defined target claim ratios, the company engages in premium-driven multi-year planning. This is flanked by the performance of analyses and controlling of the development of the risks in the insurance portfolio.

## Market and Default 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.

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

## Investments

To control the investment risks, there are already high regulatory requirements that are described and specified as part of the in-house investment guidelines and procedures. In addition, investment risks are monitored and controlled by defined risk capital budgets, limits and threshold values.

There is a traffic light system for the provision for loan losses and control of the portfolios of ABS securities. On the basis of this traffic light system and the existing external ratings, the ABS Fund and the direct portfolio are regularly monitored in terms of potential defaults, and the current status is reported to the Executive Board and the Supervisory Board. ABS securities in the ABS Fund designated red on the traffic light are immediately transferred at fair value to the direct portfolio in order to guarantee the ABS Fund's premium reserve stock eligibility.

The book value of the fund amounts to €10.1 million, the fair value is around €10.0 million. There are hidden burdens in the amount of roughly €85 K. Furthermore, there are ABS securities with a book value of €1.3 million and a fair value of €1.5 million in the direct portfolio.

Write-downs were not required. At present, there are no repayment defaults with regard to ABS securities. However, it cannot be ruled out that write-downs may occur in the future due to repayment defaults.

In the reporting year, RheinLand Versicherungs AG made reinvestments in the ABS Fund in high-quality short-term asset-backed securities (min. A rating). The company continued to refrain from further new investments in structured products involving credit risks (asset-backed securities, collateralized debt obligations, collateralised loan obligations) and/or from investments in private equity and credit linked notes.

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:

<b>Bond portfolio</b>	<b>in € million</b>	<b>as % of total</b>
Total	337.3	
of which government bonds	34.4	10.2
Bank exposure	295.6	87.6
Corporate bonds	6.0	1.8
ABS products	1.3	0.4

With regard to the bonds stated (excluding ABS direct portfolio), there is additional hedging due to:

<b>Insurance:</b>	<b>in € million</b>	<b>as % of total</b>
Right of lien	151.7	45.0
Deposit protection	120.5	35.7
State guarantee	34.4	10.2
without hedging	29.4	8.7

With regard to the bond portfolio in the bank exposure with a total of €295.6 million, there are none of the above hedging measures for the amount of €23.4 million (7.9%).

There is subordination (excluding ABS direct portfolio) in the following amount:

<b>Subordination</b>	<b>in € million</b>	<b>as % of total</b>
Profit-sharing rights	0.5	33.3
Subordinated loans	1.0	66.7

There is no guarantee risk regarding the investment required to finance the guaranteed minimum interest rate during a sustained low-interest phase.

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. The internal stress tests performed over the course of the year did not result in any need for action either.

## Reinsurance

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.

Like investments, the receivables from reinsurers, intermediaries and customers are always subject to credit risk. For the provision for loan losses, RheinLand Versicherungs AG performed value adjustments with regard to the receivables portfolio where required.

## 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 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 the 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.

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.

In general, there is the risk that the court rulings issued in individual cases can also affect the operating units of RheinLand-Gruppe. An appropriate process is in place for early detection of such risks. Where required, the risk is addressed by forming an adequate provision.

## 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.

For regular monitoring of liquidity, monthly liquidity plans are created. Owing to the short duration (3.09 years) of the annuity portfolio and the business model, the average monthly liquidity surplus of RheinLand Versicherungs AG is approximately 11.1%, measured in terms of overall investments and the anticipated liquidity surplus without reinvestment is approx. € 68.9 million for 2016. Therefore, from today's perspective, no liquidity risk exists.

## 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. In 2015, there was no reputation risk for RheinLand Versicherungs AG.

## Summary presentation of the risk position

Overall, there is currently no development evident that could unexpectedly have an adverse and lasting effect on the net assets, financial position and results of operations of RheinLand Versicherungs AG.

# Relationships to affiliated companies

The share capital of Rheinland Versicherungs AG is owned 100% by Rheinland Holding AG, Neuss. In addition, Rheinland Versicherungs AG is affiliated with Rheinland Lebensversicherung AG, Neuss, Credit Life AG, Neuss, Rhion Versicherung AG, Neuss, Rheinland Betriebsrestaurant GmbH, Neuss, in Germany, and with Rheinland Groep Nederland B.V., Amsterdam, in the Netherlands, pursuant to Section 18 (1) Joint Stock Company Act (AktG). The above companies are affiliated companies as defined by Section 271 (2) German Commercial Code (HGB). The protective clause is invoked according to Section 286 (1) No. 2 German Commercial Code (HGB).

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.

An agency agreement effective as at 1 January 2013 was concluded with Credit Life International Services GmbH for payment protection insurance brokerage.

For the services to affiliated companies, the direct and indirect expenditures incurred were settled.

# Relations with affiliated companies

The company is a member of the "German Insurance Association", Berlin, its member industry associations as well as the "Employer's Association of Insurance Companies", Munich.

In addition, there are memberships in the associations, "Verkehrsofferhilfe e.V." (association for the assistance of traffic accident victims), Hamburg, "Deutsches Büro Grüne Karte e.V." (German Green Card Bureau), Hamburg, "Versicherungsombudsman e.V." (Insurance Ombudsman), Berlin, and "Pensions-Sicherungs-Verein VVaG" (Pension Protection Mutual Organisation), Cologne.

# The significant

Our number of employees was reduced to 840 in the reporting year due to restructuring (previous year: 872). The share of female employees in our company increased slightly and amounted to 44% (previous year: 43%). At 8.5% compared to the previous year (5.8%), employee turnover rose by 2.7% due to restructuring.

## Trainee Programme

For several years now, RheinLand Versicherungs AG, one of the largest companies providing training programmes in Neuss, a city along the Rhine River, has had many years of experience and growing success, offering young people a future-driven and quality-oriented professional training. The training success is achieved through the dedication of trainers in inside sales and field sales staff as well as through the use of efficient learning and teaching methods. Practical work methodologies allow great latitude for individual ideas and creativity.

