The digital insurance company

DFV Deutsche Familienversicherung AG

Group Annual Report 2021

DEUTSCHE
Familienversicherung

ABOUT DFV DEUTSCHE FAMILIENVERSICHERUNG AG

Deutsche Familienversicherung is a publicly listed, high-growth and digitised insurance company (insurtech company) which covers the entire value chain with its own insurance products and its own digital solutions. Deutsche Familienversicherung offers its customers award-winning supplementary health insurance (dental, health, supplementary care insurance) as well as accident and property insurance that people really need and understand immediately ('Simple. Sensible.'). Based on the state-of-the-art scalable IT system developed in-house, the company is setting standards in the insurance industry with consistently digital product designs and processes as well as the possibility of taking out policies via digital language assistants.

www.deutsche-familienversicherung.de

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EXECUTIVE BOARD

Dr Stefan Knoll
Founder, Chief Executive Officer
since 1 April 2007

Dr Karsten Paetzmann
Chief Financial Officer
since 1 February 2021

Stephan Schinnenburg
Chief Sales Officer
until 28 February 2022

Marcus Wollny
Chief Information Officer
since 1 August 2018

Dear Shareholders,

The 2021 financial year was overshadowed by the coronavirus pandemic whose effects were felt deep in public and private life. For Deutsche Familienversicherung and its digital business model, we can report that our growth and organisational resilience continued regardless. We used 2021 not only to overcome challenges, but also to take further action to professionalise the company to an even greater extent. Our determination is already paying off: Our operating income improved significantly in 2021, even though we pressed on systematically with our technology-based, investment-heavy growth case with another strong increase in premium income. On behalf of the Executive Board, I would like to thank all our employees for their commitment and their continued professionalism.

Having withdrawn from the CareFlex consortium as the primary insurer in late 2020, Deutsche Familienversicherung began to focus more on its core business at the start of the 2021 financial year, and we have worked energetically to advance this business. The efforts in this regard include commencement of sales in the Austrian market and the launch of the new KombiSchutz policy, as well as new sales partnerships with partners such as Lidl, Hamburger Sparkasse and Volkswagen Bank. As announced, Deutsche Familienversicherung then also became the reinsurer of the CareFlex Chemie Group. Primary insurance shares of Barmenia Krankenversicherung AG, Wuppertal, in the amount of around € 40 million were taken over by way of a reinsurance agreement with retroactive effect from 1 June 2021. Consequently, the growth of Deutsche Familienversicherung has accelerated further. Through its active reinsurance business, the premium income of Deutsche Familienversicherung has already increased by another € 18 million in 2021.

This means that premium income totalled € 155 million in the 2021 financial year, compared to € 115 million in 2020. This corresponds to premium growth of 35 per cent. In contrast, the German Insurance Association (GDV) reported premium growth of around 1 per cent across all market segments in 2021.

Once again, our insurance products are scoring top marks. The consumer organisation Stiftung Warentest reviewed our liability insurance in October 2021 and scored it ‘very good’ (0.6), resulting in us winning the test. Our accident insurance received a ‘very good’ rating and our pet health insurance scored top marks too. Deutsche Familienversicherung was also awarded a range of other seals of quality, including for supplemental dental insurance, where Stiftung Warentest rated our ZahnSchutz dental insurance policy as ‘very good’ (0.5) in April 2021, making it the winner of the test for the sixth time. Our sickness benefit tariff ranked first on two occasions and our foreign travel health insurance was rated as ‘very good’ twice.

Deutsche Familienversicherung also used the 2021 financial year to further professionalise our internal skills. After the vacant CFO position was filled on 1 February, we strengthened our Capital Investment Management, Controlling and Actuarial Services functions in particular in order to account for our rapidly growing volume of business and the complexity of that business. At the same time, an external expert from the German Federal Financial Supervisory Authority (BaFin) reviewed our health insurance tariffs calculated by type of life insurance. The review resulted in confirmation that the actuarial interest rate at Deutsche Familienversicherung was determined in a justifiable manner from an actuarial perspective and is in line with the statutory requirements. Our capital investments actually generated the average actuarial interest for the supplementary long-term care insurance portfolio in 2021 too. Significantly better income from capital investments was generated in 2021: It amounted to € 10.8 million, compared to € 0.9 million in 2020.

In the 2021 financial year, we also focused on increasing automation by digitising more business processes. In line with our multi-award-winning digital insurance policy process, this concerns customer management and claim and benefit processing in particular. Although we have already accomplished a lot in this regard, we are ambitious to continue setting standards and add new pages to the story of the technology-driven growth of Deutsche Familienversicherung. Through a now ongoing automation offensive, we aim to transform the company from an essentially sales-oriented company to a more strongly performance-oriented one.

In our determination, we will never lose sight of the expectations and wishes of our customers. Conducted for the first time in the 2021 financial year, our stakeholder survey asked our customers, employees and investors what sustainability means from their perspectives. As a result, we know that these stakeholder groups value the carbon neutrality our company achieved in 2021, which we had certified under the international standard PAS 2060:2014 ('Specification for the demonstration of carbon neutrality'). It was our ambitious goal to compile these topics into our first voluntary non-financial statement for the 2021 financial year and incorporate it into the group management report. We succeeded: The first non-financial statement of Deutsche Familienversicherung, prepared in compliance with the standards of the Global Reporting Initiative, can be found in its own section entitled 'Sustainability Report' in this group management report for 2021.

We will continue to transform the technology-driven, growth-oriented business model of Deutsche Familienversicherung into a performance-oriented organisational structure. Our goals for 2022 are therefore as follows:

- Strongest growth,
- Best insurance products,
- Highest degree of automation,
- Best customer service,
- Best online communication,

to do justice to our credo: 'Simple. Sensible.'

On behalf of the Executive Board and our nearly 200 employees, I would also like to thank you for your trust in Deutsche Familienversicherung and invite you to continue further down this path with us.

Dr Stefan Knoll
Chairman of the Executive Board (CEO)

Frankfurt am Main, 23 March 2022

REPORT OF THE SUPERVISORY BOARD

In the 2021 financial year, the Supervisory Board performed the duties incumbent upon it by law and the articles of association. In particular, it supervised the Executive Board in the management of the company and regularly obtained comprehensive reports in a timely manner, in writing and verbally, regarding the development of business, the position of the company, the key financial data and the company plans.

In the process, the Executive Board regularly and comprehensively informed the Supervisory Board of the overall business management and the strategic further development. The Supervisory Board was thus continuously informed of the intended business and company policies, including financial and staff planning and the condition of the company.

Throughout the reporting year, the collaboration between the Executive Board and Supervisory Board was open and trusting in all phases.

TASKS OF THE SUPERVISORY BOARD

The Supervisory Board of the company consisted of five members during the reporting year.

A total of five meetings of the Supervisory Board took place on 20 January 2021, 17/18 March 2021, 6 April 2021, 11 August 2021 and 10 November 2021. All members of the Supervisory Board attended the meetings. Only for the meeting on 11 August 2021 was one member of the Supervisory Board excused.

In light of the coronavirus pandemic and with the approval of all Supervisory Board members, the Supervisory Board meetings – with the exception of the meeting on 10 November 2021 – all took the form of teleconferences and videoconferences within the meaning of section 14, paragraph 6 of the articles of association of the company.

The Executive Board reported in detail on the current course of business and about sales results in each meeting of the Supervisory Board. In particular, the existing and new business figures as well as premium development were presented to the Supervisory Board. The company's key indicators and performance, especially in terms of revenue, costs and earnings, were discussed at every meeting. The Supervisory Board was also constantly informed about the solvency and financial position of the company, including net investment income. To this end, the current solvency indicators – such as the risks relevant to the company and risk management as well as the company's own risk and solvency assessment – were discussed.

Furthermore, the Supervisory Board regularly discussed with the Executive Board the premiums and claims payments including claims ratios and reserves, also in relation to industry figures.

Additionally, the developments and progress with regard to IT infrastructure and automation through digitisation were discussed at each Supervisory Board meeting, along with the necessary measures and the estimated costs in this regard.

In the meeting held on 20 January 2021, the Executive Board also explained to the Supervisory Board the reasons which led to the company's withdrawal as primary insurer and assumption of the role of reinsurer in the CareFlex Chemie (Group) project ('CareFlex'), as well as the effects of this new role on company planning for 2021 which had to be adapted to the requirements of the project at short notice.

At the Supervisory Board meeting held on 17/18 March 2021, the Supervisory Board approved the audited annual and consolidated financial statements of the company for the 2020 financial year. The auditor was present at the meeting and confirmed that both the annual financial statements and the management report as well as the consolidated financial statements and the group management report for the 2020 financial year were each given an unqualified audit opinion.

Additionally, the responsible actuary submitted a report and determined that the actuarial opinions for the non-substitutive health and long-term care insurance business conducted by the company could be issued without qualification and that it could be confirmed that the obligations arising from insurance contracts could be met at all times.

Furthermore, the IT strategy adopted by the Executive Board and the planned entry into the Austrian market were presented and explained to the Supervisory Board.

In the Supervisory Board meeting held on 6 April 2021, the Supervisory Board explained the remuneration system for the Executive Board and evaluated the current Supervisory Board remuneration system. The Supervisory Board then resolved to propose the remuneration systems for the Executive Board and Supervisory Board to the Annual General Meeting for its approval. Both remuneration systems were then approved by the Annual General Meeting in 2021.

In the Supervisory Board meeting held on 11 August 2021, the Executive Board reported to the Supervisory Board on the status of reinsurance as part of the CareFlex project, on the successful entry into the Austrian market, on the launch of the new KombiSchutz policy and on new sales partnerships. Additionally, the semi-annual financial report of the company was presented and explained to the Supervisory Board.

The Supervisory Board also resolved to form an audit committee from 1 January 2022.

In the final Supervisory Board meeting on 10 November 2021, the Executive Board reported on the resumption of active reinsurance as part of the CareFlex project, the results of the third quarter and the status of current business developments.

COMMITTEE TASKS

In coordination with the Executive Board, the Supervisory Board refrained from creating specific committees, especially an audit and nomination committee, for the 2021 financial year. The company is of the opinion that the formation of such committees represents an unreasonable organisational effort for the company in light of proportionality and that plenary deliberations are more efficient.

For the 2022 financial year, the Supervisory Board resolved to form the legally required audit committee.

At all times, the members of the Supervisory Board themselves were able to perform all tasks efficiently on the board, and to consult and adopt resolutions professionally and properly.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2021

The auditor of the annual and consolidated financial statements for insurers is currently appointed by the Supervisory Board of the company, not the Annual General Meeting.

By resolution of 2 July 2021, after completing a selection process, the Supervisory Board appointed the auditing firm Deloitte GmbH Wirtschaftsprüfungsgesellschaft as the new auditor of the company for the 2021 financial year.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft has audited the annual financial statements of the company which were prepared by the Executive Board, the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and the management reports for the 2021 financial year, and has issued unqualified audit opinions.

All members of the audit committee and Supervisory Board have received the annual financial statement documents for the 2021 financial year and the report of the auditor in a timely manner, and thus had sufficient opportunity for acknowledgement and review.

The annual financial statement documents and the audit report were also discussed in detail at an audit committee meeting on 22 March 2022 and at the Supervisory Board meeting on 23 March 2022. The auditor reported on the essential results of the audits and was available to the audit committee and Supervisory Board to answer questions and provide further information. In particular, the especially important audit facts and the audit activities performed described in the audit opinion were also discussed. In the Supervisory Board meeting, the chairperson of the audit committee reported on the audit of the annual and consolidated financial statements by the audit committee. The Supervisory Board examined the annual and consolidated financial statements and the consolidated management and group management report, including the non-financial statement in the management and group management report, and had no objections.

The Supervisory Board approved the annual and consolidated financial statements of the company on 23 March 2022. The annual financial statements prepared by the Executive Board of the company have therefore been approved officially.

The Executive Board and Supervisory Board prepared the remuneration report pursuant to section 162 of the German Stock Corporation Act (AktG) and the auditor audited the remuneration report.

COMPOSITION AND CHANGES IN THE SUPERVISORY BOARD AND EXECUTIVE BOARD

There were no changes to the composition of the Supervisory Board during the reporting year.

With effect from 1 February 2021, Dr Karsten Paetzmann, who is responsible for the finance division, became the fourth member of the Executive Board.

As part of a reorientation process, the Supervisory Board and the CSO Mr Stephan Schinnenburg agreed that he would step down from the Executive Board of the company from 28 February 2022. The chairperson of the Supervisory Board thanks Mr Schinnenburg for his work at Deutsche Familienversicherung. Dr Stefan Knoll will take charge of the sales division until a successor is appointed.

The Supervisory Board expresses great thanks and appreciation for the Executive Board as a whole and all employees of Deutsche Familienversicherung for their great personal commitment and their dedicated performance and successes in the 2021 financial year.

For the Supervisory Board

23 March 2022

Hans-Werner Rhein

Dr Hans-Werner Rhein
Chairman of the Supervisory Board

GROUP MANAGEMENT REPORT

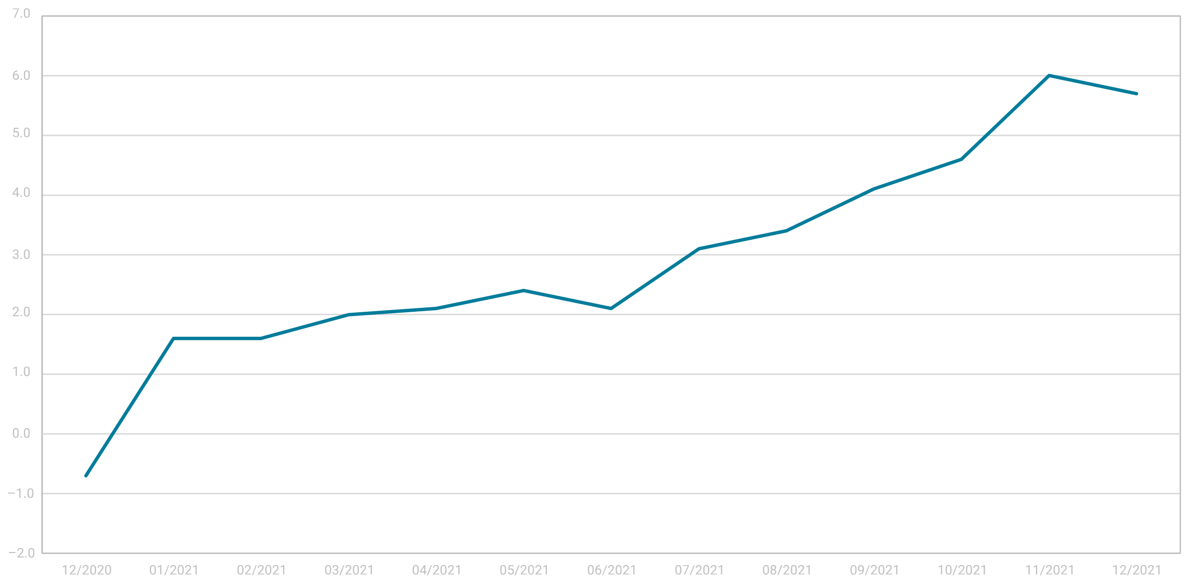
GROUP MANAGEMENT REPORT

1 ECONOMIC ENVIRONMENT AND SECTOR DEVELOPMENT

The economic landscape in Germany was recovering at the start of 2021, in spite of the ongoing coronavirus pandemic. In the middle of the year in particular, the gross domestic product increased by 10.4% on an annual basis compared to the previous year. Economic developments were increasingly stable in this period.

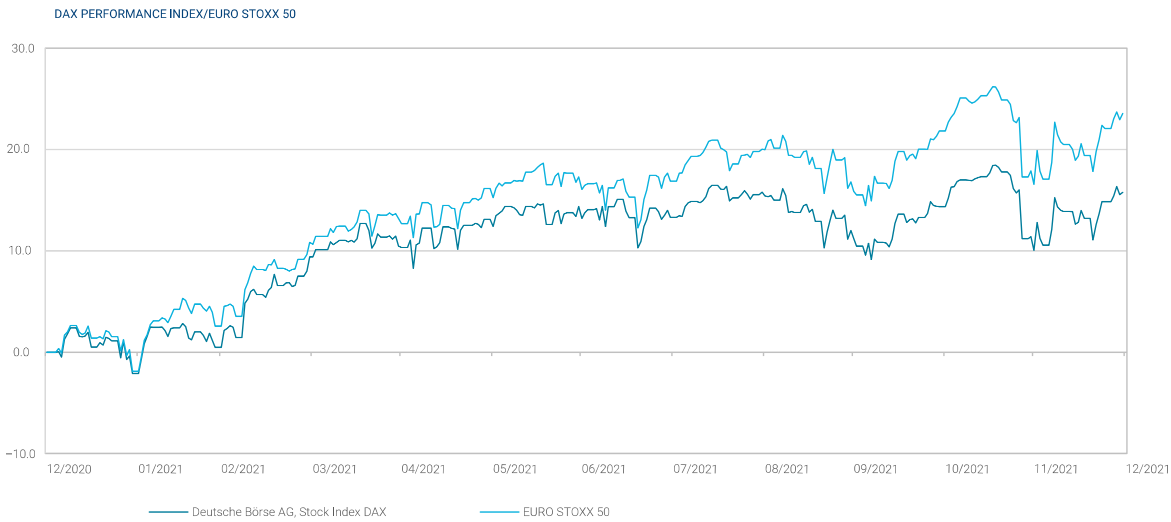
Over the course of the rest of the year, however, the economic recovery slowed down due to bottlenecks in various supply chains. Food and energy prices also increased dynamically. At the same time, new mutations of COVID-19 (most recently omicron) led to new social-distancing rules. These circumstances culminated in an increase in inflation that was far beyond the adjusted targets of the European Central Bank. This new target was announced in July 2021 and sets an inflation target of 2.0% over the medium term. Over the course of 2021, the rate of inflation in Germany increased from 1.6% in January to 6.0% in November 2021. It fell again slightly in December 2021.