On 01 August 2015, RheinLand Versicherungs AG hired 18 trainees, divided into three trainee professions. 15 of these 18 trainees undergo training as insurance and financial clerks. The focus of this year's recruiting will once again be field sales force training. A total of nine young people in sales will be trained in the regional offices, branches and general agencies. In addition, a trainee is completing requirements of integrated studies according to the "Cologne Model" to become an insurance and financial agent. This professional training takes place in cooperation with the "Berufsbildungswerk der Versicherungswirtschaft Rheinland" (Rheinland Insurance Industry's Vocational Training Centre) and the Institute of Insurance and Actuarial Science at the Cologne University of Applied Sciences. With the academic degree qualification of Bachelor of Science, it offers the trainees the best possible career opportunities in the insurance industry. In addition, two trainees will become computer science specialists for systems integration and one will be trained as a computer science specialist for application development. As at the reporting day of December 31, 2015, there were a total of 55 young people, encompassing four

training disciplines, being prepared for their future professional careers. Of these persons, roughly 47% (= 26) of the total number of trainees will be assigned to sales.

According to the slogan "Nurturing and Challenging Young Talent", RheinLand Versicherungs AG additionally supports cooperating brokers in the initial training of their trainees. At the end of the reporting year, four insurance and financial clerk trainees will benefit from the versatile training concept.

## Corporate Health Management

The current working world is characterised by structural change, which for many employees means a change in their working conditions and the associated burdens that this represents. Lawmakers have now taken this into account in the Health and Safety at Work Act. Whereas in the past, the focus in occupational health and safety has been primarily in accident prevention, ergonomics and physical stress, now psychological stress caused by working conditions is a major focus of attention. Already in recent years, Rheinland Versicherungs AG has ushered in numerous workplace health promotion initiatives and will continue implementing the new regulatory requirements as part of the Health Working Group.

# Environmental Management

As an insurance group we are particularly affected by changing environmental and climatic conditions and the associated increase in storm-related damage and the resulting claims burdens. For this reason alone, we engage in active environmental protection internally and externally, in order to save resources, reduce operating costs and, not least, to act as a role model. We are supported in this by an environmental management system that guides our environment-relevant processes and assists us in systematically identifying and harnessing potential for improvements.

As a primary objective of our environmental activities, we intend to ensure CO<sub>2</sub> neutrality of our business operations for a period of 50 years. In cooperation with the climate association "PRIMAKLIMA-weltweit e.V.", in several tranches, we have commissioned reforestation

measures in our community, in Germany, and Europe and even worldwide. The afforested areas compensate for the sum of all CO<sub>2</sub> emissions of our business operations, so that we were already able to achieve our goal in May 2011. This made us the second insurer in the German market to achieve CO<sub>2</sub> neutrality of its business operations so quickly.

With our environmental report, published periodically, we provide proof each year that we are economical and prudent in our energy consumption and use of resources, and we are justified in bearing the label, "CO<sub>2</sub> Neutrality in our Business Operations". We also continue to be transparent and open in the future in providing this documentation.

Neuss, 19 April 2016

The Executive Board

Christoph Buchbender

Dr. Lothar Horbach

Udo Klanten

Andreas Schwarz

# Annual Financial Statements





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Page 42 \_ Profit and Loss Account for the  
Period from 1 January to 31 December 2015

# Balance sheet

as at 31 December 2015

Assets	2015	2015	2015	2015	2014
	€	€	€	€	€
<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				6,117,836.55	5,652,701.17
<b>B. Investments</b>					
I. Equity investments in subsidiaries and affiliates					
1. Shares in affiliated companies		1,431,061.13			1,431,061.13
2. Participating interests		1,100,859.44			1,100,859.44
			2,531,920.57		2,531,920.57
II. Other investments					
1. Shares, units or shares in investment funds and other variable yield securities		11,802,309.02			11,648,765.14
2. Bearer bonds and other fixed-income securities		188,493,627.34			202,152,411.68
3. Mortgages, land charges and annuities receivable		639,256.04			805,287.07
4. Other loans					
a) Registered notes	26,503,791.23				35,005,862.90
b) Notes receivable and loans	121,794,001.21				114,344,972.23
c) Other loans	500,316.89				500,954.78
		148,798,109.33			149,851,789.91
5. Deposits at banks		24,441,543.84			43,817,970.13
6. Other investments		20,920.00			20,920.00
			374,195,765.57		408,297,143.93
III. Deposits retained on assumed reinsurance					
			900,758.51		874,636.07
thereof: from affiliated companies €0.00					(0.00)
				377,628,444.65	411,703,700.57
<b>C. Receivables</b>					

<b>Assets</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
	€	€	€	€	€
I. Amounts receivable on direct insurance business from:					
1. Policyholders		1,444,091.38			1,646,665.70
2. Insurance intermediaries		5,625,946.57			3,641,745.46
			7,070,037.95		5,288,411.16
II. Reinsurance receivables			4,005,708.14		11,755,841.51
thereof: from affiliated companies					(0.00)
€0.00					
III. Other receivables			17,769,504.14		11,516,152.18
thereof: from affiliated companies					(8,747,077.35)
€14,138,370.98				28,845,250.23	28,560,404.85
<b>D. Other assets</b>					
I. Fixed assets and inventories			5,849,109.21		5,931,733.81
II. Current bank balances, checks and cash balance			10,874,470.02		10,620,045.58
III. Other assets			379,645.94		379,645.94
				17,103,225.17	16,931,425.33
<b>E. Deferred items</b>					
I. Deferred interest and rent			2,717,668.18		3,335,296.00
II. Miscellaneous Deferred items			4,527,856.38		5,416,942.81
				7,245,524.56	8,752,238.81
<b>F. Subordinated liabilities from asset allocation</b>				60,372.66	67,539.06
				437,000,653.82	471,668,009.79

**Liabilities**

	2015	2015	2015	2014
	€	€	€	€
<b>A. Equity</b>				
I. Subscribed capital		39,304,192.00		39,304,192.00
II. Capital reserves		19,756,701.77		19,756,701.77
III. Retained earnings				
1. Statutory reserve	2,823,717.43			2,823,717.43
2. from 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
			68,464,847.72	68,464,847.72
<b>B. Technical provisions</b>				
I. Unearned premiums				
1. Gross amount	124,723,629.12			149,496,804.80
2. of which: share of the assumed reinsurance business	35,547,051.55			50,446,622.93
		89,176,577.57		99,050,181.87
II. For life insurance				
1. Gross amount	53,977,388.00			82,715,484.00
2. of which: share of the assumed reinsurance business	0.00			0.00
		53,977,388.00		82,715,484.00
III. Provision for outstanding claims:				
1. Gross amount	153,172,244.36			183,817,111.92
2. of which: Share of the assumed reinsurance business	40,345,731.89			73,310,099.44
		112,826,512.47		110,507,012.48
IV. Equalisation provision and similar provisions		24,037,087.00		23,439,153.00
V. Other technical provisions				
1. Gross amount	1,631,743.81			1,244,621.14
2. of which: Share of the assumed reinsurance business	537,475.19			613,781.17
		1,094,268.62		630,839.97
			281,111,833.66	316,342,671.32
<b>C. Other provisions</b>				
I. Tax provisions		1,167,000.00		46,000.00
II. Other provisions		11,659,313.62		11,859,735.70
			12,826,313.62	
<b>D. Deposit account liabilities</b>			36,525,725.21	47,670,890.97

**Liabilities**

	2015	2015	2015	2014
	€	€	€	€
<b>E. Other Liabilities</b>				
I. Liabilities arising out of direct insurance operations from:				
1. Policyholders	7,219,620.20			7,640,126.11
2. Insurance intermediaries	2,292,030.52			1,547,841.98
		9,511,650.72		9,187,968.09
II. Reinsurance payables		5,665,629.98		7,951,269.67
thereof: to affiliated companies €0.00				(0.00)
III. Other Liabilities		20,198,006.03		7,121,330.48
thereof: towards affiliated companies €10,672,550.83				(116,251.56)
from taxes 2,721,224.82 €				(2,993,824.82)
thereof as part of a pension scheme 2,552.77 €				(3,541.04)
			35,375,286.73	24,260,568.24
<b>F. Deferred items</b>			2,696,646.88	3,069,295.84
			<b>437,000,653.82</b>	<b>471,668,009.79</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 the legal regulations adopted based on Section 65 (1) Insurance Supervision Act (VAG)<sup>1</sup>.

Neuss, 18 April 2016

The responsible actuary

Lutz Bittermann

<sup>1</sup> We refer to the relevant provisions of the Insurance Supervision Act (VAG) valid up to 31 December 2015 and the regulations in force up to this point in time.

# Profit and Loss Account

	2015	2015	2015	2014
	€	€	€	€
<b>I. Technical account</b>				
1. Net premiums earned				
a) Gross premiums entered	182,617,461.96			313,990,321.95
b) Reinsured premiums	40,677,847.53			84,938,907.84
		141,939,614.43		229,051,414.11
c) Change in gross unearned premiums	24,773,175.68			-6,117,332.50
d) Change in the share of the reinsurers in gross unearned premiums	14,899,571.38			21,129,457.86
		9,873,604.30		-27,246,790.36
			151,813,218.73	201,804,623.75
2. Technical interest for own account			158,731.79	152,794.17
3. Other net technical income			128,738.84	101,495.60
4. Net costs of insurance claims				
a) Payments for insurance claims				
aa) Gross amount	137,463,899.50			122,885,623.31
bb) Share of the reinsurers	47,698,064.46			42,460,233.75
		89,765,835.04		80,425,389.56
b) Change in the provision for outstanding insurance claims				
aa) Gross amount	-31,206,267.48			17,848,886.62
bb) Share of the reinsurers	-32,964,367.28			8,086,942.07
		1,758,099.80		9,761,944.55
			91,523,934.84	90,187,334.11
5. Change in other miscellaneous technical net provisions				
a) Net provision for future policy benefits		-28,738,096.00		30,889,563.76
b) Other net technical provisions		463,425.88		-67,766.26
			-28,274,670.12	30,821,797.50
6. Costs of insurance operations for own account				
a) Gross costs of insurance operations		95,905,889.91		124,246,173.42
b) of which: Reinsurance business commissions and profit shares received		26,351,700.68		47,963,766.01
			69,554,189.23	76,282,407.41
7. Other miscellaneous net insurance operations expenditures			412,122.40	595,078.98
8. Sub-total			18,885,113.01	4,172,295.52
9. Change in the equalisation provision and similar provisions			-597,934.00	199,393.00
10. Net technical income			18,287,179.01	4,371,688.52

## for the Period from 1 January to 31 December 2015

	2015	2015	2015	2014
	€	€	€	€
Transfer of net technical income			18,287,179.01	4,371,688.52
<b>II. Non-technical account</b>				
1. Investment income				
a) Income from participating interests	110,000.00			100,000.00
thereof: from affiliated companies: €0.00				(0.00)
b) Income from other investments	7,356,638.85			8,819,917.23
thereof: from affiliated companies: €0.00				(0.00)
c) Income from write-ups	0.00			144,001.50
d) Gains arising from the disposal of investments	290,005.06			1,024,968.00
		7,756,643.91		10,088,886.73
2. Investment costs				
a) Costs for the administration of investments, interest expenses and other expenditures for the administration of investments	540,796.35			649,974.42
b) Depreciation on investments	0.00			279.10
c) Losses from the disposal of investments	6,932.95			12.89
		547,729.30		650,266.41
		7,208,914.61		9,438,620.32
3. Technical interest income		-158,731.79		-152,794.17
			7,050,182.82	9,285,826.15
4. Other income		44,465,642.96		45,196,697.41
5. Other expenses		49,882,486.44		50,311,263.22
			-5,416,843.48	-5,114,565.81
6. Result from ordinary business operations			19,920,518.35	8,542,948.86
7. Tax on income and profit	3,777,383.25			4,629,140.00
plus legal reserve	0.00			0.00
		3,777,383.25		4,629,140.00
8. Miscellaneous Tax		7,229.72		7,885.00
			3,784,612.97	4,637,025.00
9. Profits transferred based on profit pooling, a profit transfer agreement or a partial profit transfer agreement			16,135,905.38	3,405,904.66
10. Net income for the year			0.00	500,019.20
11. Allocation to revenue reserves				
a) to the statutory reserve			0.00	500,019.20
12. Net profit for the year			0.00	0.00

# Notes





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Page 63	_ Other information

# Accounting and Valuation Methods

The annual financial statements were prepared according to the regulations set out in the Commercial Code and of the Stock Corporation Act in connection with the German Accounting Regulations for Insurance Companies.

## 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**

The shares in affiliated companies were valued at acquisition cost or with the lower of cost or market principle according to Section 253 (3) German Commercial Code (HGB).