INFLATION DEVELOPMENT IN %



Several central banks reacted more strongly to the changes in inflation and scaled back their bond-buying programmes. Prime interest rates were also raised. However, the European Central Bank retained its low interest rate policy throughout 2021. As in the previous year, this led to negative interest rates in ten-year German government bonds, which closed 2021 at -0.17% (end of 2020: -0.56%).

The German stock market index (DAX) performed well in an environment of strong fiscal and monetary support. It surpassed the closing price of 16,000 in November 2021. The DAX closed 2021 with growth of over 15%. The EURO STOXX 50 index grew in value by around 21% in this environment in 2021.



In addition to global policy challenges, demographic change in the eurozone on the one hand – with low birth rates in the baby boomer generation and an expected corresponding ageing of society, particularly in Germany – poses a major problem for social security systems. On the other hand, this change and the associated increase in awareness will result in greater growth potential for the supplementary health and long-term care insurance products of Deutsche Familienversicherung.

The preliminary figures of the German Insurance Association (GDV) show premium income growth of 1.1% across all segments of the German insurance industry in the 2021 financial year. According to the GDV, damage and accident insurance recorded growth in premiums of 2.2%. The private health insurance segment grew by 5.0% while life insurance and pension funds recorded a decrease in premiums of 1.4% (source: German Insurance Association (GDV), Development of Business in 2021 – Overview of Figures dated 27 January 2022).

The German insurance industry also remains characterised by a variety of changes. As at the end of the 2021 financial year, the following eleven topics were of significance throughout the industry because they had already proven to be of practical relevance to insurers or were emerging on a political level (source: German Insurance Association (GDV), 'Was 2022 für die Assekuranz bringt' dated 28 December 2021):

1. Lower the maximum actuarial interest rate for life insurance to 0.25% as at 1 January 2022;
2. Establish sustainability reporting in the form of a revised Corporate Sustainability Reporting Directive;
3. Measure the environmental risks of investment decisions;
4. Query ESG (Environment, Social, Governance) aspects when selling insurance investment products;
5. Continue discussing nationwide natural hazard insurance cover;
6. Introduce a commission cap on residual debt insurance;
7. Expected presentation of a strategy for retail investors by the European Commission;
8. Proposed regulation of vehicle data by the European Commission;
9. Final spurt with regard to implementation of the new accounting standard IFRS 17 for listed insurers;
10. Reform of private old-age pensions in line with the considerations in the coalition agreement;
11. Further political discourse regarding a reform of the European insurance regulation Solvency II.

Even though some of these aspects are of little to no relevance to Deutsche Familienversicherung due to its current strategic orientation and product policies, it will observe all development closely because they can bring risks and opportunities alike to the market (see also the opportunity and risk report below). Overall, the eleven topics reflect the present development of the industry which can be summed up as follows: consumer protection, low interest rates, sustainability and continued regulation. Furthermore, Deutsche Familienversicherung considers the following two other developments in demand to be of particular relevance to the industry, even though they are not listed above by the German Insurance Association (GDV): Digitisation and product innovation, both of which customers associate with desirable convenience and clarity.

2 DEVELOPMENT OF BUSINESS PERFORMANCE AND NET ASSETS, FINANCIAL POSITION AND EARNINGS SITUATION OF THE GROUP

2.1 Overview of the course of business in 2021 and key performance indicators

As in the previous year, the 2021 financial year was affected by the coronavirus pandemic. Nevertheless, thanks to its digital business model, Deutsche Familienversicherung remained barely affected. The high degree of automation that had already been achieved in the digital business model paid off: New customers can register in the digital customer portal of Deutsche Familienversicherung which enables them to manage their policies, update their own details, view documents and submit claims. Further improvements were made to the range of features and user-friendliness of the portal in 2021. The portal is therefore an example of the organisational resilience of the company.

For Deutsche Familienversicherung, the end of 2020 was dominated by its withdrawal as primary insurer of the CareFlex consortium. From the start of the 2021 financial year, Deutsche Familienversicherung has been more heavily focused on its core business which it has been developing actively. With regard to sales, the entry into the Austrian market in mid-2021 and the launch of the new KombiSchutz policy took centre stage initially, alongside new sales partnerships with partners such as Lidl, Hamburger Sparkasse and Volkswagen Bank. In the 2021 financial year, the company continued to attract new business through the sales channels that a still-young Deutsche Familienversicherung had opened up in previous years. At 77%, the largest share of new business in 2021 was attributable to online sales channels including direct response television.

As announced, Deutsche Familienversicherung then also became the reinsurer of the CareFlex Chemie (Group) consortium in the 2021 financial year. Primary insurance shares of Barmenia Krankenversicherung AG, Wuppertal, in the amount of around € 40 million were taken over by way of a reinsurance agreement with retroactive effect from 1 June 2021. Through this active reinsurance business, premium income has already increased by another € 17.7 million in 2021.

In the 2021 financial year, the premium income of Deutsche Familienversicherung increased to € 155.2 million, after having totalled € 114.7 million in 2020. This equates to group-wide premium growth of 35.3% in 2021, which is far above the market average. For one, as described above, this growth is due to the increase in active reinsurance. In the 2021 financial year, the premium income from supplementary health insurance and damage/accident insurance also increased by 17.9% to € 124.9 million and by 42.7% to € 12.6 million respectively.

Besides its continued focus on promoting sales activities, Deutsche Familienversicherung used the 2021 financial year to further professionalise its internal skills. After the vacant CFO position was filled on 1 February, we strengthened Capital Investment Management, Controlling and Actuarial Services in particular in order to account for our rapidly growing volume of business and the increasing complexity of that business. Over the course of the 2021 financial year, an external expert engaged in coordination with the German Federal Financial Supervisory Authority (BaFin) reviewed our health insurance tariffs calculated by type of life insurance. This appraisal by well-known experts confirmed for Deutsche Familienversicherung that its actuarial interest rate was determined in a justifiable manner from an actuarial perspective and in a manner consistent with the statutory regulations. In the 2021 financial year, the capital investments were once again able to generate the average actuarial interest for the supplementary long-term care insurance portfolio. The significantly improved income from capital investments of € 10.8 million (previous year: € 0.9 million) contributed to Deutsche Familienversicherung's company result in 2021.

Deutsche Familienversicherung closed the 2021 financial year with a net loss for the year, before taxes, of € 0.8 million (loss before taxes in the previous year: € 10.6 million). This result is more favourable than originally expected, due primarily to the significant improvement in income from capital investments. In contrast, the result for the 2021 financial year was characterised by somewhat higher loss ratios of 71.8% (previous year: 63.0%) in the core business, not factoring in the newly adopted active reinsurance business, as well as one-off or prior-period expenses, although this has been more than balanced out by the significantly higher income from capital investments. Ultimately, the earnings of Deutsche Familienversicherung are still largely characterised by investment-heavy growth with double-digit rates of growth in profitable, adequately calculated new business.

In detail, the following developments made a significant contribution to this result.

2.1.1 Premium development

Gross premiums increased by € 40.5 million or 35.3% from € 114.7 million in 2020 to € 155.2 million in 2021. Besides premium adjustments, the following four insurance segments contributed to this positive premium growth.

- The commencement of active reinsurance for parts of the CareFlex Chemie (Group) consortium resulted in additional gross premiums of € 17.7 million in the reporting year.

- Sales success in supplementary dental insurance continued in 2021, causing gross premiums to increase by € 13.2 million.

- With regard to tariffs calculated by type of life insurance such as supplementary long-term care insurance, inpatient treatment and daily sickness benefits insurance, Deutsche Familienversicherung was able to increase its premiums by € 5.8 million. In supplementary long-term care insurance, premium adjustments of € 4.8 million contributed to the positive development of premiums.

- Finally, the pet health insurance launched in 2019 and advertised on TV, among other media, also continued to perform well. With growth in written premiums of € 3.3 million, this area also made a major contribution to the sales successes of Deutsche Familienversicherung in the 2021 financial year.

The existing portfolio of insurance contracts in primary insurance increased by 21,000 (3.7%) from 553,000 at the end of the previous year to 574,000 at the end of 2021. All in all, therefore, significantly more than half a million customers have placed their trust in Deutsche Familienversicherung.

In the property classes, gross premiums written rose by 42.7% compared to the previous year. The share of the property classes in the total primary insurance business therefore increased significantly year-on-year. It was 9.1% in 2021, compared to 7.7% in 2020. This increase in the proportion of property classes is due to the development of insurance products combined with strategic sales initiatives. The company also proved successful in the pet health insurance market with DFV-TierkrankenSchutz, an insurance product that follows the logic of 16 Matrix. In 2021, the premium income from pet health insurance increased by a factor of 1.9, or 90.7%, to € 6.9 million.

The overall volume of business of Deutsche Familienversicherung, measured in current premiums for a year, increased by € 40.2 million in the 2021 financial year (previous year: € 29.3 million). Of this volume of new business, € 22.6 million was attributable to primary insurance, whereas the current premiums for a year in the new active reinsurance business amounted to € 17.7 million at the end of 2021. The total volume of business of Deutsche Familienversicherung was € 160.8 million as at the end of the 2021 financial year, which corresponds to a 28.8% increase over the volume of € 124.8 million at the end of the previous year.

Once again, DFV insurance products scored top marks in independent product comparisons in 2021. The consumer organisation Stiftung Warentest reviewed DFV's liability insurance in terms of its basic cover, amount of cover and extensions of cover, scoring it 'very good' (0.6). As such, Deutsche Familienversicherung ranked among the top three of 363 liability insurance policies. Deutsche Familienversicherung also received other awards in the 2021 financial year, including for its leading supplemental dental insurance. For instance, Stiftung Warentest rated the ZahnSchutz dental insurance policy as 'very good' (0.5), making it the winner of the test for the sixth time.

2.1.2 Investments

Existing investments of Deutsche Familienversicherung increased by € 45.7 million (33.8%) year-on-year from € 135.1 million to € 180.8 million as at the end of the 2021 financial year. For one, the increase is due to the lucrative investment of the cash and cash equivalents resulting from the capital increase in July 2020 which had not been fully invested in the previous year. Additionally, in line with a schedule, portions of the premiums from the business operated by type of life insurance were invested in the investment portfolio of Deutsche Familienversicherung in order to finance the actuarial provision.

In the first half of 2021, Deutsche Familienversicherung drew up and adopted a strategic asset allocation (SAA) for each of its sub-portfolios and reallocated its investments to them and within the guarantee assets and disposable assets sub-portfolios. When an optimal SAA was selected for guarantee assets which are protected separately in accordance with the German Insurance Supervision Act (VAG), special attention was paid to the long-term realisation of the average actuarial interest rate of the insurance obligations (which are carried as liabilities) through current income from capital investments, as well as on the actuarial corporate interest rate. In the 2021 financial year, current income from capital investments was € 2.9 million, which represents an increase of 53.2% compared to the 2020 financial year (€ 1.9 million).

Whereas the previous year was overshadowed by turbulent markets as a result of the coronavirus pandemic, Deutsche Familienversicherung was able to benefit from the effects of their recovery in the reporting year. A net capital gain of € 8.8 million was achieved from the sale of securities (previous year: € -0.5 million), which has had a significant effect on the investment revenue in 2021. Expenses for the management of capital investments increased from € 0.6 million to € 0.9 million.

Overall, at € 10.8 million, the investment revenue for the 2021 financial year was significantly higher than in the previous year (€ 0.9 million). The return recognised in profit, relative to the average of the investment portfolio, was 6.9% in the financial year (previous year: 0.7%).

Over the course of the 2021 financial year, the reserves for unrealised gains and losses from capital investments which are recognised in other comprehensive income decreased by € 7.9 million from € 5.9 million to € -1.7 million at the end of the year.

2.1.3 Insurance benefits

Insurance benefits have increased further, in light of the ongoing strong growth in the premium income of Deutsche Familienversicherung. Gross insurance benefits increased by € 23.5 million or 32.1% from € 73.2 million in the previous year to € 96.8 million in the 2021 financial year. Of this, € 25.2 million (previous year: € 19.6 million) can be attributed to the allocation to the actuarial provisions. Gross claims payments increased by € 13.6 million or 26.7% from € 50.9 million in 2020 to € 64.5 million. The (net) loss ratio of Deutsche Familienversicherung was 63.0% in the 2021 financial year, as in the previous year. The net loss ratio is 71.8%, not taking into account the new active reinsurance business launched in the reporting year.

The gross actuarial provision as at the end of the year increased by € 25.2 million from € 70.7 million in the previous year to € 95.9 million as at 31 December 2021. In the reporting year, it contained an actuarial provision of € 4.9 million for the active reinsurance business for the first time. The provision for profit-related premium refunds in the amount of € 2.8 million (previous year: € 0.8 million) continues to relate mainly to the long-term care segment. The provision for non-profit-related premium refunds was € 1.3 million at the end of 2021 (previous year: € 0.8 million) and relates exclusively to health insurance business by type of life insurance.

Gross provisions for outstanding claims amounted to € 19.1 million as at the balance sheet date (previous year: € 14.8 million). The changes in these provisions are included in insurance benefits. In the financial year, the estimation methods applied to parts of this provision were reworked. In particular, the calculation of the average settlement amounts was adjusted in order to take the steady rise in prices into account. This resulted in a € 1.4 million increase in the provision. Less the reinsurance shares, claims expenditure increased by a net amount of € 0.8 million which lowered the operating income by the same amount on a one-off basis and had a negative effect on the loss ratio.

2.1.4 Expenses for insurance operations

Expenses for insurance operations contain expenses for insurance operations in a narrower sense and for sales. Net expenses increased by 24.5% from € 30.2 million to € 37.6 million, while earned premiums increased by 41.5% compared to the previous year. The disproportionately small increase in these expenses is due to the commencement of the active reinsurance business.

The sales expenses – which are directly recognised through profit or loss – result in an underwriting loss, although the acquisition expenses are offset economically by longer-term insurance contracts and premiums. The considerable growth of the customer base creates the necessary conditions for the long-term economic success of Deutsche Familienversicherung.

Together with other expenses, the net cost ratio is therefore 47.7% (previous year: 55.1%) on the basis of net earned premiums.

2.1.5 Other expenses and other revenue

Deutsche Familienversicherung recorded other expenses of € 4.1 million (previous year: € 3.9 million) as well as other income of € 1.0 million (previous year: € 0.3 million). Other expenses are primarily made up of the personnel and non-personnel expenses allocated to the company as a whole in the amount of € 3.0 million (previous year: € 3.0 million) as well as the interest on deposits of reinsurers in the amount of € 1.1 million (previous year: € 0.9 million). In the reporting year, as in the previous year, other income is primarily made up of contributions from the gross provision for premium refunds in the amount of € 0.8 million (previous year: € 0.3 million).

2.1.6 Total comprehensive income

Deutsche Familienversicherung closed the 2021 financial year with a loss before taxes of € 0.8 million (loss before taxes in the previous year: € 10.6 million).

After offsetting taxes, which were primarily characterised by the capitalisation of tax losses carried forward in the reporting year, the net loss for the year amounts to € 1.7 million (previous year: net loss for the year of € 7.4 million). Presented at € -0.9 million, the line item for income tax contains erroneous taxes of € -1.1 million originating from 2019 which, now attributable to other periods, have been reclassified to the current period.

Due to unrealised losses in capital investments (€ -4.1 million), the comprehensive income for 2021 pursuant to IFRS closed at € -5.8 million (previous year: € -5.2 million).

Overall, the earnings of Deutsche Familienversicherung are still largely characterised by investment-heavy growth in profitable, adequately calculated new business. The strain on current earnings that goes hand-in-hand with portfolio growth and the related anticipated high sales expenses (customer acquisition costs) has been taken into account.

2.1.7 Digitisation

Digital business processes are a key element of the business model of Deutsche Familienversicherung. Our constant efforts to develop continuously are focused on the ease of use and clarity of features for customers, from the policy creation process to customer management to claim and benefit processing.

The DFV app is a key element of the digital processes of Deutsche Familienversicherung. With the DFV app, customers can view and update all existing contracts and personal data. Insurance cover can be adapted flexibly too, including situational joint insurance for family, friends and acquaintances. Most recently, the DFV app received a rating of 4.9 out of 5 stars in both the Google Play Store and the Apple App Store.

As part of claim and benefit processing, customers can use the DFV app to take and upload a photo of their bills. The subsequent processing is largely fully automated.

2.2 Segment and portfolio allocation as of the balance sheet date

The portfolio and claims trends of the main products per insurance segment are presented below. The following summary provides an overview of the segment and portfolio allocation as of the balance sheet date with regard to the distribution of gross premiums written and the number of policies.

Only the gross premiums written are presented for active reinsurance because the underlying contracts cannot be attributed to the reinsurer.

PORTFOLIO DEVELOPMENT

Insurance segments	Number of policies			Changes	Gross premiums written			Changes
	2021	2020	In units	In %	2021	2020	In € thousand	In %
Total supplementary health insurance	**458,129**	**440,060**	**18,069**	**4.1**	**124,935**	**105,928**	**19,007**	**17.9**
Health by type of loss	**370,947**	**352,125**	**18,822**	**5.3**	**82,476**	**69,246**	**13,230**	**19.1**
Supplementary dental insurance	300,983	281,876	19,107	6.8	80,515	67,303	13,212	19.6
Other health insurance by type of loss	69,964	70,249	-285	-0.4	1,961	1,943	18	0.9
Health by type of life	**87,182**	**87,935**	**-753**	**-0.9**	**42,459**	**36,682**	**5,777**	**15.7**
Supplementary care insurance	47,293	50,025	-2,732	-5.5	30,060	26,872	3,188	11.9
Other health insurance by type of benefit	39,889	37,910	1,979	5.2	12,399	9,810	2,589	26.4
Total non-life insurance	**115,852**	**113,387**	**2,465**	**2.2**	**12,568**	**8,809**	**3,759**	**42.7**
Pet health insurance	18,017	12,844	5,173	40.3	6,923	3,631	3,292	90.7
Other non-life insurance	97,835	100,543	-2,708	-2.7	5,645	5,178	467	9.0
Subtotal for primary insurance business	**573,981**	**553,447**	**20,534**	**3.7**	**137,503**	**114,737**	**22,766**	**19.8**
Active reinsurance	0	0	0	N/A	17,712	0	17,712	> 100%
Total	**573,981**	**553,447**	**20,534**	**3.7**	**155,215**	**114,737**	**40,478**	**35.3**

Due to the presentation in € thousand, rounding differences may occur in the totals.