#### **Participating interests**

The investment shares were valued at acquisition cost or with the lower of cost or market principle according to Section 253 (3) 3 German Commercial Code (HGB).

#### **Other shares, units or shares in investment funds**

The investment shares are valued according to Section 341 b (2) German Commercial Code (HGB) in connection with Section 253 (3) German Commercial Code (HGB) according to the moderate lower of cost or market principle. The fair value was estimated as the valuation standard for RheinLand-ABS Fund I.

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. In this context, other assets contained in the fund (e.g. cash/debt management) are taken into account with nominal values. Possible impairments are monitored based on the traffic light system.

The requirement to reverse impairment losses according to Section 253 (5) German Commercial Code (HGB) was fulfilled.

#### **Other variable yield securities**

The valuation was performed pursuant to Section 341 b (2) German Commercial Code (HGB) in connection with Section 253 (1) German Commercial Code (HGB) according to the strict lower of cost principle.

The requirement to reverse impairment losses according to Section 253 (5) German Commercial Code (HGB) was fulfilled.

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

As in the previous year, the company performed the valuation of the bearer bonds and other fixed-income securities according to Section 341 b (2) German Commercial Code (HGB) in connection with Section 253 (3) HGB according to the moderate lower of cost or market principle.

The requirement to reverse impairment losses according to Section 253 (5) German Commercial Code (HGB) was fulfilled.

**Mortgages, land charges and annuities receivable**

Mortgages, land charges and annuities receivable are valued pursuant to Section 341 c (3) German Commercial Code (HGB) at continued acquisition costs. In doing so, valuation adjustments are made to a reasonable extent.

**Other loans**

The valuation of registered bonds, notes receivable and other loans in accordance with Section 341 c (3) German Commercial Code (HGB) is performed at valued at amortised acquisition costs. Where there are differences compared to the repayment amount (premium or discount) the effective interest method is applied for amortisation over the term.

We have not made use of the option pursuant to Section 341 c (1) German Commercial Code (HGB) to carry registered bonds at their nominal value.

Since we currently assume no default risk, there was no write-down in the financial year.

**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.

**Deferred tax assets**

According to Section 274 (1) German Commercial Code (HGB), there is the option to capitalise a relief resulting in total from the determination of the deferred tax assets and liabilities in the balance sheet. RheinLand Versicherungs AG is an income taxable controlled company of RheinLand Holding AG.

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, these valuation differences existing between the commercial and tax balance sheet as at 31 December 2014 will be taken into account at RheinLand Holding AG. RheinLand Versicherungs AG did not recognise any deferred taxes as at 31 December 2015.

### 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. According to 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 shown in 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 €214 K. The settlement amount of the offset liabilities is €154 K in accordance with Section 253 (1) 2 German Commercial Code (HGB). This results in a net asset position in the amount of €68 K.

## 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 2015.

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 cedents 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 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% 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 3.94% with an assumed remaining term of 15 years according to Section 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 the assets A.I., B. I. and II. in the financial year of 2015.

Assets	Balance-sheet values Previous year RV T€	Balance-sheet values Previous year RM T€	Additions T€	Disposals T€
<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	5,653	0	2,663	0
<b>B. I. Investments in affiliated companies and participations</b>				
1. Shares in affiliated companies	1,431	0	0	0
2. Loans to affiliated companies	0	0	0	0
3. Participations	1,101	0	0	0
Total B.I	2,532	0	0	0
<b>II. Other investments</b>				
1. Shares, units or shares in investment funds and other non-fixed income securities	11,649	0	496	343
2. Bearer bonds and other fixed-interest securities	202,152		21,745	35,404
3. Mortgages, land charges and annuities receivable	805	0	0	166
4. Other loans				
a) Registered notes	35,006	0	0	8,502
b) Notes receivable and loans	114,345	0	25,000	17,551
c) Other loans	501	0	0	1
5. Deposits at banks	43,818	0	0	19,376
6. Other investments	21	0	0	0
Total B.II	408,297	0	47,241	81,343
<b>total</b>	<b>416,482</b>	<b>0</b>	<b>49,904</b>	<b>81,342</b>

Assets	Re- allocations	Write-ups	Write-downs	Balance-sheet values Financial year
	T€	T€	T€	T€
<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	0	0	2,198	6,118
<b>B. I. Investments in affiliated companies and participations</b>				
1. Shares in affiliated companies	0	0	0	1,431
2. Loans to affiliated companies	0	0	0	0
3. Participations	0	0	0	1,101
<b>Total B.I</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,532</b>
<b>II. Other investments</b>				
1. Shares, units or shares in investment funds and other non-fixed income securities	0	0	0	11,802
2. Bearer bonds and other fixed-interest securities	0	0	0	188,493
3. Mortgages, land charges and annuities receivable	0	0	0	639
4. Other loans				
a) Registered notes	0	0	0	26,504
b) Notes receivable and loans	0	0	0	121,794
c) Other loans	0	0	0	500
5. Deposits at banks	0	0	0	24,443
6. Other investments	0	0	0	21
<b>Total B.II</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>374,196</b>
<b>total</b>	<b>0</b>	<b>0</b>	<b>2,198</b>	<b>382,846</b>

The company exercised the option of Section 341b (2) 1 German Commercial Code (HGB) to allocate investment shares at the book value of €10.1 million as well as fixed-income securities at the book value of €188.5 million to its fixed assets. The fair values are €10.1 million and €194.4 million.

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

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

The book value of the investments for which write-downs were averted is €10.1 million on 31 December 2015, the fair value amounts to €10.1 million.

The investment goal for the investment shares is to generate long-term stable income. The dividend payments were €236 K.

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

The book value of the investments for which write-downs were averted is €10.3 million on 31 December 2015, the fair value amounts to €10.1 million. The company currently does not anticipate any permanent impairment and has not made any respective write-downs pursuant to Section 253 (3) German Commercial Code (HGB).

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

### Fair values of the assets B. I. to II. in the financial year of 2015

Assets	Balance-sheet values	Hidden burdens	Hidden reserves	Fair values
	Financial year			Financial year
	T€	T€	T€	T€
<b>B. I. Investments in affiliated companies and participations</b>				
1. Shares in affiliated companies	1,431	0	0	1,431
2. Loans to affiliated companies	0	0	0	0
3. Participations	1,101	0	0	1,101
<b>Total B.I</b>	<b>2,532</b>	<b>0</b>	<b>0</b>	<b>2,532</b>
<b>B. II. Other investments</b>				
1. Shares, units or shares in investment funds and other non-fixed income securities	11,802	85	270	11,987
2. Bearer bonds and other fixed-income securities	188,493	138	6,024	194,379
3. Mortgages, land charges and annuities receivable	639	0	20	659
4. Other loans				
a) Registered notes	26,504	0	1,592	28,096
b) Notes receivable and loans	121,794	69	3,843	125,568
c) Other loans	500	0	22	522
5. Deposits at banks	24,443	0	0	24,443
6. Other investments	21	0	0	21
<b>Total B.II</b>	<b>374,196</b>	<b>292</b>	<b>11,771</b>	<b>385,675</b>
<b>total</b>	<b>376,727</b>	<b>292</b>	<b>11,771</b>	<b>388,207</b>

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

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

For the fair values of the shares in affiliated companies and participating interests, the nominal value of the capital and/or the acquisition costs are taken as a basis.

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

The fair values are determined by means of the market prices and/or the redemption prices on the balance sheet date.

The fair value of the ABS 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.

The fair values of the ABS securities in the direct portfolio are determined indicatively by the capital management company.

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

The fair value was determined by means of individual title risk-adjusted-yield curves that were adjusted for 2015 according to the spread development.

##### Other loans:

The fair value of the other loans is calculated by means of risk-adjusted yield curves for individual securities which were adjusted for 2015 according to the spread development.

##### Deposits at banks:

The fair value of deposits at banks is calculated on the basis of the nominal value as deposits at banks are overnight money and/or fixed-term deposits with a very short remaining maturity that may be terminated on a daily basis.

##### Other investments:

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

## Information concerning the investment fund assets according to Section 285 No. 26

### German Commercial Code (HGB).

	Book value 31 December 2011	Fair value 31 December 2011	Valuation reserves	Dividend distri- bution 2015
	€	€	€	€
AIF special fund				
ABS I	10,148,512.40	10,063,702.97	-84,809.43	235,911.48
ABS II (dissolved 2014)	0.00	0.00	0.00	0.00
<b>total</b>	<b>10,148,512.40</b>	<b>10,063,702.97</b>	<b>-84,809.43</b>	<b>235,911.48</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.

List of the share property as at 31 December 2015 according to Section 285 No. 11

German Commercial Code (HGB).

	Interest in share capital	Result of the last financial year 31 December 2015	Equity of the respec- tive company 31 December 2015
	%	€	€
<b>Domestic</b>			
RheinLand FinanzService GmbH, Neuss	25 direct	240.97	-1,298,560.50
Credit Life International Services GmbH, Neuss	100 direct	-4,962.29	20,688.66
RheinLand Betriebsrestaurant GmbH, Neuss	100 direct	-1,018.15	23,981.85
<b>Foreign</b>			
Rheinland Groep Nederland B.V., Amsterdam	100 direct	121,735.49	10,089,292.33

The protective clause according to Section 286 (1) No. 2 German Commercial Code (HGB) was invoked.

## Other receivables

	2015	2014
	€	€
to		
affiliated companies	0.00	0.00
non-affiliated companies	900,758.51	874,636.07
<b>total</b>	<b>900,758.51</b>	<b>874,636.07</b>

## Other receivables

	2015	2014
	€	€
Receivables from affiliated companies	14,138,370.98	8,747,077.35
Tax refund claims	0.00	0.00
interest receivable due	0.00	47,950.48
other	3,631,133.16	2,721,124.35
<b>total</b>	<b>17,769,504.14</b>	<b>11,516,152.18</b>

## Fixed assets and inventories

	2015	2014
	€	€
Operating and business equipment	5,804,797.00	5,874,360.15
Inventories	44,312.21	57,373.66
<b>total</b>	<b>5,849,109.21</b>	<b>5,931,733.81</b>

For insolvency hedging of the semi-retirement obligations, investment funds in the amount of €850 K were assigned to the employees.

## Liabilities

### Subscribed capital

The share capital as at 31 December 2015 amounts to €39,304,192.00 and is divided into 767,660 no-par shares. RheinLand Versicherungs AG increased its share capital to carry out the mergers. This increase occurred due to the issue of 97,660 new registered shares in the amount of €5,000,192.00 without additional payment. RheinLand Holding Aktiengesellschaft, Neuss, holds 100% of our company's share capital.

### Technical gross provisions

	total		for outstanding claims:	
	2015	2014	2015	2014
	€	€	€	€
General accident	14,442,879.01	13,177,303.62	12,582,754.71	11,779,359.62
Automobile accident	1,838.06	2,445.15	0.00	0.00
<b>Accident overall</b>	<b>14,444,717.07</b>	<b>13,179,748.77</b>	<b>12,582,754.71</b>	<b>11,779,359.62</b>
<b>Liability</b>	<b>13,130,356.97</b>	<b>14,662,179.29</b>	<b>10,700,732.63</b>	<b>11,721,543.29</b>
Motor vehicle liability	84,733,987.94	86,568,488.07	68,169,653.49	71,288,934.25
Other motor vehicle	8,457,357.58	6,387,564.00	5,110,169.24	4,686,730.80
<b>Total motor vehicle</b>	<b>93,191,345.52</b>	<b>92,956,052.07</b>	<b>73,279,822.73</b>	<b>75,975,665.05</b>
Fire	2,256,138.78	1,396,208.27	1,897,820.24	683,623.27
Comprehensive householder	6,054,143.88	5,709,500.75	1,567,264.62	1,720,585.75
Comprehensive homeowner	4,123,277.01	11,331,826.83	2,847,029.41	5,948,575.83
miscellaneous property	4,927,382.37	4,117,482.12	1,532,052.57	1,321,294.12
<b>Fire and property overall</b>	<b>17,360,942.04</b>	<b>22,555,017.97</b>	<b>7,844,166.84</b>	<b>9,674,078.97</b>
<b>Transport / Aviation</b>	<b>33,571.55</b>	<b>455,663.78</b>	<b>13,710.87</b>	<b>71,777.78</b>
<b>miscellaneous</b>	<b>102,777,923.12</b>	<b>122,273,905.96</b>	<b>23,921,959.12</b>	<b>26,702,047.95</b>
<b>Total direct business</b>	<b>240,938,856.27</b>	<b>266,082,567.84</b>	<b>128,343,146.90</b>	<b>135,924,472.66</b>
<b>Assumed reinsurance business</b>	<b>116,603,236.02</b>	<b>174,630,607.02</b>	<b>24,829,097.46</b>	<b>47,892,639.26</b>
<b>total</b>	<b>357,542,092.29</b>	<b>440,713,174.86</b>	<b>153,172,244.36</b>	<b>183,817,111.92</b>