Deutsche Familienversicherung has defined the loss ratio as a net loss ratio because it believes that this represents the economic loss situation of Deutsche Familienversicherung better than a gross loss ratio. The net loss ratio corresponds to the ratio of claims expenditure including claims settlement expenses, expenditure for premium refunds, the change in the actuarial provision and the claims reserves – in each case net – to the earned premiums (net). It does not include allocations to the provision for premium refunds.

The gross expenses for claims contain expenses for claims and the change in the provisions for outstanding claims.

CLAIMS DEVELOPMENT

Insurance segments	Gross expenses for claims in € thousand			Changes	Net loss ratio in % of the earned premiums		Changes
	2021	2020	In € thousand	In %	2021	2020	In % points
Total supplementary health insurance	**64,177**	**50,198**	**13,979**	**27.8**	**77.3**	**67.3**	**10.0**
Health by type of loss	**55,470**	**42,317**	**13,153**	**31.1**	**74.8**	**64.7**	**10.1**
Supplementary dental insurance	54,718	41,053	13,665	33.3	75.6	65.2	10.4
Other health insurance by type of loss	752	1,264	-512	-40.5	39.5	48.6	-9.1
Health by type of life	**8,707**	**7,881**	**826**	**10.5**	**84.5**	**73.0**	**11.5**
Supplementary care insurance	4,233	2,918	1,315	45.1	88.9	76.5	12.4
Other health insurance by type of benefit	4,474	4,963	-489	-9.9	69.9	66.1	3.8
Total non-life insurance	**4,546**	**2,446**	**2,100**	**85.9**	**38.1**	**25.7**	**12.4**
Pet health insurance	3,064	1,835	1,229	67.0	51.0	55.9	-4.9
Other non-life insurance	1,482	611	871	142.6	29.3	13.8	15.5
Subtotal for primary insurance business	**68,723**	**52,644**	**16,079**	**30.5**	**71.8**	**63.0**	**8.8**
Active reinsurance	**18**	**0**	**18**	**N/A**	**27.7**	**0.0**	**27.7**
Total	**68,741**	**52,644**	**16,097**	**30.6**	**63.0**	**63.0**	**0.0**

Due to the presentation in € thousand, rounding differences may occur in the totals.

The net loss ratio in the largest insurance segment, supplemental dental insurance, increased by 10.4 percentage points in the reporting year. Almost half of this increase is due to a change in the share of reinsurance in the claims reserve. Additionally, the claims reserves for supplemental dental insurance were increased as at the end of 2021, including the IBNR (incurred but not reported) provision for business with existing customers. The raw loss ratio based on actual claims payments is still within profitable parameters calculated using actuarial methods.

In the reporting year, the net loss ratio in supplementary long-term care insurance increased by 12.4 percentage points to 88.9%. In this segment, however, this indicator is generally less informative because it is driven almost exclusively by allocations to the ageing provision. With regard to rapidly growing pet health insurance (premium growth in 2021: 90.7%), the net loss ratio fell by 4.9 percentage points year-on-year, ending up at 51.0% in the 2021 financial year.

The overall (net) loss ratio of Deutsche Familienversicherung was 63.0% in the 2021 financial year, as in the previous year. The net loss ratio is 71.8%, not taking into account the new active reinsurance business launched in the reporting year.

GROSS SETTLEMENT RESULTS BY INSURANCE SEGMENT

Insurance segments	Settlement result in € thousand			Changes
	2021	2020	In € thousand	In %
Total supplementary health insurance	-1,611	-2,732	1,121	41.0
Health by type of loss	-990	-1,565	575	36.7
Health by type of life	-621	-1,167	546	46.8
Total non-life insurance	1,348	1,330	18	1.4
Pet health insurance	233	28	205	732.1
Other non-life insurance	1,115	1,302	-187	-14.4
Total	**-263**	**-1,402**	**1,139**	**81.2**

At € -0.3 million in 2021, the settlement result of Deutsche Familienversicherung was € 1.1 million lower than in the previous year. As part of the preparation of the annual financial statements for 2021, the settlement losses of previous years were examined and analysed in detail. This has led to changes being made to reserve creation methods. With this modification, Deutsche Familienversicherung is certain that it will be able to avoid settlement losses in future and that it has managed to allocate the corresponding expenses on an accruals basis. However, these changes resulted in net expenses of € 0.8 million in the reporting year.

2.2.1 Passive reinsurance

Deutsche Familienversicherung uses passive reinsurance for risk control. Essentially, the reinsurance schemes consist of proportional cover where reinsurers with outstanding credit ratings take on fixed rates of business with new and existing customers. Individual non-proportional excess-of-loss reinsurance contracts are also concluded. Deutsche Familienversicherung is continuously monitoring the extent to which it is necessary to adjust the terms of reinsurance cover and the reinsurance shares in its business, in order to support the development of business in the best way possible.

2.2.2 Asset situation

In the 2021 financial year, the asset situation was essentially characterised by the increase in technical provisions and capital investments. Whereas the capital investments increased by 33.9% to € 180.8 million over the course of the year, the gross technical provisions increased by 35.1%. The growth of the gross technical provisions was once again driven by actuarial provisions (ageing provisions pursuant to section 341f, paragraph 3 of the HGB) which increased by 35.7% to € 95.9 million. The total gross technical provisions amounted to € 123.0 million at the end of 2021, standing in contrast to capitalised reinsurers' shares of € 68.1 million.

Intangible assets amounted to € 7.2 million as at the reporting date (previous year: € 8.9 million). The change results from scheduled depreciation of the contract management system BSN for which investments continue to be made in the development.

In the 2021 financial year, equity decreased from € 90.9 million at the start of the year to € 85.1 million in line with the comprehensive income for 2021 pursuant to IFRS of € -5.8 million, as described above. Consequently, the equity ratio decreased from 36.3% to 30.0% year-on-year. The company's own funds, in terms of regulatory risk-bearing capacity, were also far above the minimum Solvency Capital Requirements (SCR) in the 2021 financial year.

Furthermore, by resolution of the Annual General Meeting on 19 May 2021, the Executive Board is authorised to increase the subscribed capital by up to € 14,587,780 by 18 May 2026, once or multiple times, in exchange for cash contributions and/or contributions in kind, with the consent of the Supervisory Board; the subscription rights of shareholders can be excluded.

2.3 Cash flow and liquidity position

The business activities of Deutsche Familienversicherung resulted in an operating cash flow of € 14.6 million (previous year: € 19.0 million). In particular, the decrease in the operating cash flow is due to the € 8.1 million reduction in net accounts payable from reinsurance business compared to the previous year. Without this effect, the operating cash flow would have been € 22.7 million and therefore around 19% higher than the previous year.

The operating cash flow and the majority of cash and cash equivalents as at 31 December 2020 in the amount of € 37.8 million – which essentially originated from funds resulting from the capital increase in 2020 that had not yet been invested – were used in the reporting year to expand the capital investment portfolio of Deutsche Familienversicherung (€ 46.8 million; € 12.7 million in the previous year) and to make further investments in intangible assets (€ 0.6 million; € 2.3 million in the previous year).

Although the cash flow from financing activities was € 30.5 million in the previous year, essentially due to the capital increase which took place in mid-2020, it was € -0.7 million in the 2021 reporting year and largely served to repay lease liabilities.

The total cash and cash equivalents (funds for financing purposes) decreased by € 33.5 million from € 37.8 million to € 4.3 million as at the end of the 2021 financial year.

2.4 Summary of the overall statement on the situation of the company

At € -0.8 million in 2021, the consolidated earnings before tax were far higher than in the previous year (€ -10.6 million) and therefore higher than the originally expected earnings before tax and the expectations of around € -4 million, recently adjusted to € -2 million. Earnings development was caused by the following factors:

- The income from capital investments increased significantly to € 10.8 million. In contrast, the reserve for unrealised gains and losses before taxes decreased by € 7.6 million.
- Premium income increased by € 40.5 million or 35.3% to € 155.2 million in 2021. In comparison, the increase in premium income was € 23.8 million in the previous year.
- At € 22.6 million, the volume of new direct insurance business fell short of its target. However, this was more than balanced out by the launch of active reinsurance, which generated new business of € 17.7 million in the first year.
- Key sales successes were accomplished in our primary insurance business, including our acquisition of prestigious partners such as Lidl, Hamburger Sparkasse and Volkswagen Bank, as well as our successful entry into the Austrian market.
- The total volume of business of Deutsche Familienversicherung, measured in current premiums for a year, was € 160.8 million as at the end of the 2021 financial year, which corresponds to a 28.8% increase over the volume of € 124.8 million at the end of the previous year.
- Claims were stable overall with an unchanged net loss ratio of 63.0%, although the development of claims in the individual insurance segments varied considerably. The net loss ratio is 71.8%, not taking into account the new active reinsurance business launched in the reporting year.
- Deutsche Familienversicherung made changes to its reserve creation methods as part of its preparation of the consolidated financial statements for 2021. This has reduced consolidated income by € 0.8 million. The goal is to avoid future settlement losses. For one, this is justified by the increase in the net loss ratio for primary insurance business.
- Optimisations of business processes, cost reduction measures and the high level of performance of employees helped increase the efficiency and stability of the organisation.

Taking tax effects into account, this means an annual result of € -1.7 million for the financial year (previous year: € -7.4 million). The annual result for 2021 of € -1.7 million contains € -1.1 million in taxes originating from 2019 which, now attributable to other periods, have been reclassified to the current period.

The asset situation of Deutsche Familienversicherung remained stable as a result of the capital increase in the previous year and the positive course of business in spite of the pandemic. In the 2021 financial year, equity decreased by € 5.8 million to € 85.1 million. The regulatory requirements concerning equity were met in the reporting year.

Deutsche Familienversicherung met all its payment obligations in the financial year. When the Annual Report was prepared, no evidence existed that the company's ability to meet all its payment obligations in the future would be impaired.

3 OPPORTUNITY AND RISK REPORT

3.1 Introduction and description of the risk structure

The core business of Deutsche Familienversicherung involves the assessment, assumption and ongoing monitoring of risks. It is therefore important to take risks in a targeted manner based on the existing ability to bear risks, insofar as the opportunities associated with this allow for the expectation of sufficient added value. Risk management at Deutsche Familienversicherung aims to identify product and contractual risks at an early stage, to monitor them and, ultimately, to manage them in a systematic manner. Active risk management is carried out by the members of the Executive Board and managers. Department heads routinely report to the member of the Executive Board responsible for their department, or the Executive Board as a whole, about the current course of business, including from a risk perspective.

The risk strategy of Deutsche Familienversicherung also includes the use of solvent reinsurance companies with very good credit ratings by means of pro rata risk assumption and flexibly expandable cover for major losses and natural catastrophes, as well as annually adjusted insurance cover for loss of revenue or business interruptions, business liability, cyber risks and commercial buildings and inventory.

An internal own-risk and solvency assessment (ORSA) process exists pursuant to the Solvency II Framework Directive and the delegated acts as part of pillar 2. This so-called regular ORSA process is to be carried out annually and will be concluded in October 2022. In addition, the ORSA process of Deutsche Familienversicherung stipulates that an assessment of solvency and minimum capital requirements must also be carried out and evaluated on a regular basis by means of updated risk calculations according to the standard formula as part of the quarterly reports to the supervisory authority. The full Executive Board and the Supervisory Board are informed on a rotating basis about the quarterly solvency figures. The solvency ratio as of 31 December 2021 was well above the statutory requirements.

Deutsche Familienversicherung has an independent risk control unit (IRCU) that is tasked with the continuous, independent and objective implementation and development of the risk management system of the company. The principle of proportionality is applied when designing the IRCU and the risk management system.

The overall risk of Deutsche Familienversicherung can be divided into the following risk categories:

- Underwriting opportunities and risks
- Risks from the default of receivables from insurance business
- Opportunities and risks from capital investments, especially market and currency risks
- Operational risks
- Liquidity risks
- Reputational risks
- Strategic opportunities and risks

3.2 Underwriting opportunities and risks

As part of risk management, the identification, assessment and control of underwriting risks naturally plays a key role.

– Premium and loss risk
The main risk in the insurance segments in operation is the premium and loss risk. This means that, from the premiums calculated in advance, contractually fixed claims payments are to be made in the future, the amount of which is not known with certainty when the premiums are fixed (risk of chance and change). As part of the ongoing monitoring of the profitability of the insurance portfolio, it is also examined whether a need exists to adjust premiums for supplementary

health insurance products. Deutsche Familienversicherung mitigates these risks through the risk-sensitive calculation of premiums, a targeted underwriting policy and stringent underwriting guidelines.

The following table presents the net loss ratio as well as the net settlement results for the non-life segment as a percentage of the initial provision for outstanding claims of the last ten years.

AN OVERVIEW OF THE LOSS RATIOS (NET) FOR THE PAST TEN YEARS:

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
41.0%	49.6%	59.1%	66.5%	61.5%	57.3%	56.0%	60.6%	63.0%	63.0%

– Reserve risk

Another risk is reserve risk, which means that the claims expenditure to be paid may be higher than expected at the time of claim notification. The technical provisions are calculated individually for each claim on the basis of different statistics.

OVERVIEW OF THE NET SETTLEMENT RESULTS OF THE LAST TEN YEARS (NON-LIFE)

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
25.2%	38.9%	27.3%	33.4%	-1.1%	4.8%	14.0%	24.3%	-3.5%	-0.2%

As part of systematic portfolio controlling, Deutsche Familienversicherung ensures an appropriate ratio of premium income to claims and benefit expenses. Deutsche Familienversicherung protects itself against the effects of the claims risk by concluding suitable proportional reinsurance contracts, particularly in the supplementary health insurance, long-term care insurance, electronics insurance and pet health insurance segments. In addition, non-proportional reinsurance contracts for the segments of foreign health insurance, accident, household, liability and legal expenses exist, under which the own share of the benefit obligations for each risk, each policy and each event exceeding a specified priority have been assigned. The non-proportional reinsurance contracts include the option of multiple reinstatement of reinsurance covers. The further expansion of the insurance portfolio and the associated strengthening of the company's net assets, financial position and earnings situation will provide an opportunity to reduce the ratio of proportional reinsurance in order to fully capture the positive underwriting results.

– Major and cumulative risks

Based on the nature of the conducted business, the portfolio of Deutsche Familienversicherung has no individual major risks whose occurrence could endanger the continued existence of the company. Moreover, the underwritten risks are widely spread geographically and thereby reduce possible risk concentrations.

Even when developing its products, Deutsche Familienversicherung is careful to design offers for a broad customer base so as to preclude cumulative and major risks almost entirely.

Since 2011, Deutsche Familienversicherung has been offering private supplementary long-term care insurance, which is calculated according to the type of life insurance. In this line of business, Deutsche Familienversicherung assumes long-term risks with regard to the development of care costs and biometrics. Deutsche Familienversicherung has calculated the underwriting risks on the basis of recognised accounting principles. Nevertheless, these can deviate from the actual course of events and result in an increased risk of loss. Pursuant to section 155, paragraph 3 of the VAG, Deutsche Familienversicherung therefore compares the required insurance benefits with the calculated insurance benefits on an annual basis. Taking into account the requirements and procedures described in section 155, paragraph 3 of the VAG, Deutsche Familienversicherung has the opportunity to adjust the originally selected calculation parameters, including the interest rate, if circumstances change as part of a recalculation of the tariffs.

Moreover, the above risk parameters are continuously monitored and analysed. The underwriting risks are recalculated and assessed in the quarterly reports to the supervisory authority using the standard formulas according to Solvency II. The Supervisory Board is informed about these quarterly solvency ratios at the regular quarterly meetings. In view of the scope and long-term nature of the supplementary long-term care insurance, 50% or 70% of the portfolio of Deutsche Familienversicherung was covered by reinsurance.

3.3 Risks from the default of receivables from insurance business

Risks exist due to payment default on behalf of policyholders as well as due to commission refund claims against insurance brokers. The receivables are reviewed on an ongoing basis for impairment, and receivables which are questionable and past due are revalued. In the financial year ended, 0.2% (previous year: 0.4%) of premiums receivable were revalued. The risk of default of commission refund claims is adequately countered by sufficient cancellation reserves and cancellation liability periods.

Receivables from insurance business in the amount of € 2.2 million existed as at the balance sheet date (previous year: € 1.8 million). Receivables from policyholders were revalued by 51.0% as of the balance sheet date (previous year: 49.6%). Receivables of € 1.8 million (previous year: € 1.2 million) were more than 90 days old; of these, € 1.4 million (previous year: € 1.0 million) were revalued. This risk potential can be well controlled by means of ongoing review processes of the composition and age structure of outstanding receivables as well as proven collection processes. As at the reporting date, there were receivables from reinsurance companies with a rating of BBB+ or better.

Other receivables are primarily comprised of accrued interest receivables and accounts receivable from reinsurance partners. When selecting reinsurance companies, creditworthiness is a key factor in decision-making.