## Equalisation provision and similar provisions

	2015	2014
	€	€
<b>Accident</b>	49,286.00	451,228.00
<b>Liability</b>	0.00	724,484.00
Motor vehicle liability	15,130,849.00	13,946,106.00
Other motor vehicle	2,349,308.00	855,479.00
<b>Total motor vehicle</b>	17,480,157.00	14,801,585.00
Fire	0.00	364,393.00
Comprehensive householder	2,727,919.00	2,306,494.00
Comprehensive homeowner	676,217.00	1,863,499.00
miscellaneous property	2,675,774.00	2,149,073.00
<b>Fire and property overall</b>	6,079,910.00	6,683,459.00
<b>Transport / Aviation</b>	0.00	365,830.00
<b>miscellaneous</b>	427,734.00	412,567.00
<b>Total direct business</b>	24,037,087.00	23,439,153.00
<b>Assumed reinsurance business</b>	0.00	0.00
<b>total</b>	24,037,087.00	23,439,153.00

## Other provisions

	2015	2014
	€	€
Human Resources	10,041,981.00	10,041,981.00
Commissions and payments similar to commission	323,150.00	323,150.00
other provisions	1,294,182.62	1,448,604.70
<b>total</b>	11,659,313.62	11,813,735.70

## Accounts receivable / payable from reinsurance operations

	Receivables		Liabilities	
	2015	2014	2015	2014
towards	€	€	€	€
affiliated companies	0.00	0.00	0.00	0.00
non-affiliated companies	4,005,708.14	11,755,841.51	5,665,629.98	7,951,269.67
<b>total</b>	<b>4,005,708.14</b>	<b>11,755,841.51</b>	<b>5,665,629.98</b>	<b>7,951,269.67</b>

## Other Liabilities

	2015	2014
	€	€
towards affiliated companies	10,672,550.83	116,251.56
non-cashed cheques	1,093,409.36	1,258,712.35
Taxes still to be paid	2,721,224.82	2,993,824.82
Trade accounts payable	179,419.19	461,215.21
other	5,531,401.83	2,407,578.10
<b>total</b>	<b>20,198,006.03</b>	<b>7,121,330.48</b>

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

# Explanatory notes on the profit and loss account

## Gross premiums written

	2015	2014
	€	€
General accident	11,239,321.64	9,121,117.35
Automobile accident	72,738.27	75,808.05
<b>Accident overall</b>	<b>11,312,059.91</b>	<b>9,196,925.40</b>
<b>Liability</b>	<b>12,967,883.44</b>	<b>12,831,584.72</b>
Motor vehicle liability	36,131,829.95	35,410,276.65
Other motor vehicle	27,596,594.99	25,804,000.74
<b>Total motor vehicle</b>	<b>63,728,424.94</b>	<b>61,214,277.39</b>
Fire	2,311,200.79	2,295,431.52
Comprehensive householder	8,823,516.42	8,468,121.79
Comprehensive homeowner	1,373,748.16	19,090,662.46
miscellaneous property	5,189,804.21	5,041,275.18
<b>Fire and property overall</b>	<b>17,698,269.58</b>	<b>34,895,490.95</b>
<b>Transport / Aviation</b>	<b>121,544.00</b>	<b>122,613.43</b>
<b>miscellaneous</b>	<b>68,576,902.29</b>	<b>100,355,333.54</b>
<b>Total direct business</b>	<b>174,405,084.16</b>	<b>218,616,225.43</b>
<b>Assumed reinsurance business</b>	<b>8,212,377.80</b>	<b>95,374,096.52</b>
<b>total</b>	<b>182,617,461.96</b>	<b>313,990,321.95</b>

## Earned premiums

	Gross		Net	
	2015	2014	2015	2014
	€	€	€	€
General accident	10,375,469.34	9,116,218.35	10,213,294.15	8,616,595.67
Automobile accident	72,998.07	76,120.05	58,182.60	59,308.69
<b>Accident overall</b>	<b>10,448,467.41</b>	<b>9,192,338.40</b>	<b>10,271,476.75</b>	<b>8,675,904.36</b>
<b>Liability</b>	<b>12,751,475.10</b>	<b>12,850,605.72</b>	<b>12,595,143.01</b>	<b>12,696,067.05</b>
Motor vehicle liability	36,013,791.30	35,336,156.65	27,583,354.20	26,670,693.26
Other motor vehicle	27,449,566.80	25,706,043.74	21,577,410.84	20,103,109.27
<b>Total motor vehicle</b>	<b>63,463,358.10</b>	<b>61,042,200.39</b>	<b>49,160,765.04</b>	<b>46,773,802.53</b>
Fire	2,300,423.25	2,291,376.52	1,044,495.66	736,092.22
Comprehensive householder	8,746,457.16	8,488,566.79	8,734,929.87	8,416,156.14
Comprehensive homeowner	4,245,511.56	18,884,128.46	1,737,570.97	5,441,523.29
miscellaneous property	5,116,469.41	5,032,083.18	4,330,366.16	4,153,779.13
<b>Fire and property overall</b>	<b>20,408,861.38</b>	<b>34,696,154.95</b>	<b>15,847,362.66</b>	<b>18,747,550.78</b>
<b>Transport / Aviation</b>	<b>119,668.32</b>	<b>122,753.43</b>	<b>119,668.32</b>	<b>122,753.43</b>
<b>miscellaneous</b>	<b>85,306,970.29</b>	<b>110,782,687.20</b>	<b>48,936,758.98</b>	<b>54,856,028.82</b>
<b>Total direct business</b>	<b>192,498,800.60</b>	<b>228,686,740.09</b>	<b>136,931,174.76</b>	<b>141,872,106.97</b>
<b>Assumed reinsurance business</b>	<b>14,891,837.04</b>	<b>79,186,249.36</b>	<b>14,882,043.97</b>	<b>59,932,516.78</b>
<b>total</b>	<b>207,390,637.64</b>	<b>307,872,989.45</b>	<b>151,813,218.73</b>	<b>201,804,623.75</b>

## Gross costs

	for insurance claims		for insurance operations	
	2015	2014	2015	2014
	€	€	€	€
General accident	5,016,395.83	6,416,911.98	5,453,486.59	4,609,666.27
Automobile accident	0.00	11,066.06	20,338.44	21,008.60
<b>Accident overall</b>	<b>5,016,395.83</b>	<b>6,427,978.04</b>	<b>5,473,825.03</b>	<b>4,630,674.87</b>
<b>Liability</b>	<b>4,458,685.70</b>	<b>3,824,102.18</b>	<b>5,366,313.08</b>	<b>5,762,512.23</b>
Motor vehicle liability	27,093,439.55	24,391,963.83	5,211,832.66	6,112,954.15
Other motor vehicle	22,618,736.05	22,629,616.66	4,806,757.64	5,306,944.48
<b>Total motor vehicle</b>	<b>49,712,175.60</b>	<b>47,021,580.49</b>	<b>10,018,590.30</b>	<b>11,419,898.63</b>
Fire	2,567,404.30	599,827.45	1,089,147.56	1,198,127.35
Comprehensive householder	4,160,024.54	4,768,221.86	3,848,206.95	4,116,739.81
Comprehensive homeowner	4,967,360.88	14,743,446.42	1,950,631.87	7,533,449.64
miscellaneous property	3,572,896.35	3,078,651.83	2,023,243.99	2,497,055.87
<b>Fire and property overall</b>	<b>15,267,686.07</b>	<b>23,190,147.56</b>	<b>8,911,230.37</b>	<b>15,345,372.67</b>
<b>Transport / Aviation</b>	<b>25,274.77</b>	<b>5,762.23</b>	<b>60,883.96</b>	<b>61,662.26</b>
<b>miscellaneous</b>	<b>11,662,673.20</b>	<b>16,209,213.22</b>	<b>54,593,373.61</b>	<b>69,519,958.33</b>
<b>Total direct business</b>	<b>86,142,891.17</b>	<b>96,678,783.72</b>	<b>84,424,216.35</b>	<b>106,740,078.99</b>
<b>Assumed reinsurance business</b>	<b>20,114,740.85</b>	<b>44,055,726.21</b>	<b>11,481,673.56</b>	<b>17,506,094.43</b>
<b>total</b>	<b>106,257,632.02</b>	<b>140,734,509.93</b>	<b>95,905,889.91</b>	<b>124,246,173.42</b>

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

	2015	2014
	€	€
Acquisition costs	46,320,230.82	60,016,897.72
Administrative expenses	49,585,659.09	64,229,275.70
<b>total</b>	<b>95,905,889.91</b>	<b>124,246,173.42</b>

## Technical account results

	Net reinsurance		balance	
	2015	2014	2015	2014
	€	€	€	€
General accident	203,720.36	35,651.49	185,076.75	336,824.88
Automobile accident	8,994.74	8,638.01	43,942.71	35,444.46
<b>Accident overall</b>	<b>212,715.10</b>	<b>44,289.50</b>	<b>229,019.46</b>	<b>372,269.34</b>
<b>Liability</b>	<b>290,205.71</b>	<b>205,762.95</b>	<b>3,405,307.05</b>	<b>3,784,648.19</b>
Motor vehicle liability	2,178,715.42	2,202,205.67	435,121.00	2,079,937.41
Other motor vehicle	809,911.59	-53,873.05	-2,284,065.87	-2,982,159.33
<b>Total motor vehicle</b>	<b>2,988,627.01</b>	<b>2,148,332.62</b>	<b>-1,848,944.87</b>	<b>-902,221.92</b>
Fire			-785,225.54	-162,164.25
Comprehensive householder			43,882.84	-521,190.36
Comprehensive homeowner			-1,737,954.55	-4,149,298.93
miscellaneous property			-1,316,161.64	-1,978,080.14
<b>Fire and property overall</b>	<b>410,122.37</b>	<b>1,383,046.69</b>	<b>-3,795,458.89</b>	<b>-6,810,733.68</b>
<b>Transport / Aviation</b>	<b>0.00</b>	<b>0.00</b>	<b>399,832.87</b>	<b>49,332.11</b>
<b>miscellaneous</b>	<b>10,514,117.60</b>	<b>11,874,371.02</b>	<b>8,816,095.42</b>	<b>13,100,684.68</b>
<b>Total direct business</b>	<b>14,415,787.79</b>	<b>15,655,802.78</b>	<b>7,205,851.04</b>	<b>9,593,978.72</b>
<b>Assumed reinsurance business</b>	<b>76,233.26</b>	<b>-8,098,378.91</b>	<b>11,081,327.97</b>	<b>-5,222,290.20</b>
<b>total</b>	<b>14,492,021.05</b>	<b>7,557,423.87</b>	<b>18,287,179.01</b>	<b>4,371,688.52</b>

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

	2015	2014
	T€	T€
1. Commissions of all kinds for intermediaries within the meaning of Section 92 German Commercial Code (HGB) for direct insurance operations	50,790	72,702
2. Other remuneration for intermediaries within the meaning of Section 92 German Commercial Code (HGB)	3,550	5,267
3. Wages and salaries	48,526	48,846
4. Social contributions and costs for support	7,809	7,784
5. Costs for old-age pension	2,347	592
<b>total</b>	<b>113,022</b>	<b>135,191</b>

**Information pursuant to Section 10 (5) German Commercial Code (HGB)**

The interest costs include costs arising from the addition of accrued interest to the anniversary provision on 31 December 2015 in the amount of €92 K. Foreign exchange earnings in the amount of €189 K were stated under other income. They are offset by exchange rate losses under the other expenditures in the amount of €155 K.