As of the balance sheet date, the following companies are significant reinsurance partners of the company:

- BNP Paribas Cardif Allgemeine Versicherung, Stuttgart, German branch of BNP Paribas Cardif Assurances Risques Divers – Paris, France;
- Echo Rückversicherungs-AG – Zurich, Switzerland;
- E+S Rückversicherung AG – Hanover, Germany;
- HanseMerkur Reiseversicherung AG – Hamburg, Germany;
- Munich Re of Malta p.l.c. – Ta' Xbiex, Malta;
- R+V Versicherung AG – Wiesbaden, Germany;
- SCOR Global Life Deutschland, Cologne, branch of SCOR Global Life SE – Paris, France;
- Swiss Re Europe S.A. – Munich, Germany;
- VIG Re as – Prague, Czech Republic.

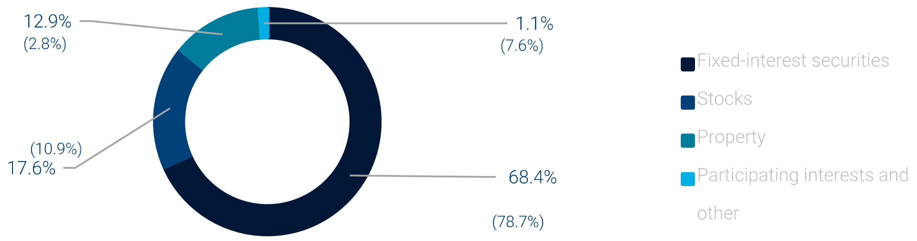
As part of the ORSA process and the regular determination of counterparty default risks, Deutsche Familienversicherung reviews the economic development of its reinsurance partners, in particular possible changes in the ratings of the above-mentioned reinsurance companies. The risk strategy of Deutsche Familienversicherung stipulates that risks are, in principle, to be transferred to several solvent reinsurance partners with good to very good ratings from recognised global rating agencies.

3.4 Opportunities and risks from capital investments

The company's investment portfolio consists primarily of the investment of funds to cover the ability to meet underwriting liabilities at all times, in particular the long-term coverage of age provisions from the obligations of the insurance segment health and supplementary long-term care insurance by type of life insurance.

The following overview shows the composition investment portfolio of Deutsche Familienversicherung as of 31 December 2021.

COMPOSITION OF INVESTMENTS



The following significant individual risks exist in connection with investments:

– Market price risks and opportunities
Market price risks arise from the potential loss due to adverse changes in market prices for investments (including changes in interest rates, exchange rates and share prices). Deutsche Familienversicherung can, however, participate in positive market price developments and also sees this risk as an opportunity through active investment management.

– Currency risks and opportunities
Currency risks and opportunities result from negative and/or positive currency fluctuations in connection with capital investments (share funds, bonds and account balances within the special funds of Deutsche Familienversicherung). Deutsche Familienversicherung was exposed to such currency risks and opportunities for the first time in the reporting year because its capital investments have become more diversified and internationalised through its more professionalised investment management. As the foreign currency balances are relatively small, they are of lesser importance than the market price risks and opportunities. They are controlled by means of systematic currency management.

There are no currency risks outside of the capital investments.

– Counterparty default and concentration risks
They result from negative changes in the creditworthiness of issuers, in particular if a significant concentration of investments in individual issuers exists.

— Liquidity risks
Liquidity risks mean that the company's ability to meet its payment obligations would be jeopardised by delayed inflows of liquidity.

Investment management is performed by an external funds manager; a function outsourcing agreement exists for this purpose. As at 31 December 2021, total investment assets totalled € 180.8 million (previous year: € 135.1 million), which were, in particular, invested in the two special funds 'HI DFV Master Fund' and 'HI DFV Master II Fund' as at the reporting date.

The investment policy of the HI DFV Master Funds aims to ensure that the assets of Deutsche Familienversicherung are invested in consideration of investment risks and investment opportunities as well as the greatest possible security and profitability while maintaining liquidity at all times and maintaining an appropriate mix and spread. In accordance with the function outsourcing agreement for the HI DFV Master Funds, the manager of the investment funds must comply with investment security guidelines.

Essential principles of the investment policy, such as the stipulation that the fund assets may only be invested on regulated markets and primarily in OECD countries, are established accordingly. The investment policy is continuously reviewed and determined by the investment committee appointed by Deutsche Familienversicherung. In the investment committee, the Executive Board of the company, together with the investment manager and the fund manager, verifies and adjusts the risk, duration and return development of the funds and stipulates to the fund manager in writing fixed rules on permissible asset classes (e.g. derivatives for hedging purposes only), distribution and concentration limits as well as investment specifications. The durations in the individual investments of securities in the funds are determined in line with asset/liability management.

In order to monitor the defined targets, the Executive Board members and the responsible employees of the finance department receive a detailed monthly report on the development of the funds from the fund manager. In addition, risks arising from investments are recalculated and assessed each quarter on the basis of reports at the individual security level to the supervisory authority and the ECB by means of detailed revaluations of the market interest rate, concentration, spread and counterparty default risks using standard solvency formulas. In addition, detailed reports on the composition as well as portfolio, value and earnings development of the funds are made available daily by the fund manager to the Executive Board members and responsible employees of the finance department.

The investments in the HI DFV Master Fund, which are intended to cover the obligations from supplementary health and long-term care insurance by type of life insurance, are monitored by an independent trustee in accordance with section 128 of the VAG.

The following overview shows the changes in the market values of the investments depending on the market interest rates and/or the relevant stock indices. It presents market price risks as well as the opportunities.

Fund	Investment class	Assumption	Change in market value in € thousand
HI DFV Master Fund	Fixed-interest securities	Interest increase of 1%	-5,274
HI DFV Master Fund	Fixed-interest securities	Interest decrease of 1%	+5,274
HI DFV Master Fund	Stocks	Price increase of 10%	+1,619
HI DFV Master Fund	Stocks	Price decrease of 10%	-1,619
HI DFV Master II Fund	Fixed-interest securities	Interest increase of 1%	-4,294
HI DFV Master II Fund	Fixed-interest securities	Interest decrease of 1%	+4,294
HI DFV Master II Fund	Stocks	Price increase of 10%	+791
HI DFV Master II Fund	Stocks	Price decrease of 10%	-791

The calculation of interest rate risk is based on circular 11/2011 of the German Federal Financial Supervisory Authority entitled '*Zinsänderungsrisiken im Anlagebuch; Ermittlung der Auswirkungen einer plötzlichen und unerwarteten Zinsänderung*' ('Interest rate risk in the banking book; determining the effects of a sudden and unexpected change in interest rates'). The calculation is made without options on annuities and swap options.

In the reporting year, in order to control interest and market price risks in terms of capital investments, a hedging process based on derivative financial instruments was implemented which provides for the use of exchange-traded options in predefined cases in which hedging is required.

3.5 Operational risks

In general, every insurance company is exposed to a large number of operational risks from its day-to-day operations. The risk of losses that may result from human or technical failure, from the inadequacy of internal processes or systems or from external influences is particularly relevant. This also includes legal risks.

In order to reduce these risks, Deutsche Familienversicherung has an internal control system that is adequate for the size of the company. Deutsche Familienversicherung prevents employee risks by defining clear authorisation limits for each employee for engagements and release of invoices for payment. Payment restrictions are stored in automatic collection and disbursement systems. Otherwise, the control system provides for spot checks and the appropriate application of the four-eyes principle. In addition, the internal audit department checks systems, procedures and individual cases independently of processes.

The company continued with outsourcing of the IT infrastructure over the course of 2021. As part of an existing outsourcing of IT security, Deutsche Familienversicherung benefits from the high levels of security and functionality of external service providers. Their geographically separated systems ensure that operation can be resumed in the event of a disaster. Effective access controls and the use of the latest security technologies reliably guarantee the integrity of all data. In cooperation with one of the external service providers, Deutsche Familienversicherung also has an ongoing monitoring and improvement process with regard to so-called cyber risks.

The company has adequate insurance cover in order to reduce the potential impacts of operational risks. Insurance cover is reviewed annually and adjusted if necessary.

Legal risks can result in particular from changes in the legal framework (laws and jurisdiction), from changes in official interpretations and from changes in the business environment.

To avoid legal risks, the company has a decentralised compliance organisation. The key compliance function is responsible for the identification and analysis of legal risks, the development of risk-limiting measures and the implementation of control procedures. The ongoing review of risks as part of the compliance organisation, binding powers of attorney with underwriting limits for individual employees, a clear separation of functions and defined reporting channels, as well as compliance with the principle of dual control, ensure compliance with the law and regulatory requirements.

As a result of the stock exchange listing, Deutsche Familienversicherung is subject to the provisions applicable to capital-market-oriented companies. These include in particular – but are not limited to – regulations on ad hoc publicity, the maintenance of insider lists, the prohibition of insider dealings, proprietary dealings by executives or persons closely related to them (directors' dealings) and reporting and publication obligations in the event of changes in voting rights. In addition, the requirements of the German Corporate Governance Code must be taken into account.

The company has taken these increased requirements into account and has established organisational conditions and measures for compliance with and implementation of these regulations.

3.6 Liquidity risks

The liquidity risk is the risk that the company's ability to meet its payment obligations will be jeopardised by a delayed inflow of liquidity.

In general, a steady inflow of liquidity occurs by direct debit of the insurance premiums, which are, inter alia, allocated to the HI DFV Master Fund and the HI DFV Master II Fund in accordance with long-term planning to hedge underwriting liabilities. The availability of investments in the HI DFV Master Fund and HI DFV Master II Fund is ensured with consideration for the requirements of asset/liability management as part of the investment management process described above.

For the settlement of major losses, a standard agreement exists in the reinsurance contracts with reinsurers on immediately retrievable loss contributions to avert liquidity bottlenecks.

The share of reinsurers to cover the ageing provisions of health and supplementary long-term care products of the life insurance type is made available as a deposit of Deutsche Familienversicherung. Deutsche Familienversicherung records the liability to the reinsurer as deposits retained. Deutsche Familienversicherung significantly reduces liquidity risks from the reinsurance relationship in the segment for health and supplementary long-term care products of the life insurance type through management of funds.

3.7 Reputational risks

Reputation risks can arise not least from negative public presentations caused by, for example, dissatisfied customers or sales partners, legal proceedings and ultimately defamation.

Deutsche Familienversicherung mitigates these risks with an adequate internal compliance management system, ongoing monitoring and active public relations work. Customer behaviour is actively monitored by complaint management, which investigates the causes of all complaints and assesses their potential impact on reputation. Anomalies in complaint management can result in adjustments to business processes. This measure is supported by online marketing, which evaluates activity on social networks using software tools.

As part of its public relations work, Deutsche Familienversicherung continuously monitors the most popular media. In addition, Deutsche Familienversicherung is able to continuously expand its positive public image by proactively dealing with the media and clearly communicating with customers. This ensures that appropriate measures can be taken at short notice to respond to particular developments.

3.8 Strategic opportunities and risks

The strategic risks result from the fact that strategically necessary objectives and measures from the corporate environment are not recognised or are recognised too late and implemented inadequately. Deutsche Familienversicherung also defines misinterpretations and the resulting major business mistakes as a strategic risk.

Deutsche Familienversicherung responds to these opportunities and risks by the following:

- Material business decisions are subject to an extensive review and consultation process.
- The process of monitoring the corporate environment is continuously expanded and systematised.
- It has a detailed business plan on the basis of a strategic framework objective which reflects the requirements with regard to the development of the insurance segments, the products and the distribution channels over a period of five years.
- The ongoing short-term monitoring of this planning with the real actual data is used as an essential early-warning tool for identifying and counteracting undesirable business developments.
- It informs the Supervisory Board in detail about business developments by means of divisional analyses at the quarterly supervisory meetings.
- It provides an intensive exchange of information, including the definition of measures with regard to possible strategic risks and undesirable developments, at a scheduled weekly meeting of the Executive Board, which is recorded in minutes.

3.9 Summary of the opportunity and risk situation

The main opportunities and risks are described in the previous sections, with consideration for the report on events occurring after the reporting period. In summary, based on the current information and the described conditions, Deutsche Familienversicherung determines that there are no present developments which would endanger the existence of the company or which would significantly hinder the asset, financial and earnings position of the company or its ability to bear risks.

4 COMPARISON OF FORECAST WITH ACTUAL RESULT FOR 2021

At € 22.6 million, the volume of new primary insurance business (current premiums for one year) was below the target of around € 30 million. However, this was more than balanced out by the launch of active reinsurance, which generated new business of € 17.7 million in the first year. Due to the continued growth of the primary insurance portfolio and the commencement of reinsurance business, the gross premiums of Deutsche Familienversicherung increased by 35.3% from € 114.7 million to € 155.2 million in the 2021 financial year.

With actual consolidated earnings before tax of € -0.8 million, Deutsche Familienversicherung has surpassed its original earnings forecast of around € -4 million for 2021 as well as the adjusted earnings forecast of around € -0.2 million, despite the coronavirus pandemic and the lower volume of new business in the primary insurance segment. Essentially, expectations were surpassed thanks to the significantly higher income from capital investments in 2021, which reached € 10.8 million (previous year: € 0.9 million). In an overall positive year in the market, Deutsche Familienversicherung benefited from rising prices and was able to realise income from capital investments as a result.

Furthermore, Deutsche Familienversicherung was able to limit further increases in expenses for insurance operations by implementing a package of measures and increasing its cost control (operating expenses). Although net earned premiums were 41% higher year-on-year in 2021, the net expenses for insurance operations increased by just 25% in 2021 despite one-off expenses in connection with consulting. At the time of writing of the forecast, it was impossible to foresee that these measures would already take effect in the 2021 financial year.

5 OUTLOOK 2022

5.1 Macroeconomic and industry-specific framework conditions

In January 2022, the German government forecast GDP growth for the German economy of 3.6% for 2022.

According to the German Insurance Association (GDV), German insurers recorded premium growth of 1.1% across all segments to € 223.4 billion in the 2021 financial year. In spite of the suppressive impact of the coronavirus pandemic, the insurance industry is looking forward to 2022 with cautious optimism. Premium growth of between two and three per cent is considered realistic. How the financial outlooks of private households change and what political conditions there will be in the new legislative period will be decisive factors.

5.2 Company forecast

Deutsche Familienversicherung expects its strong growth to continue in 2022. Around € 35-40 million in new business is expected to be realised, including active reinsurance business. In connection with the acquisition of new primary insurance business, contract conclusion costs will rise in 2022 – these represent an investment in future, lucrative business. Overall, thanks to action it has initiated or already taken, Deutsche Familienversicherung is confident that it will be able to grow its portfolio of contracts and the volume of its portfolio significantly in 2022, all while keeping cancellation rates steady.

The persistently low interest rates, especially for European bonds, combined with announcements from several central banks including the US Federal Reserve and the European Central Bank that they intend to raise base interest rates in 2022, political uncertainty and the ongoing coronavirus pandemic will make it more challenging to generate a sustainable income from capital investments. Provided that the uncertain political, economic and financial conditions described above do not lead to any extraordinary negative influences on results, Deutsche Familienversicherung expects a positive result in 2022, taking into account the planned further expansion of existing policies through new contracts.

6 SUSTAINABILITY REPORT

6.1 Parameters of sustainability reporting

As the parent company of the DFV Group (Deutsche Familienversicherung), DFV Deutsche Familienversicherung AG presents information in this non-financial statement about environmental, employee and social issues, human rights and the prevention of corruption and bribery. This report is based on the standards of the Global Reporting Initiative (GRI), especially the Core option, GRI 102-54 and the requirements of sections 315b and 315c of the HGB in conjunction with sections 289c to 289e of the HGB.

The risks and opportunities with regard to the minimum requirements of the non-financial statement are included and quantified in the section of the group management report entitled 'Opportunity and risk report'. To the knowledge of the Risk Management function and the Executive Board, there were no risks in the reporting period that had to be reported pursuant to section 289c, paragraph 3, no. 3 and 4 of the HGB that relate to the company's own business activities, business relationships, products or services, and which are very likely to have or will have a severe negative impact on the key aspects of the company.

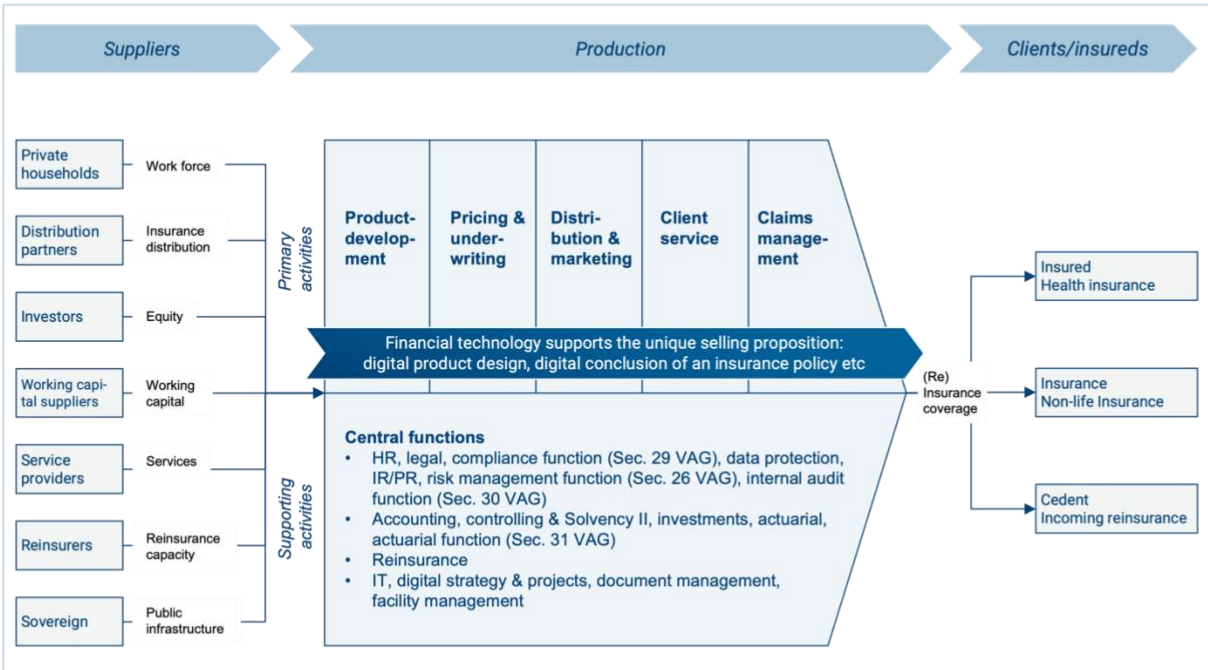
Deutsche Familienversicherung has prepared this voluntary report in anticipation of the proposal of the European Commission of 21 April 2021 (COM(2021) 189 final) to extend the scope of application of the non-financial statement described in section 289b, paragraph 1 of the HGB to business years from 1 January 2023 onwards. Article 8 of the Taxonomy Regulation (Regulation (EU) 2020/852 of 18 June 2020) has been applied and the information referred to therein has been published in the report. This voluntary non-financial statement has been examined by the Supervisory Board of Deutsche Familienversicherung in the sense of section 171, paragraph 1, sentence 4 of the AktG. It has also been reviewed by the auditor. GRI 102-56

This non-financial statement concerns the full scope of consolidation of the Deutsche Familienversicherung Group GRI 102-45 and the 2021 financial year, i.e. from 1 January 2021 to 31 December 2021. The Taxonomy-aligned figures relating to capital investments refer to the total investment assets as at 31 December 2021. GRI 102-50

6.2 Our sustainability reporting

6.2.1 Business model and strategy

Deutsche Familienversicherung is a publicly listed, high-growth and digitised insurance company (insurtech company) based in Frankfurt am Main GRI 102-3. It covers the entire value chain of an insurance company with its own products and its own digital solutions. Deutsche Familienversicherung offers its customers award-winning supplementary health insurance (dental, health, supplementary care insurance) as well as accident and non-life insurance that people really need and should be able to understand immediately ('Simple. Sensible.'). Thanks to its proprietary, modern and scalable IT system, the company has a consistently digital product design makes it possible to take out policies using digital language assistants. GRI 102-2, GRI 102-6 The highly simplified illustration below underlines the significance of digital financial technology at the heart of the value chain of Deutsche Familienversicherung. GRI 102-9



More information about the business model, strategy and economic performance of Deutsche Familienversicherung in the financial year is available in the section of the group management report entitled 'Development of business performance and net assets, financial position and earnings situation of the group'.

Vision and strategy

On the basis of its current product range, Deutsche Familienversicherung intends to provide all of the insurance products that a private customer might typically need. In this context, the company plans to implement a health insurance subsidiary to separate the risk carrier status between non-life and health. Supplementary life insurance policies are to be provided through a white-label solution with a partner. Besides selling individual supplemental dental, long-term care or pet health insurance policies, our vision is to offer a range of products in which all product lines share the same level of quality and quantity. The new KombiSchutz policy launched in 2021 is the first step towards this new product world. The KombiSchutz policy consists of accident, household and glass breakage, personal liability and motor legal protection insurance. By bundling products and combining them with a flat-rate price, Deutsche Familienversicherung is addressing its customers' demand for a more simplified range of products.

Deutsche Familienversicherung's strategy is based on continued strong double-digit rates of growth (26% in 2020) as well as continued product innovation and even more advanced digitisation. The entry into the Austrian market in 2021 was a first step towards internationalisation in other European markets. GRI 102-6

Sustainable corporate governance is of immense importance to Deutsche Familienversicherung. Building on a stakeholder dialogue and materiality analysis (see below), we have defined five dimensions or pillars of sustainability:

- Honest and fair conduct
- Environment and carbon neutrality
- Sustainable capital investments
- Responsible employer
- Social cohesion

GRI 103

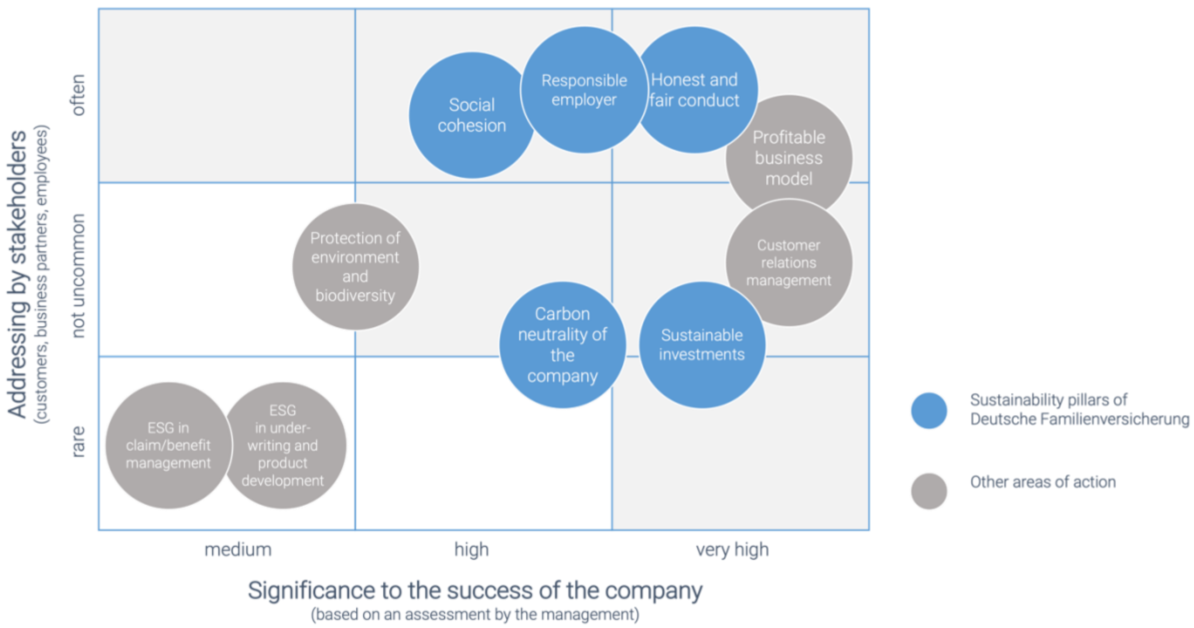
6.2.2 Materiality analysis

Between September and November 2021, Deutsche Familienversicherung conducted its first comprehensive materiality analysis in accordance with the statutory requirements of the CSR Directive Implementation Act (CSR-RUG) and the reporting requirements of the GRI Standards. GRI 102-43 On the basis of personal interviews with representatives of stakeholder focus groups as well as an online survey of customers, business partners and employees as stakeholder groups, GRI 102-40 Deutsche Familienversicherung developed an understanding of materiality in the sense of the CSR Directive Implementation Act (and section 289c, paragraph 3 of the HGB) and the GRI. The goal was to obtain feedback from the stakeholders regarding the materiality of individual fields of action.

In line with the concept of 'double materiality', topics are only included in this report if they are (a) of considerable significance to the course of business, the company result and the position of the company, and (b) linked to the business activities of Deutsche Familienversicherung and have a considerable effect on the aspects pursuant to section 298c, paragraph 2 of the HGB (i.e. environmental, employee and social issues, human rights and anti-corruption). In keeping with the wording of section 289c, paragraph 3, no. 3 and 4 of the HGB, this understanding of materiality concerns risks relating to sustainability but not opportunities relating to sustainability.

Materiality matrix

The following matrix compiles the results of the stakeholder survey. The estimations of customers, business partners and employees are contrasted against the opinions of the management as to relevance to the success of the company.
GRI 102-44



The following table allocates the five pillars of sustainability – which have been identified in the materiality process as fields of action that must be included in non-financial reporting – to GRI 102-47 the aspects described in section 298c, paragraph 2 of the HGB.

Aspects pursuant to section 289c of the HGB	1 Honest and fair conduct	2 Environment and carbon neutrality	3 Sustainable capital investments	4 Responsible employer	5 Social cohesion
Environmental issues	◊	◊	◊	◊	
Employee issues	◊		◊	◊	
Social issues	◊		◊	◊	◊
Human rights	◊		◊	◊	◊
Prevention of corruption and bribery	◊		◊	◊	◊

Reconciliation of the materiality matrix with the GRI Standards

As a rule, Deutsche Familienversicherung takes the management approach to sustainability (GRI 103). The management approaches to the key topics are highlighted in this report. If there is a related GRI aspect, it is added to a specific key topic in this report. The following reconciliation concerns the five pillars of sustainability of Deutsche Familienversicherung as presented in the materiality matrix.

Key topic	Why is the topic key?	Related GRI aspects	GRI Standard
1 Honest and fair conduct	Deutsche Familienversicherung conducts its business in accordance with national and international laws and in compliance with generally accepted ethical principles. Fairness is a central building block of its corporate culture. Merit, honesty and proper business practices are part of the codified corporate guidelines and of a supplementary code of conduct. We hold our actions and how we treat our customers, business partners and employees to a high standard in order to guarantee a high degree of compliance. The stakeholder survey confirms the tremendous importance of honest and fair conduct.	Management approach Ethics and integrity Anti-corruption	103-1 102-16 205-1
2 Environment and carbon neutrality	Climate change is essentially the result of the greenhouse effect, for which human beings are responsible. Industrial emissions are largely to blame for this. Insurance companies and indeed the entire financial sector can become extremely significant if, for example, they help prevent activities that are harmful to the environment from being insured or investment projects that release large amounts of CO_2 from being financed. On the other hand, the actuarial value-creation process of insurers bears relatively little responsibility for the greenhouse effect. Nevertheless, insurance companies can do their part by reducing or avoiding environmentally damaging activities or even becoming carbon neutral themselves.	Management approach Materials Energy Biodiversity Emissions	103-1 301-1 302-1 304-3b 305-5
3 Sustainable capital investments	Like other insurance companies, Deutsche Familienversicherung can steer structural change in the direction of a lower-emission and more environmentally friendly society by means of its investment policies. By investing strategically in companies, countries or projects which support sustainable global development on an economic, social or ecological level or by applying specific exclusion criteria, an insurer can influence sustainability as an investor.	Management approach Percentage of financial investments which undergo positive or negative screening based on environmental or social factors.	103-1 G4-FS11
4 Responsible employer	Responsible human resource policies are an integral part of a company's culture. Motivated employees make an employer attractive and help attract and retain the most talented individuals. Aspects such as equal opportunities, family-friendliness, further training and diversity are inalienable for Deutsche Familienversicherung. The results of the stakeholder survey carried out as part of the materiality analysis confirm the materiality of responsible human resource policies from the perspective of the stakeholder groups, and not only that of surveyed employees.	Management approach Employment Occupational health and safety Training and education Diversity and equal opportunities Non-discrimination Child labour Forced or compulsory labour Human rights Local communities Supplier social assessment	103-1 401-1 403-1ff. 404-3 405-1 406-1 408-1 409-1 412-3 413-2 414-1
5 Social cohesion	Deutsche Familienversicherung and the people who work there are part of society. The GRI Standard refers to local communities, i.e. people or groups of people who live and/or work in an area which is positively or negatively affected by the economic, social or ecological effects of an organisation's business operations. Through its actions, Deutsche Familienversicherung can influence social cohesion which is considered very important and has been identified as a key goal by the stakeholders. Specifically, initiatives designed to support local communities on the basis of the needs of local communities can make a contribution to social cohesion.	Management approach Indirect economic effects Local communities	103-1 203-2 413-1

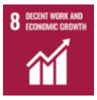
6.2.3 Goals

Deutsche Familienversicherung is committed to the 17 Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly in 2015 and designed to achieve sustainable global development on an economic, social and ecological level.

Following a careful analysis of these goals, Deutsche Familienversicherung has selected the ones that are of particular relevance in terms of its business model and to which Deutsche Familienversicherung is able to make the largest possible contribution – including with regard to the aforementioned materiality analysis. These give SDGs are as follows:

SDG 3 – Good health and well-being: Deutsche Familienversicherung aims to ensure healthy lives and promote well-being for all at all ages. This goal ties in closely with the core products of Deutsche Familienversicherung, be it supplementary health, pet health or long-term care insurance. The five progress reports on the implementation of the 17 SDGs which were published in 2019 make it clear that health is a goal of immensely high priority. Deutsche Familienversicherung aims to make a strong contribution here with its own range of products.

SDG 4 – Quality education: As an innovative, digital insurance company, knowledge and education are critical to Deutsche Familienversicherung. The qualification and development of our employees and the attraction of new employees are an important prerequisite to advancing our business, which is growing rapidly and driven by digital processes, and creating the perfect insurance products for customers. Customers cannot enjoy the full benefits of our credo 'Simple. Sensible.' unless we have exceptionally well-trained and highly motivated employees. Quality education is therefore a key aspect in the eyes of Deutsche Familienversicherung.



SDG 8 – Decent work and economic growth: Deutsche Familienversicherung wants to be a responsible employer that treats its employees with respect. Working together, we have the strength to keep Deutsche Familienversicherung evolving as a rapidly growing and innovation-driven company. At the same time, by making responsible investments, we want to direct appropriate amounts of money to wherever decent work is being made available and economic growth is being supported in line with similar principles.

SDG 10 – Reduced inequalities: An important goal of Deutsche Familienversicherung is to avoid social inequalities, where human dignity is not respected and opportunities for personal development are taken away. These inequalities happen all over the world, but also on our doorstep in Germany and in Frankfurt where Deutsche Familienversicherung is based. Deutsche Familienversicherung aims to contribute to more equal opportunities and social cohesion.

SDG 13 – Climate action: It is important to Deutsche Familienversicherung to take a responsible approach to the environment, whose resources are limited. This includes efficient environmental and resource management, which ties in with our goal to become carbon neutral. It also includes responsible investments, some of which we make with a view to accomplishing climate action goals. We do this out of respect for the endless beauty of Mother Nature for which we are responsible, but also out of a sense of responsibility for future generations and our fellow human beings in poorer countries who will suffer most if we fail to protect the climate.

Besides the United Nations SDGs, Deutsche Familienversicherung's sustainability efforts are guided by the following values, principles, standards and standard practices: The human rights standards of the United Nations, the international labour and social standards of the International Labour Organisation, the Diversity Charter of Charta der Vielfalt in Berlin and the UN Principles for Responsible Investment (UN PRI).

6.2.4 Responsibility

In light of the strategic importance of sustainability, it is dealt with on the level of the Executive Board at Deutsche Familienversicherung. GRI 102-20 The CEO and CFO work together to prepare the non-financial statement for the group. Internal and external reports are prepared in close coordination with the Corporate Communications and Accounting departments.

The relevant departments at Deutsche Familienversicherung are responsible for putting the individual sustainability measures into place, be it sustainable product development or sustainable capital investments. For capital investments, for example, Deutsche Familienversicherung also requires that a separate sustainability committee be set up to handle matters relating to the analysis and evaluation of risks inherent in countries and issuers, negative lists, watchlists and the aggregation of external data into a DFV sustainability score. Furthermore, the entire Executive Board of Deutsche Familienversicherung re-evaluates the company's progress with the implementation of sustainability goals at regular intervals.

Values, principles and codes of conduct that guide our actions

As the highest decision-making body, the Executive Board has published guidelines on conduct and management at Deutsche Familienversicherung, which are updated on a regular basis, in order to provide the employees of Deutsche Familienversicherung with binding guidance on how to conduct themselves in a responsible manner on a daily basis. These guidelines distil our credo 'Simple. Sensible.' into principles which determine how we interact with one another and the general public. GRI 102-14

Deutsche Familienversicherung has also drawn up a code of conduct which sets comprehensive ethical standards for all employees, including equal treatment, the prohibition of bribery and corruption, rules concerning donations and sponsorships, the avoidance of conflicts of interest, the prevention of money laundering and funding of terrorism, occupational health and safety, the protection of company assets, compliance procedures and consequences of breaches of compliance. This code of conduct is also updated continuously, most recently in January 2021.

The guidelines and the code of conduct are important codes of conduct and ethics at Deutsche Familienversicherung. GRI 102-16 Any infringement will have consequences based on the nature and severity of the infringement.

6.2.5 Incentive system

This section explains the extent to which target agreements and remuneration for the Executive Board and all employees of Deutsche Familienversicherung are based on the accomplishment of sustainability goals and on long-term targets.

The remuneration policy of Deutsche Familienversicherung is consistent with its business and risk strategies, its risk management practices and its long-term, sustainable corporate goals. As the remuneration systems offer no incentives of any kind to behave in a risky manner, they contribute to the execution of the business strategy. Sustainability risks are an important aspect of the risk management system of Deutsche Familienversicherung.

In real terms, this means that due to the overall responsibility of the Executive Board of Deutsche Familienversicherung, the formulation and adoption of a sustainability strategy are a component of its variable remuneration. The variable remuneration of the members of the Executive Board can be linked to a target agreement based partially on sustainability aspects at a later date. This variable component of the remuneration of the Executive Board is assessed annually and adjusted if necessary.

With regard to employees, the remuneration system of Deutsche Familienversicherung does not link the remuneration to any specific sustainability risks or goals. However, the business strategy which everyone pursues together builds on the axiom that all employees are expected to behave in a manner consistent with the sustainability goals of the Paris Agreement and Agenda 2030. As an incentive for this, all employees are offered a free job ticket for public transport. GRI 102-35a

In accordance with section 314, paragraph 1, no. 6a of the HGB, the total remuneration of the Supervisory Board and Executive Board is presented in the notes to the group annual report (up to and including the 2020 financial year), and in the remuneration report pursuant to section 162, paragraph 1, sentence 1 of the AktG (from the 2021 financial year). GRI 102-38

6.2.6 Involvement of stakeholders and innovations

Ever since it was established in 2007, Deutsche Familienversicherung has built up a position in the insurance market which can be described as a high degree of innovation and care for its customers. The claim 'Simple. Sensible.' describes the endeavours of Deutsche Familienversicherung to make products available and understandable to its customers in such a way that their need for security is met as effectively as possible. Compared to the rest of the industry, the customer journey facilitated by digitised business processes remains a unique hallmark of Deutsche Familienversicherung.