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

	2015	2014
	Unit	Unit
General accident	75,949	57,320
Automobile accident	2,446	1,629
<b>Accident overall</b>	<b>78,395</b>	<b>58,949</b>
<b>Liability</b>	<b>102,838</b>	<b>94,285</b>
Motor vehicle liability	138,617	132,985
Other motor vehicle	105,130	106,589
<b>Total motor vehicle</b>	<b>243,747</b>	<b>239,574</b>
Fire	4,176	3,906
Comprehensive householder	67,282	62,625
Comprehensive homeowner	40,860	40,748
miscellaneous property	11,459	13,035
<b>Fire and property overall</b>	<b>123,777</b>	<b>120,314</b>
<b>Transport / Aviation</b>	<b>244</b>	<b>260</b>
<b>miscellaneous</b>	<b>4,032</b>	<b>9,265</b>
<b>total</b>	<b>553,033</b>	<b>522,647</b>

# Miscellaneous

## Staff

At the end of the financial year, RheinLand Versicherungs AG employed 781 persons in inside staff and 59 employees in its field sales force (total: 849 employees; 872 in the previous year). The number of trainees included in that number is 55 persons (previous year: 44 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 62.

The Executive Board and Supervisory Board members are listed by name on pages 8 and 9. No further compensation was paid for duties at affiliated companies. €392 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. The company has not incurred any direct costs for the Supervisory Board.

There are provisions in the amount of €5.3 million for current pensions and pension entitlements that are included in the balance sheet of RheinLand Holding AG.

## Contingent liabilities

The following declaration is issued in accordance with existing regulations:

"The company neither owns own shares nor has it purchased such shares. Warranty agreements: Due to our membership in Verkehrsoferhilfe 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 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 €21.5 million remained on the balance sheet date. For insolvency hedging of the semi-retirement obligations, investment funds in the amount of €0.8 million were assigned to the employees.

## Further Information

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 32.

### Details of shareholders

The investment Management Company Cornel Werhahn GbR, Neuss, has us merely informed us as a precaution in the event that it should assume company status as defined by property Section 20 Joint Stock Company Act (AktG), it announced that 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.

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.

RheinLand Versicherungs AG is included in the consolidated financial statements of RheinLand Holding AG, Neuss, which is published in the electronic Federal Gazette.

Neuss, 19 April 2016

The Executive Board

Christoph Buchbender

Dr. Lothar Horbach

Udo Klanten

Andreas Schwarz

# Audit Report of the Statutory Auditor

We have audited the annual financial statements – comprising the balance sheet, the profit and loss account and the notes to the financial statements – taking into consideration the bookkeeping system and the management report of RheinLand Versicherungs Aktiengesellschaft, Neuss, for the financial year from 1 January to 31 December 2015. The accounting and the preparation of the annual financial statements and management report in accordance with German commercial regulations and supplementary provisions of the company statutes are the responsibility of the company's Executive Board. Our responsibility is to issue an opinion on the annual financial statements, together with the bookkeeping system and the management report, based on the audit we have conducted.

We conducted our statutory audit of annual financial statements in accordance with Section 317 German Commercial Code (HGB), 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). Accordingly, the audit is to be planned and conducted such that misstatements and violations materially affecting the presentation of the view of the asset, financial and profit position of the company as portrayed by the annual financial statements, in adherence with principles of orderly bookkeeping and through the management report, can be detected with sufficient certainty. In determining the audit procedures, knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account. The accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Executive Board, as well as an evaluation of the overall presentation of the annual financial statements and the management report. We are convinced that our audit provides a reasonable basis for our evaluation.

My audit has led to no objections.

It is our belief that due to the findings of the audit, the annual financial statements conform with the legal requirements and the supplementary provisions of the corporate agreement, and provide – under observation of the principles of proper accounting – a representation of the capital, financial and profit situation of the company that is consistent with the actual situation. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Cologne, 20 April 2016

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Dr. Dahl  
Auditor

Theißen  
Auditor

# Further Details on the Management Report

## List of Types of Insurance Managed

### Management Report

#### List of Types of Insurances Managed

- General accident insurance
- Individual full coverage accident insurance
- Individual partial coverage accident insurance
- Group accident insurance
- other and not subdivided accident insurance

#### General third party liability insurance

- Private third party liability insurance
- Company and professional liability insurance
- Environmental 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
- Motor accident insurance

#### Aviation insurance

- Aviation comprehensive insurance
- Spacecraft comprehensive insurance

#### Fire insurance

- Fire industry insurance
- Agricultural fire insurance
- Other fire insurances

#### Burglary insurance and theft insurance

#### Water damage insurance

#### Glass insurance

#### Windstorm insurance

#### Comprehensive householder insurance

#### Comprehensive homeowner insurance

#### Technical insurances

#### Omnium insurance

- Clothing protection omnium insurance
- other and not subdivided standardised insurance

#### Transport insurance

- Comprehensive insurance
- Cargo insurance
- Specie insurance (commercial)

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

#### Business interruption insurance

- Fire and business interruption insurance

#### Travel assistance insurance

- Roadside recovery insurance

#### Aviation and space liability insurance

- Aviation liability insurance

### Other non-life insurance

- Exhibition insurance
- Cloakroom insurance
- Hunting and sporting weapon insurance
- Musical instrument insurance
- Camera insurance
- Chilled cargo insurance
- Insurance of merchandise in deep-freezing systems
- Vending machine insurance
- Luggage insurance
- Specie insurance
- Travel cancellation expenses insurance
- Eyeglass insurance
- Rent insurance
- Tank and barrel leakage insurance
- Film theatre omnium insurance
- Unemployment additional insurance
- Guarantee insurance of motor vehicles

\* only assumed reinsurance insurance

# List of companies

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# RheinLand Versicherungs AG

## Supervisory Board

Anton Werhahn,  
Commercial Agent,  
CEO of Wilh. Werhahn KG,  
Neuss  
Chairperson

Wilhelm Ferdinand Thywissen,  
Commercial Agent,  
General Representative of C. Thywissen GmbH,  
Neuss  
Deputy Chairperson

Dr. rer. pol. h.c. Klaus G. Adam,  
Auditor,  
Mainz

Dr. Ludwig Baum,  
Commercial Agent,  
Managing Director of Effektenverwaltung  
(Portfolio Management) Cornel Werhahn GbR  
Munich

Andreas Daners,  
Certified Insurance Agent,  
Staff Council of RheinLand Versicherungs AG,  
Jüchen  
elected by employees

Jürgen Stark,  
Business IT Professional,  
Staff Council of RheinLand Versicherungs AG,  
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

Jutta Stöcker,  
Graduate of Business Administration,  
Bornheim  
(January 14, 2015)

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For the sake of readability, male and female designations are not used simultaneously. References to persons shall be understood to refer to either gender.