The development of Deutsche Familienversicherung as described above would not have been possible without feedback from more than half a million customers now. Regular customer surveys attest to the willingness of customers to offer valuable suggestions concerning the improvement and optimisation of innovative products and processes. GRI 102-44 Consequently, the aforementioned stakeholder survey, which was carried out as part of the materiality analysis and factored in the opinions of customers, constitutes a logical step.

Deutsche Familienversicherung also receives regular feedback from independent organisations which test and compare products for the purposes of providing consumer advice. In April 2021, for example, the consumer organisation Stiftung Warentest named our supplementary dental insurance product ZahnSchutz Exklusiv 100 – from one of our core fields of business – the winner of the test for the sixth time in a row with a score of 'very good' (0.5).

6.3 Pillars of sustainability

6.3.1 Honest and fair conduct

Honest and fair conduct can be subsumed under the almost more specific term 'reliability'. Reliability is actually the rule of all business. This goes for internal and external business alike. It is obvious in both cases. As an insurer, we have to stand by our promises because our customers rely on them. Our customers are therefore purchasing reliability. As an employer, reliability has a direct effect on the management principles that should apply in a company. Skills and freedom to make decisions are critically dependent on whether the person who relies on these freedoms can rely on his or her employer even if the decision proves not to have been justifiable or maybe even wrong. Without reliability, a company can expect neither decisiveness nor long-term customer loyalty. That is why we stand by our word and the conditions of insurance, and if they should happen to not be completely unequivocal, we will make our decision in the interest of the customer. GRI 102-16

However, reliability also means doing things differently even if they are not traditionally linked with reliability. This is the only way reliability can become a guiding principle. The principles of management of Deutsche Familienversicherung set reliable guidelines for employees and their superiors. GRI 205-1 The clarity of our insurance products and the test results from well-known rating agencies should enable customers to rely on us without having to take a closer look at us. This goes for all the insurance business of Deutsche Familienversicherung.

Taxonomy-aligned figures relating to insurance activities

In line with the Commission Delegated Regulation of 6 July 2021 supplementing the Taxonomy Regulation, Deutsche Familienversicherung has set up a process to identify Taxonomy-aligned insurance activities, check whether a substantial contribution to climate change mitigation is being made and verify that no negative contributions are being made to any of the other environmental goals (in keeping with the principle of 'do no significant harm'). In line with Annex II of the Commission Delegated Regulation, the non-life segments operated by Deutsche Familienversicherung can generally be Taxonomy-aligned, provided that the segments relate to the following insured hazards: temperature, wind, water and earth. As, however, the cover provided by Deutsche Familienversicherung largely concerns personal injury, the insured hazards above are irrelevant overall. Consequently, the share of premium income that is to be published as Taxonomy-aligned in keeping with Annex II of the Commission Delegated Regulation is negligible, so it has not been published at this point.

6.3.2 Environment and carbon neutrality

As an insurance company based in Frankfurt am Main, Deutsche Familienversicherung does not take any of its own action to restore habitats. Nevertheless, as a supporting member of the wild animal foundation Deutsche Wildtier Stiftung in Hamburg, the company is involved with a private, non-profit organisation which is run on entrepreneurial principles and supports and protects domestic wild animals and their habitats. The goals of the foundation are still to make people marvel at the beauty and uniqueness of domestic wild animals and bring people closer to nature again, especially children and adolescents as the future will be in their hands.

Likewise, Deutsche Familienversicherung is a supporting member of NABU, a Nature And Biodiversity Conservation Union based in Berlin. Created as a bird protection association by Lina Hähnle in 1899, NABU activists across Germany are dedicated to practical species and habitat conservation and do their part for biodiversity, the protection of intact habitats, clean air, clean water, healthy soil and the sparing use of finite resources.

Finally, the offsetting designed to achieve carbon neutrality, carried out for the first time in 2021 and described in more detail below, aims to support regional forestry – this too contributes to the protection and restoration of habitats. Deutsche Familienversicherung is working here with the start-up Dein Hektar GmbH & Co. KG in Lahnstein. GRI 304-3b

Carbon neutrality accomplished in 2021

As is normal for this type of business, the contribution we, an insurance company, make to reducing greenhouse gas emissions is small. Nevertheless, we want to use resources responsibly, which is why we are monitoring our Scope 1, Scope 2 and Scope 3 greenhouse gas emissions. Our direct emissions (Scope 1) encompass any greenhouse gas emissions released by our organisation directly, such as those from air-conditioning units. Deutsche Familienversicherung does not have its own fleet of vehicles. Indirect emissions (Scope 2) are associated with the purchase of energy from utility companies outside of the organisation, e.g. electricity and gas. Finally, other indirect greenhouse gas emissions (Scope 3) encompass company activities resulting from the use of products and services, including mobility.

Most of the emissions of Deutsche Familienversicherung are actually Scope 3 emissions, which is why our strategic emission reduction measures prioritise Scope 3. The largest share of Scope 3 emissions is attributable to employees commuting to their offices; this aspect was largely negated by the pandemic in 2020 and 2021. However, even before the emergence of COVID-19, all employees were entitled to claim a free job ticket for public transport. GRI 305-5

Deutsche Familienversicherung did not delay in aiming to make the entire group carbon neutral in 2021. To this end, it was certified under the international standard PAS 2060:2014 ('Specification for the demonstration of carbon neutrality') in the 2021 financial year. The following table shows a breakdown of the total emissions of 94.95 tonnes of CO_2 equivalents (t CO_2e) by the various categories/items. With regard to materials, the calculation GRI 301-1 took into account that Deutsche Familienversicherung uses types of paper which are at least elemental chlorine free (EU Ecolabel certified product, chlorine free). The calculation of energy consumption GRI 302-1 took into account that Deutsche Familienversicherung only uses green electricity generated from renewable sources. The calculated total emissions (i.e. the corporate carbon footprint) have been verified and certified by TÜV Rheinland.

Category	Item	CO_2 equivalents
Basic data	Heating	38.71 t CO_2e
	Electricity consumption	0.88 t CO_2e
	Water consumption	0.16 t CO_2e
	Waste disposal	37.03 t CO_2e
Local mobility	Vehicle fleet	0.00 t CO_2e
Purchased goods	Paper	17.47 t CO_2e
Total emissions		94.25 t CO_2e
Certified emission reductions to offset emissions		-100.00 t CO_2e
Net total emissions after offsetting		~ 0.00 t CO_2e

Based on the insights gleaned from the carbon footprint, Deutsche Familienversicherung intends to take strategic steps to reduce its total emissions further. In 2021, however, in order to accomplish carbon neutrality immediately, Deutsche Familienversicherung purchased certified emission reductions for 100 tonnes of CO_2 equivalents in connection with regional German forests to fully offset the actual emissions.

We were therefore already carbon neutral in 2021. This means that according to the 2021 sustainability report published by the German Insurance Association (GDV) on 10 November 2021, Deutsche Familienversicherung is part of the first group of German insurers who were able to become carbon neutral (Scope 1 and Scope 2) in 2021. At 0.56 t CO_2 in 2021, the CO_2 emissions per full-time employee at Deutsche Familienversicherung were 37% below the industry average of 0.89 t CO_2 for German insurers calculated by the GDV for 2020 (source: GDV, 2021 sustainability report, p. 15).

Figure "Scope 1-2 market based" in relation to full-time equivalents (FTE)

6.3.3 Sustainable capital investments

Deutsche Familienversicherung can, along with other investors, steer structural change in the direction of a lower-emission and more environmentally friendly society. As a pillar of sustainability, capital investments are therefore of immense importance to Deutsche Familienversicherung. We will focus our attention on sustainability risks for this reason, even as we continue to professionalise our investment management methods.

Strategies for dealing with sustainability risks

In its 'Guidance Notice on Dealing with Sustainability Risks' (published on 20 December 2019, updated on 1 October 2021), the German Federal Financial Supervisory Authority (BaFin) offers companies under its supervision guidance on how to deal with sustainability reports. In publishing this guidance, BaFin is expressing its expectation that supervised companies will deal with sustainability risks and document the process. The existing statutory regulations concerning the identification, assessment, monitoring, control and communication of significant risks must still always be adhered to – for Deutsche Familienversicherung, these are essentially the Minimum Requirements under Supervisory Law on the System of Governance of Insurance Undertakings (MaGo). Deutsche Familienversicherung has analysed the sustainability risks in accordance with the guidance published by BaFin and brought them into relation with established processes within the company. Significant risks, including any sustainability risks, are controlled actively by the risk management system of Deutsche Familienversicherung. With regard to capital investments, exclusion criteria are defined in order to limit sustainability risks and are described in more detail below.

Decision-making processes in connection with capital investments are initially based on the business strategy of Deutsche Familienversicherung in conjunction with its risk strategy. The determinations in terms of riskiness, composition and diversification in particular are set out in a strategic asset allocation (SAA) for the investment portfolios. At Deutsche Familienversicherung, SAAs are determined separately on the level of guarantee assets and disposable assets. Sustainability risks are also taken into consideration. The purpose of this is to contribute to the development of the company overall while also making use of opportunities to optimise the risk/return profile. These opportunities were also highlighted by an analysis of the effects of ESG concepts and sustainable investments on the risk/return profiles of investments, published by the GDV on 13 April 2021. Deutsche Familienversicherung is more and more frequently acquiring sustainable investment products, especially in the field of global share investments.

Accounting for general sustainability risks

Deutsche Familienversicherung takes general sustainability risks into account when it makes investments. All investment-related decisions factor in minimum requirements relating to norm-based aspects (such as infringements against the principles of the UN Global Compact), ethical aspects (such as the production of anti-personnel mines) or ecological aspects (such as a large proportion of coal in energy generation). Capital investments that do not meet these standards are excluded from the investment universe, or deinvested. A specific percentage of the company's own investments which undergo positive or negative screening on the basis of environmental or social factors is unavailable, however. GRI G4-FS11

With regard to capital investments, Deutsche Familienversicherung works with the external asset manager MainFirst. MainFirst is a signatory to the Principles of Responsible Investing (PRI) which were developed by the UNEP Finance Initiative and the UN Global Compact in coordination with a group of expert institutional investors from around the world.

The purpose of defined exclusion criteria is to ensure that the investments of Deutsche Familienversicherung are consistent with the principles of the UN Global Compact and the International Labour Organisation, which aim to increase awareness of the environment, achieve social justice, safeguard human rights and ensure responsible corporate governance.

Specifically, on the basis of the joint concept of the German Investment Funds Association (BVI), the German Banking Industry Committee (DK) and the German Derivatives Association (DDV), Deutsche Familienversicherung does not invest in companies (in the form of shares and/or fixed-interest securities) which meet at least one of the following criteria:

- Over 30 per cent of turnover from the promotion and use of coal to generate energy;
- Over 5 per cent of turnover from tobacco production;

- Over 10 per cent of turnover from the development, operation and/or marketing of gambling or pornography;
- Serious infringements of the UN Global Compact (with no positive outlook);
- Revenue from the manufacture and/or sale of illegal weapons such as anti-personnel mines or cluster munitions.

With regard to investments in states and authorities, no investments are made that would restrict basic civil rights or liberties, increase corruption or accelerate climate change. For example, Deutsche Familienversicherung derives the specific exclusion criteria from a poor Freedom House Index score.

Deutsche Familienversicherung also takes sustainability aspects into consideration when it invests in funds (ETFs or mutual funds). Normally, there is no way to influence the investment guidelines. In this case, whether or not a fund complies with its own sustainability criteria to the greatest possible extent and whether the providers of the product set and implement their own criteria transparently are decisive factors for Deutsche Familienversicherung.

When investing in properties, either directly or through shares in funds, Deutsche Familienversicherung focuses on properties which are classed as sustainable. For Deutsche Familienversicherung, these include properties which have been expressly certified as sustainable.

Taxonomy-aligned figures relating to capital investments

In accordance with Article 8 of the Taxonomy Regulation (EU 2020/852) and the Commission Delegated Regulation of 6 July 2021 supplementing the Taxonomy Regulation, Deutsche Familienversicherung carried out its first Taxonomy eligibility analysis of its portfolio of investments in 2021. All (direct and indirect) capital investments were taken into account and the Taxonomy eligibility of each one was examined. As a rule, an evaluation of whether an economic activity is Taxonomy-eligible and must be taken into account in line with the FAQ dated 20 December 2021 must be carried out on the basis of robust data. Such data are not currently available. The following approach has therefore been taken:

a. Exclusive use of unequivocally attributable line items (here: properties).

b. Calculation of the share.

In accordance with Annex X of Commission Delegated Regulation of 6 July 2021, Deutsche Familienversicherung has calculated the following 'Taxonomy eligibility' KPI for the capital investments presented in the consolidated balance sheet as at 31 December 2021 (source: Helaba Invest; look-through of ETF share and bond positions with Bloomberg and of property funds with eReporting).

Taxonomy-aligned figures relating to capital investments	Fair value as at 31.12.2021 (in € thousand)	Proportion of the total investment	Notes
Total investments as at 31.12.2021	183,519	100.0%	Total investments including equity interests / liquidity items
Government bonds and bonds from state-affiliated companies	75,739	41.3%	Proportion of exposures (states, state-affiliated and supranational issuers) not included in the numerator and the denominator in the total investments
Other Taxonomy-irrelevant capital investments	4,395	2.4%	Cash holdings in ETFs; shares and bonds of listed, sometimes state-owned companies; equity interests in companies; compared to total investments
Adjusted basis of capital investments	103,385		Corresponds to the capital investments adjusted for government bonds and other Taxonomy-irrelevant investments, pursuant to Article 7 of the Taxonomy Regulation
Of which: Taxonomy-eligible investments	23,753	23.0%	Proportion of exposures from Taxonomy-eligible economic activities in the adjusted capital investments; concerns property funds
Of which: Taxonomy non-eligible investments	49.218	47.6%	Proportion of exposures from Taxonomy non-eligible economic activities in the adjusted capital investments
Of which: Investments in companies that are not obliged to publish a non-financial statement	30,414	29.4%	Proportion of exposures excluded from the numerator which are not obliged to publish a non-financial statement in the capital investments, e.g. global companies and companies below European size thresholds
Of which: Derivatives in the total assets	0	0.0%	Proportion of derivatives excluded from the numerator in the capital investments

In another step, Deutsche Familienversicherung has voluntarily added qualitative factors to the technical screening criteria to paint a predictive picture for subsequent years. Among others, ESG-relevant bond issues and shares are included in the 'look through' described in question 13 of the FAQ dated 20 December 2021. Furthermore, Appendix 1 of the FAQ document entitled 'Platform considerations on voluntary information as part of Taxonomy-eligibility reporting' is used to identify Taxonomy-relevant sectors (NACE):

a. Identification of economic activity in the context of NACE codes, use of Bloomberg to compare four selected sector data and industry affiliations of the company/issuer. If at least three sector NACE pairs are similarly named, 50% of the fair value of a unit is taken into account.

b. Confirmation of whether a (substantial) positive contribution is being made to at least one of the first two goals defined in the taxonomy. The relevant units from (a) are subjected to a brief analysis in terms of business purpose. In the case of an evidently positive contribution (sustainability report etc.), a positive contribution was approved.

c. Verification that no negative contributions are being made to any other environmental goals (in keeping with the principle of 'do no significant harm').

d. Examination of ESG-relevant bond issues using selected bond KPIs and issue documents by means of selected data fields relating to green, social responsibility and sustainability-linked bonds from Bloomberg. If their sustainability score is above average, such issues are included at 100% of their fair value, otherwise at 50%.

e. Calculation of the share.

This assessment produces the following supplementary overview (source: Helaba Invest; look-through of ETF share and bond positions with Bloomberg and of property funds with eReporting):

Taxonomy-aligned figures relating to capital investments	Fair value as at 31.12.2021 (in € thousand)	Proportion of the total investment	Notes
Total investments as at 31.12.2021	183,519	100.0%	Total investments including equity interests / liquidity items
Government bonds and bonds from state-affiliated companies	75,739	41.3%	Proportion of exposures (states, state-affiliated and supranational issuers) not included in the numerator and the denominator in the total investments
Other Taxonomy-irrelevant capital investments	4,395	2.4%	Cash holdings in ETFs; shares and bonds of listed, sometimes state-owned companies; equity interests in companies; compared to total investments
Adjusted basis of capital investments	103,385		Corresponds to the capital investments adjusted for government bonds and other Taxonomy-irrelevant investments, pursuant to Article 7 of the Taxonomy Regulation
Of which: Taxonomy-eligible investments	41,558	40.2%	Proportion of exposures from Taxonomy-eligible economic activities in the adjusted capital investments; concerns property funds and shares/bonds as well as ESG/SRI/green bonds of suitable quality
Of which: Taxonomy non-eligible investments	31,413	30.4%	Proportion of exposures from Taxonomy non-eligible economic activities in the adjusted capital investments
Of which: Investments in companies that are not obliged to publish a non-financial statement	30,414	29.4%	Proportion of exposures excluded from the numerator which are not obliged to publish a non-financial statement in the capital investments, e.g. global companies and companies below European size thresholds
Of which: Derivatives in the total assets	0	0.0%	Proportion of derivatives excluded from the numerator in the capital investments

6.3.4 Responsible employer

The promotion and development of employees must be a priority if we are to be able to attract and retain employees in future. We are focused on motivated, dedicated and well-trained employees with whom Deutsche Familienversicherung can continue to grow successfully. Employee concerns are of very great importance to Deutsche Familienversicherung in this regard. Annual interviews with all employees are used to provide performance evaluations and discuss professional development. GRI 404-3

Health, sense of responsibility and information

As is typical for its type of business, occupational health and safety issues such as accidents at work or work-related illnesses at Deutsche Familienversicherung are largely limited to accidents while commuting to work. GRI 403-9, GRI 403-10 In light of the coronavirus pandemic which began in 2020, Deutsche Familienversicherung made a decision at short notice to have all employees (with few exceptions) work from home during lockdown in order to protect the health of employees and maintain business operations. Designed to safeguard health at work, these ad-hoc operational measures proved highly successful, not least because the employees' strong sense of responsibility was borne out. These measures include having daily COVID-19 tests performed at the expense of the company before any employee is permitted to enter the office from April 2021 onwards, or requiring employees to show evidence that they are fully vaccinated. In November 2021, we refined these rules so anyone wishing to enter the building was required to show evidence that they were fully vaccinated against COVID-19 or had recovered. This too was done in the interests of health. Employees were and are notified of these measures on internal communication channels at regular intervals. GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4, GRI 403-6, GRI 403-7, GRI 403-8

Human rights, diversity and social issues

Besides purely employer-related issues, the pillar 'Responsible employer' encompasses social issues on which the company has a direct impact and the long-term development of which it can affect through its actions or lack of action, be it matters relating to human rights or social aspects along the supply chain. We are committed to safeguarding human rights. Likewise, we stand for equal opportunities in recruitment and employment as well as occupational health and safety. Diversity enriches Deutsche Familienversicherung, including gender, family background, religion, world-view, age, sexual orientation, disability and other attributes protected by the law. GRI 405-1 For this reason, human rights are a cornerstone of everything we do as a company. Our managers are of particular significance when it comes to putting these values into practice. No cases of discrimination were reported in the financial year. GRI 406-1

Investment agreements where Deutsche Familienversicherung carries out a check with regard to human rights aspects and/or social aspects are essentially limited to capital investments, which is why we refer to the disclosures in the pillar 'Sustainable capital investments'. GRI 412-3 This also concerns risks relating to child labour GRI 408-1, risks relating to forced or compulsory labour GRI 409-1 and operations with significant actual and potential negative impacts on local communities GRI 413-2. At Deutsche Familienversicherung, assessments of new and existing suppliers on the basis of social criteria are essentially limited to reinsurance companies. Working on the basis of long-term relationships with selected reinsurance partners, we verify that they are adhering to sustainability criteria along the value chain. GRI 414-1

6.3.5 Social cohesion

Social cohesion is similar to the protection of the environment. If all we do is complain and point to politicians to solve the problem, there is a risk that schools of thought with which we can have nothing to do might emerge in a society. That is why supporting social cohesion starts with the individual and with every individual company. Deutsche Familienversicherung employs around 200 people. This number of employees in the company enables us to exert a level of influence that is already higher than the average of other players, i.e. smaller companies. The Executive Board and all managers in the company must therefore set a good example. This means that we do not tolerate divisive behaviour of any kind, be it merely wearing political symbols.

Committed to the social market economy and welfare

It was possible to establish Deutsche Familienversicherung because there are no rules in Germany on how a person is permitted to do business. This is reflected by our liberal economic constitution which is dedicated to welfare through its shaping of the social market economy. In dealings with employees, the position of the employer must therefore be consistent with these criteria.

Sozialkonferenz Frankfurt

That is not enough for us, so we initiated Sozialkonferenz Frankfurt, or 'social conference Frankfurt'. The first one is set to take place in 2022 and discuss what contribution socially privileged people can make to help those who are less privileged. We do not support the levelling of income, assets or social standing. However, we do believe that those who are better off must consider how those who are less privileged can be allowed to participate in public and social life as equals. We have made a start with our 'Digitalisierung macht Schule' initiative ('Digitisation is catching on'), which provides six schools with up to 60 Raspberry Pi single-board computers and the equipment needed to use them (screens, keyboards and mice). Now, Sozialkonferenz Frankfurt aims to draw up a list of measures regarding how an idea can spark a movement. GRI 203-2, GRI 413-1

7 CORPORATE GOVERNANCE REPORT ACCORDING TO SECTION 3.10 OF THE GERMAN CORPORATE GOVERNANCE CODE AND REPORT ON CORPORATE MANAGEMENT ACCORDING TO SECTIONS 289F AND 315D OF THE GERMAN COMMERCIAL CODE

7.1 Corporate governance report

Both the Executive Board and the Supervisory Board are to provide an annual corporate governance report, which is to be published together with the declaration of corporate management.

Corporate governance means responsible, transparent corporate management and supervision aimed at sustainable value creation. Corporate governance in this sense is essential for the success of Deutsche Familienversicherung and builds confidence in the company by policyholders, business partners, employees and shareholders.

Dual system of governance with Executive Board and Supervisory Board

As a listed stock corporation, Deutsche Familienversicherung is subject to the provisions of the German Stock Corporation Act (AktG), among others. A basic principle of German stock corporation law is a dual management system consisting of an executive board and a supervisory board. The executive board is responsible for the management, direction and orientation of the company. The supervisory board is responsible for appointing and determining the remuneration of the members of the executive board, as well as advising and supervising their activities. At Deutsche Familienversicherung, both of these bodies work together in the best interest of the company on a spirit of trust.

In the 2021 financial year, the Executive Board of Deutsche Familienversicherung consisted of four members (previously three). and determines the business policy and the company's strategic orientation. The Executive Board manages the company in its own responsibility, with the aim of creating sustainable value in the best interest

of the company. It is also responsible for the preparation of the annual financial statements and the consolidated financial statements. Details of the functioning of the Executive Board are included in the corporate governance report.

The Supervisory Board of the company consisted of five members during the 2021 financial year. The Supervisory Board consists of members that will ensure comprehensive advice and supervision of the Executive Board. It can therefore be expected that the Supervisory Board members possess knowledge in the areas of equity investment, insurance, accounting and auditing. Details of the functioning of the Supervisory Board are included in the corporate governance report.

Members of the Executive Board may neither demand nor accept payments or other unjustified advantages from third parties in connection with their function, either for themselves or for other persons, nor must they grant unjustified advantages to third parties.

When making decisions, members of the Supervisory Board may not pursue personal interests or business opportunities to which the company or the group are entitled for themselves or third parties.

Members of both the Executive and Supervisory Boards must report any conflicts of interest to the Supervisory Board.

Annual General Meeting

The Annual General Meeting (AGM) is another body of the company. This is where the shareholders of Deutsche Familienversicherung exercise their rights. All shares issued by Deutsche Familienversicherung are no-par bearer shares with identical rights and obligations. Each share is entitled to one vote for AGM resolutions.

The AGM takes place within the first eight months of each financial year and conducts all business for which it is responsible by law. It primarily decides on discharging members of the Executive or Supervisory Board, retained earnings, approval of the remuneration system for the Executive Board and Supervisory Board, remuneration for Supervisory Board members, corporate actions and amendments to the company's articles of association.

The AGM is chaired by the chairperson of the Supervisory Board or another member of the Supervisory Board designated by them.

Resolutions of the AGM are passed by a simple majority of the votes cast, unless mandatory statutory provisions or the company's articles of association prescribe a higher majority.

Accounting and audit

Accounting for the consolidated financial statements at Deutsche Familienversicherung including its subsidiaries (DFV Group) is carried out in accordance with section 315e of the German Commercial Code (HGB) and based on the International Financial Reporting Standards (IFRS) as adopted for the European Union. The annual financial statements of Deutsche Familienversicherung are prepared in accordance with German legislation, in particular the Regulation on the Accounting of Insurance Undertakings (RechVersV) and the German Commercial Code (HGB).

In line with the legal obligation for insurance companies when appointed for the 2021 financial year, the auditor was appointed by the Supervisory Board. In future, the auditor will be appointed by the Annual General Meeting pursuant to the statutory regulations. The Supervisory Board will propose an auditor for the Annual General Meeting to select on the basis of a reasoned recommendation from the audit committee. Once the resolution has been passed by the Annual General Meeting, the Supervisory Board will award the audit contract to the auditor and supervise the audit of the annual financial statements, including the auditor's impartiality, qualifications, rotation and efficiency, through the audit committee.

The audit includes both the single-entity financial statements for DFV Deutsche Familienversicherung AG and the consolidated financial statements for the group.

Communication and transparency

Transparent management and corporate governance as well as and open communication have always been a high priority for Deutsche Familienversicherung, even more for an exchange-listed company because prompt, consistent and comprehensive information and communication builds the confidence of investors and the general public.

Whenever it publishes new information, the Executive Board therefore always acts on the principles of transparency, openness and clarity, as well as immediacy and equal treatment of shareholders and investors.

Investor Relations publishes all relevant information regarding the company's position and performance, any announcements, such as press releases, ad-hoc announcements, voting rights announcements and directors' dealings announcements, as well as financial reports and the financial calendar.

Further reporting on the company's results is provided in the annual and interim financial statements and other financial reports. Members of the Executive Board also communicate financial information with relevant market participants at both domestic and international conferences and roadshows.

The Executive Board has committed itself to reporting to employees once a quarter on the business results as well as on the challenges that lie ahead.

7.2 Corporate governance statement

Listed stock corporations are required to include a corporate governance statement in their management report.

Adherence to the German Corporate Governance Code

The Executive Board and Supervisory Board of Deutsche Familienversicherung follow the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette.

In March 2022, the Executive Board and Supervisory Board of Deutsche Familienversicherung issued the following statement on the German Corporate Governance Code in accordance with section 161 of the AktG:

'Declaration of compliance with the German Corporate Governance Code

Pursuant to section 161, paragraph 1 of the AktG, the Executive Board and Supervisory Board of a listed German stock corporation are obliged to declare once a year whether the recommendations of the German Corporate Governance Code (GCGC) have been and are being complied with, or which recommendations of the Code have not been or are not being applied and why not.

The Executive Board and the Supervisory Board of DFV Deutsche Familienversicherung AG declare that Deutsche Familienversicherung will comply with the recommendations of the Code (in the version dated 16 December 2019) with the following exceptions:

Recommendation A.5
In the event of a takeover offer, the Management Board should convene an Extraordinary General Meeting at which shareholders will discuss the takeover offer and may decide on corporate actions.

The company does not follow this recommendation because more than 60% of the shares are held by the founder and senior shareholders who will decide on a takeover offer independently of the Annual General Meeting.

Recommendation B.2
Together with the Management Board, the Supervisory Board shall ensure that there is long-term succession planning. The approach shall be described in the Corporate Governance Statement.

The company does not follow this recommendation in that the approach to long-term succession planning, as an internal matter, is not described in the corporate governance statement.

Recommendation B.5
An age limit shall be specified for members of the Management Board and disclosed in the Corporate Governance Statement.

The company does not follow this recommendation because it sees this as an infringement of the German General Act on Equal Treatment (AGG).

Recommendation C.1

The Supervisory Board shall determine specific objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board, while taking the principle of diversity into account. Proposals by the Supervisory Board to the General Meeting shall take these objectives into account, while simultaneously aiming at fulfilling the overall profile of required skills and expertise of the Supervisory Board. The implementation status shall be published in the Corporate Governance Statement. This statement shall also provide information about what the shareholder representatives on the Supervisory Board regard as the appropriate number of independent Supervisory Board members representing shareholders, and the names of these members.

The company does not follow this recommendation because the company does not have a separate diversity strategy with regard to the composition of the Supervisory Board. Equal opportunities and rejecting all forms of discrimination are firmly embedded in the company’s corporate policy. That means that the only criteria taken into consideration when appointments are made to the Supervisory Board and all other positions in the company are the candidates’ qualifications and skills. Other factors, such as gender, race, age, colour, religion, marital status, sexual orientation and origin, are of no relevance. When it proposes candidates to the Annual General Meeting for election to the Supervisory Board, the Supervisory Board adheres to a fundamental profile of requirements centred on professional qualifications and skills, knowledge of the industry and the statutory requirements, even if the candidate represents a significant portion of its own shares.

Recommendation C.2

An age limit shall be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement.

The company does not follow this recommendation because it sees this as an infringement of the German General Act on Equal Treatment (AGG).

Recommendation C.7

More than half of the shareholder representatives shall be independent from the company and the Management Board.

The company does not follow this recommendation because the key portions of shares are represented by its own representatives on the Supervisory Board.

Recommendation D.1

The Supervisory Board shall adopt its own rules of procedure and shall publish these on the company’s website.

Although the Supervisory Board has adopted rules of procedure, it has decided not to publish them on the website of the company because the rules of procedure for the Supervisory Board are a purely internal document.

Recommendation D.5

The Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the General Meeting.

The company does not follow this recommendation because it is of the opinion that, given the size of the company and the number of Supervisory Board members, the formation of a nomination committee would involve a disproportionate amount of organisational work for the company.

Recommendation G.1, first and second bullet points
The remuneration system shall define, in particular, how the target total remuneration is determined for each Management Board member, and the proportion of (i) fixed remuneration and (ii) short-term and long-term variable remuneration in the target total remuneration.

The company does not follow this recommendation in that the remuneration system does not set out a method to determine 'how' the remuneration of Executive Board members is to be fixed. The company does not believe that its development is so advanced yet that it would be proper to set out a fixed definition for such a method. Nevertheless, the Supervisory Board will define values for each portion of the variable remuneration which correspond to a 100% target accomplishment rate. For these reasons, the disclosures relating to the relative portions of the remuneration components do not concern the target total remuneration, but rather the maximum total remuneration.

Recommendation G.3
In order to assess whether the specific total remuneration of Management Board members is in line with usual levels compared to other enterprises, the Supervisory Board shall determine an appropriate peer group of other third-party entities, and shall disclose the composition of that group.

The company does not follow this recommendation because it believes that this recommendation is not appropriate for a small, dynamically growing company, and that it does not seem necessary in order to ensure that the remuneration of the Executive Board members is always appropriate.

Recommendation G.4
To ascertain whether remuneration is in line with usual levels within the enterprise itself, the Supervisory Board shall take into account the relationship between Management Board remuneration and the remuneration of senior managers and the workforce as a whole, and how remuneration has developed over time.

The company does not follow this recommendation. Regarding the question of what remuneration is appropriate for the Executive Board members, the Supervisory Board does not take the relationship between the remuneration of the Executive Board members and that of senior managers into account at all, including its development over time. Consequently, the Supervisory Board also does not define the boundary between senior managers and the relevant workforce for the comparison. This recommendation appears impractical and also unsuitable for ensuring that the remuneration of the members of the Executive Board is always appropriate.

Recommendation G.7
Referring to the forthcoming financial year, the Supervisory Board shall establish performance criteria for each Management Board member covering all variable remuneration components; besides operating targets, such performance criteria shall be geared mainly to strategic goals. The Supervisory Board shall determine to what extent individual targets for each Management Board member – or targets for the Management Board as a whole – are decisive for the variable remuneration components.

The company does not follow this recommendation because the company does not consider targets for individual Executive Board members appropriate. As it is a collegial body, targets apply to the Executive Board as a whole.

Recommendation G.8
Subsequent changes to the target values or comparison parameters shall be excluded.

The company does follow this recommendation in general, although the remuneration system adopted by the Annual General Meeting in 2021 grants the Supervisory Board the right, with regard to the variable long-term remuneration, to 'cash in' an earlier goal if upholding it is no longer in the interest of the company.

Recommendation G.10, sentence 1

Taking the respective tax burden into consideration, Management Board members' variable remuneration shall be predominantly invested in company shares by the respective Management Board member or shall be granted predominantly as share-based remuneration.

The company does not follow this recommendation because although the members of the Executive Board are obliged to invest half of their variable remuneration in company shares, they are not obliged to invest anything more than half of the remuneration in company shares. Given the size of the company, this recommendation does not seem necessary in order to align the interests of the Executive Board members and shareholders if half of the variable remuneration already has to be invested in company shares, especially as the majority of the remuneration of the Executive Board members is fixed and the variable remuneration only makes up a small part of the total remuneration.

Recommendation G.10, sentence 2

Granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years.

The company does not follow this recommendation. The variable remuneration components for a year are earned and disbursed in a staggered manner over a three-year period. As the majority of the remuneration of the Executive Board members is fixed, it seems neither appropriate nor necessary for the members of the Executive Board to only be able to dispose of the variable remuneration after four years.

Recommendation G.11

The Supervisory Board shall have the possibility to account for extraordinary developments to an appropriate extent. It shall be permitted to retain or reclaim variable remuneration, if justified.

The remuneration system for the Executive Board does not provide for retaining or reclaiming variable remuneration. The Supervisory Board does not consider rights to retain or reclaim appropriate, given the structure of the remuneration system and the amount of the variable remuneration. Otherwise, the general statutory regulations apply. For example, where the economic situation of the company deteriorates at a time following the determinations such that the continued granting of the emoluments pursuant to paragraph 1 would be inequitable for the company, the Supervisory Board is to reduce the emoluments to a reasonable amount pursuant to section 87, paragraph 2 of the AktG.

Recommendation G.13, sentence 1

Any payments made to a Management Board member due to early termination of their Management Board activity shall not exceed twice the annual remuneration (severance cap) and shall not constitute remuneration for more than the remaining term of the employment contract.

The company follows this recommendation to a limited extent. The contract of the chairperson of the Executive Board, as the founder and an important shareholder of the company, is excluded from this recommendation.

Frankfurt am Main, March 2022

The Executive Board   The Supervisory Board

Corporate governance practices

In addition, Deutsche Familienversicherung has established a governance system that enables solid and prudent management of the insurance business. This governance system comprises the four key functions: risk management, compliance, actuarial mathematics and internal audit. The main pillars of the system are the establishment of suitable processes in the area of key functions and the company's own-risk and solvency assessment (ORSA), internal controls and outsourcing.

Deutsche Familienversicherung has a functioning and effective internal control system that ensures company-specific management and compliance with regulatory requirements, and thus the proper functioning of its business activities and the reliability of information and reporting.

The internal control system is supplemented by the key function of internal audit, which independently and objectively conducts risk-oriented reviews of the business segments and the company-specific processes, procedures and systems in accordance with the established audit plan.

Compliance means compliance with laws, including observance of the principles of morality, and ensuring legal conduct in a company organisation.

Compliance is a fundamental matter for Deutsche Familienversicherung and its employees. For Deutsche Familienversicherung, compliance means not only legality and risk avoidance, but also a responsible value orientation.

It is the goal of the compliance management system of Deutsche Familienversicherung to avoid compliance risks, in particular financial risks and damage to reputation, and to create a compliance culture that is embodied by the company.

The compliance management system of Deutsche Familienversicherung is responsible for the compliance with and monitoring of the legal and regulatory requirements applicable to insurance operations. In addition to advising the Executive Board on the laws and administrative regulations applicable to the operation of the insurance business, it assesses the possible effects of changes in the legal environment and risks associated with non-compliance with the legal requirements.

The compliance key function reports regularly to the company's Executive Board as part of the compliance report or, if there is direct cause, directly in the form of an ad hoc report. Additionally, all key functions report directly to the Executive Board in a key function meeting held regularly every four weeks.

Functioning of the Executive Board

The Executive Board conducts the company's business with due care and diligence in accordance with the provisions of the law, the company's articles of association and its rules of procedure.

The Executive Board as a whole is responsible for managing the company. The members of the Executive Board are therefore jointly responsible for the management and compliance with legal requirements.

Irrespective of the overall responsibility of the Executive Board, the individual members independently manage the departments assigned to them in accordance with the schedule of responsibilities. The departments in 2021 were largely as follows:

- Human Resources, Legal and Compliance (key function), Corporate Communications, Independent Risk Control Unit (key function), Internal Audit* (key function) (Dr Knoll)
- Accounting, Controlling, Solvency II, Capital Investments, Actuarial Services, Actuarial Mathematics (key function)* (Dr Paetzmann)
- Sales, Marketing, Product Development, Reinsurance (Schinnenburg)
- Claim/Payment, IT, IT Security, Digital Transformation (Wollny)

* According to BaFin circular 2/2017 (VA), section 8.1.3 (no. 20), as a solution for the Executive Board as a whole.

The Executive Board meets regularly, at least once a month, for Executive Board meetings chaired by the chairperson of the Executive Board. Each member of the Executive Board is entitled to nominate items and topics for the agenda. The meetings serve to vote on, deliberate and pass resolutions.

If possible, resolutions of the Executive Board should be passed unanimously; otherwise, the resolution is passed by a simple majority of the votes cast, unless other majorities are stipulated by law, the articles of association or the rules of procedure. Executive Board resolutions of particular importance require the approval of the Supervisory Board.

Minutes are to be taken for each meeting of the Executive Board, which show, inter alia, the essential content of the negotiations and the resolutions.

At the meetings of the Executive Board, all company issues are discussed and resolved in an interdepartmental and concluding manner. It is therefore also possible to dispense with the formation of further Executive Board and group committees under proportionality principles.

The Executive Board reports regularly and comprehensively to the Supervisory Board on business development, the net assets, financial position and results of operations, planning and target achievement, as well as corporate strategy, including investment and personnel planning and existing risks.

Functioning of the Supervisory Board

The Supervisory Board sets clear objectives for its composition with due regard for the legal requirements and the recommendations of the German Corporate Governance Code and sets out the competence profile for the entire body. The Supervisory Board must take into account any potential conflicts of interest that may arise from the specific situation of the company, the number of independent Supervisory Board members as well as the board's diversity.

The Supervisory Board advises and supervises the Executive Board in managing the company. In order to enable it to do so, the Executive Board provides the Supervisory Board with regular, prompt and comprehensive written and verbal reports about the company's performance and its position.

In addition, the Supervisory Board is in particular responsible for the appointment of the members of the Executive Board, the determination of the total remuneration of the individual members of the Executive Board, the review and approval of the annual financial statements of the company and the approval of the consolidated financial statements.

The Supervisory Board meets as needed, with at least two meetings to be held in each half of the calendar year. By order of the chairperson of the Supervisory Board or with the consent of all members of the Supervisory Board, meetings may also be held in the form of a telephone conference or by other electronic means of communication (in particular video conference).

As a rule, resolutions of the Supervisory Board are passed at meetings, but may also be passed outside meetings in writing, by fax, by email or by any other comparable means of communication, as well as in combination with the aforementioned forms. Unless otherwise stipulated by law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast.

The activities of the Supervisory Board for the 2021 financial year are described in more detail in the report of the Supervisory Board.

In accordance with section 107, paragraph 4 of the AktG, the Supervisory Board has, with effect from the 2022 financial year, established an audit committee under the leadership of Dr Ulrich Gauß (chairman of the audit committee) as well as Mr Herbert Pfennig and Dr Hans-Werner Rhein. In particular, the audit committee is responsible for auditing the accounts and monitoring the accounting process, the effectiveness of the internal control system, the risk management system, the internal auditing system, compliance and the audit of the annual financial statements, especially the selection and impartiality of the auditor, the quality of the audit of the financial statements, additional services provided by the auditor, the awarding of the audit contract to the auditor, the identification of focal points for audits and agreeing fees.

The Supervisory Board conducts regular self-evaluations and undergoes advanced training in line with the regulations that apply to insurance companies.

Compliance with section 76, paragraph 4 and section 111, paragraph 5 of the AktG

According to section 76, paragraph 4 and section 111, paragraph 5 of the AktG, the Supervisory and the Executive Boards of Deutsche Familienversicherung have to set targets for the proportion of women in leadership positions and timelines for their achievement.

In the 2019 financial year, the Supervisory Board set a target of 0% for women for both the Supervisory and Executive Board to be achieved by 31 August 2023.

In the 2019 financial year, the Executive Board set a target of 50% of women in the top two management tiers below the Executive Board to be achieved by 31 August 2023.

Diversity policy for the Executive Board and Supervisory Board

Deutsche Familienversicherung has no separate diversity policy with regard to the composition of either the Supervisory or Executive Board. Equal opportunities and rejecting all forms of discrimination are firmly embedded in the company's corporate policy. That means that the only criteria taken into consideration when appointing leadership as well as all other positions at Deutsche Familienversicherung are the candidates' qualifications and competence. Other factors, such as gender, race, age, colour, religion, marital status, sexual orientation and origin, are of no relevance.

8 ANNEX TO THE MANAGEMENT REPORT

List of insurance classes and insurance segments operated during the financial year.

In direct insurance business

Non-substitutive health insurance:	**Clause pursuant to BerVersV**
– Independent individual medical expense insurance (outpatient)	02.2
– Independent individual medical expense insurance (inpatient)	02.3
– Individual sick day benefit insurance	02.4
– Other independent individual partial insurance	02.6
– Travel health insurance	02.6.7
– Voluntary daily long-term care insurance, non-substitutive by type of life insurance	02.8.3
– Voluntary daily long-term care insurance	02.8.6

Damage and accident insurance:	
– Accident insurance	03
– Liability insurance	04
– Legal expense insurance	07
– Glass breakage insurance	11
– Comprehensive household insurance	13
– Comprehensive building insurance	14
– Electronics insurance	17
– Other non-life insurance	28
– Other damage insurance	29
– Pet health insurance	29 March 2005

Adopted reinsurance business

Non-substitutive health insurance:	**Clause pursuant to BerVersV**
– Voluntary daily long-term care insurance, non-substitutive by type of life insurance	02.8.3

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET AS OF 31 DECEMBER 2021

ASSETS

In €		Notes	31 December 2021	31.12.2020
A.	**Intangible assets**	10.1	**7,184,976**	**8,847,905**
B.	**Rights of use for property pursuant to IFRS 16**	10.2	**721,646**	**1,368,874**
C.	**Investments**			
I.	Financial investments held for sale		180,794,320	132,564,689
II.	Financial investments measured at fair value through profit or loss		0	2,502,500
	Total C.	10.3	**180,794,320**	**135,067,189**
D.	Deposits to cedants from active reinsurance business	10.4	4,887,689	0
E.	Receivables			
I.	Receivables from direct insurance business			
1.	From policyholders		2,118,258	1,791,125
2.	From insurance brokers		94,565	39,326
			2,212,823	**1,830,451**
II.	Other receivables		5,994,127	2,295,182
	Total E.	10.5	**8,206,950**	**4,125,633**
F.	**Current bank balances**		**4,331,653**	**37,786,113**
G.	**Share of reinsurers in technical provisions**			
I.	Unearned premiums	10.6.1	1,092,015	877,789
II.	Actuarial provisions	10.6.2	61,111,859	49,235,319
III.	Provisions for outstanding claims	10.6.3	5,870,582	5,724,612
IV.	Other technical provisions		40,740	12,194
	Total G.	10.6	**68,115,196**	**55,849,914**
H.	**Tax receivables**			
I.	From current taxes		515,318	1,358
II.	From deferred taxes		7,716,886	5,026,653
	Total H.	10.7	**8,232,204**	**5,028,011**
I.	**Other assets**	10.8	**1,571,109**	**2,550,882**
Total assets			**284,045,744**	**250,624,521**

LIABILITIES

In €		Notes	31 December 2021	31.12.2020
A.	**Equity**			
I.	Subscribed capital*		29,175,560	29,175,560
II.	Capital reserve		72,737,638	72,737,638
III.	Loss carried forward		-15,689,542	-13,992,466
IV.	Reserve for unrealised gains and losses	11.1	-1,126,219	2,933,527
	Total A.		**85,097,436**	**90,854,260**
B.	**Gross technical provisions**			
I.	Unearned premiums	11.2.1	3,767,866	3,338,300
II.	Actuarial provisions	11.2.2	95,917,734	70,674,538
III.	Provisions for outstanding claims	11.2.3	19,066,125	14,801,380
IV.	Other technical provisions	11.2.4	4,291,573	2,256,308
	Total B.	11.2	**123,043,298**	**91,070,526**
C.	**Other provisions**	11.3	**2,137,047**	**3,447,524**
D.	**Liabilities**			
I.	Liabilities from direct insurance business			
1.	To policyholders		544,577	453,588
2.	To insurance brokers		519,820	962,127
			1,064,397	**1,415,715**
II.	Deposits retained		66,352,765	51,753,759
III.	Liabilities from reinsurance business		1,714,574	6,636,664
IV.	Other liabilities		4,621,090	5,446,072
	Total D.	11.4	**73,752,827**	**65,252,210**
E.	**Tax liabilities**			
I.	From current taxes		15,135	0
	Total E.		**15,135**	**0**
Total liabilities			**284,045,744**	**250,624,521**

STATEMENT OF COMPREHENSIVE INCOME

In €	Notes	2021	2020
I. Income statement			
1. Written premiums			
a) Gross		155,215,423	114,736,817
b) Share of reinsurers		67,568,635	52,786,925
		87,646,788	**61,949,892**
2. Change in unearned premiums			
a) Gross		-429,566	-372,482
b) Share of reinsurers		214,227	318,801
		-215,339	**-53,681**
3. Net earned premiums	12.1	**87,431,449**	**61,896,211**
4. Income from capital investments	12.2	**10,836,710**	**863,617**
Of which: Income from associates		0	0
5. Other revenue	12.3	**950,888**	**328,069**
Total revenue		**99,219,047**	**63,087,897**
6. Insurance benefits			
a) Gross		96,779,374	73,239,397
b) Share of reinsurers		38,489,018	33,700,060
	12.4	**58,290,356**	**39,539,337**
7. Expenses for insurance operations			
a) Gross		63,521,272	52,920,550
b) Share of reinsurers		25,930,109	22,733,470
	12.6	**37,591,163**	**30,187,080**
8. Other expenses	12.7	**4,145,630**	**3,924,703**
Total expenses		**100,027,149**	**73,651,120**
9. Operating income		**-808,102**	**-10,563,224**
10. Financing expenses for leases	13.8	**16,508**	**19,406**
11. Annual result before income taxes		**-824,610**	**-10,582,630**
12. Income taxes	12.8 and 12.9	**872,467**	**-3,148,428**
13. Annual income		**-1,697,077**	**-7,434,202**
Of which attributable to shareholders in the parent company		-1,697,077	-7,434,202
II. Other comprehensive income			
14. Unrealised gains and losses from capital investments		**-4,059,747**	**2,237,858**
Total other comprehensive income		**-4,059,747**	**2,237,858**
III. Total comprehensive income		**-5,756,824**	**-5,196,344**
Of which attributable to shareholders in the parent company		-5,756,824	-5,196,344

In €	Notes	2021	2020
Earnings per share	12.10	**-0.12**	**-0.53**

DEVELOPMENT OF CONSOLIDATED EQUITY

In € thousand	Subscribed capital	Capital reserves	Loss carried forward	Reserve for unrealised gains and losses	Consolidated equity
As at 31.12.2019	**26,523**	**43,836**	**-6,559**	**696**	**64,496**
Consolidated comprehensive income	0	0	-7,434	2,238	-5,196
Capital increase	2,652	28,902			31,554
As at 31.12.2020	**29,175**	**72,738**	**-13,993**	**2,934**	**90,854**
Consolidated comprehensive income	0	0	-1,697	-4,060	-5,757
As at 31 December 2021	**29,175**	**72,738**	**-15,690**	**-1,126**	**85,097**

STATEMENT OF CASH FLOW

In €	2021	2020
1. Income for the period	-1,697,077	-7,434,202
2. Change in net technical provisions	19,707,490	7,121,578
3. Change in deposits to cedants and accounts receivable	-8,081,057	2,761,076
4. Change in deposits retained and accounts payable	9,676,916	15,695,993
5. Change in other receivables	-341,872	-786,154
6. Change in other liabilities	-788,102	2,607,979
7. Change in other balance sheet items not attributable to investing or financing activities	-1,938,078	-2,340,077
8. Depreciation, amortisation and write-downs of fixed assets/reversals of write-downs of fixed assets	3,226,965	3,058,637
9. Gains and losses from the disposal of capital investments	-8,781,065	526,200
10. Income tax expense/income	872,467	-3,148,428
11. Income taxes paid	-508,338	-26,823
12. Interest paid	-1,155,231	-934,474
13. Interest received, dividends and other investment income	4,428,717	1,885,141
I. Cash flow from operating activities	**14,621,735**	**18,986,446**
14. Cash paid for investments in property, plant and equipment	-29,482	-425,043
15. Cash paid for investments in intangible assets	-576,739	-2,291,931
16. Net outgoing payments for the acquisition of capital investments	-46,766,439	-12,720,557
II. Cash flow from investing activities	**-47,372,660**	**-15,437,531**
17. Incoming payments from additions to equity by shareholders of the parent company	0	31,177,484
18. Repayment of lease liabilities	-687,027	-695,680
19. Interest paid	-16,508	-7,855
III. Cash flow from financing activities	**-703,535**	**30,473,949**
Change in funds for financing purposes	-33,454,460	34,022,864
Funds for financing purposes at the beginning of the period	37,786,113	3,763,249
Funds for financing purposes at the end of the period	**4,331,653**	**37,786,113**

Funds for financing purposes contain current bank balances.

The total amount of interest paid is € 1,172 thousand (previous year: € 942 thousand). The statement of cash flow was restructured in the reporting year. As is standard for insurance companies, interest received, dividends and other investment income have been allocated to the cash flow from operating activities. For more information, see section 2 of the notes.

SEGMENT REPORTING

BALANCE SHEET – ASSETS	Supplementary health		Damage/accident		Active reinsurance		Total	
In €	2021	2020	2021	2020	2021	2020	2021	2020
A. Intangible assets	6,528,270	8,168,617	656,706	679,288	0	0	7,184,976	8,847,905
B. Rights of use for property pursuant to IFRS 16	655,688	1,263,780	65,958	105,094	0	0	721,646	1,368,874
C. Investments								
I. Financial investments held for sale	164,269,744	122,387,185	16,524,576	10,177,504	0	0	180,794,320	132,564,689
II. Financial investments measured at fair value through profit or loss	0	2,502,500	0	0	0	0	0	2,502,500
Total C.	164,269,744	124,889,685	16,524,576	10,177,504	0	0	180,794,320	135,067,189
D. Deposits to cedants from active reinsurance business	**0**	**0**	**0**	**0**	**4,887,689**	**0**	**4,887,689**	**0**
E. Receivables								
I. Receivables from direct insurance business								
1. From policyholders	1,924,650	1,653,614	193,608	137,512	0	0	2,118,258	1,791,125
2. From insurance brokers	85,922	36,307	8,643	3,019	0	0	94,565	39,326
	2,010,572	**1,689,921**	**202,251**	**140,531**	**0**	**0**	**2,212,823**	**1,830,451**
3. Other receivables	5,166,832	2,118,972	519,753	176,210	307,542	0	5,994,127	2,295,182
Total E	7,177,404	3,808,893	722,004	316,741	307,542	0	8,206,950	4,125,633
F. Share of reinsurers in technical provisions								
I. Unearned premiums	992,205	810,397	99,810	67,391	0	0	1,092,015	877,789
II. Actuarial provisions	61,111,859	49,235,319	0	0	0	0	61,111,859	49,235,319
III. Provisions for outstanding claims	5,334,012	5,285,111	536,570	439,501	0	0	5,870,582	5,724,612
IV. Other technical provisions	37,016	11,258	3,724	936	0	0	40,740	12,194
Total F.	67,475,092	55,342,085	640,104	507,828	0	0	68,115,196	55,849,914
G. Other segment assets	12,843,033	41,882,160	1,291,934	3,482,847	0	0	14,134,967	45,365,007
Total segment assets	**258,949,231**	**235,355,220**	**19,901,282**	**15,269,302**	**5,195,231**	**0**	**284,045,744**	**250,624,522**

BALANCE SHEET – LIABILITIES	Supplementary health		Damage/accident		Active reinsurance		Total	
In €	2021	2020	2021	2020	2021	2020	2021	2020
A. Gross technical provisions								
I. Unearned premiums	3,423,484	3,082,006	344,382	256,294	0	0	3,767,866	3,338,300
II. Actuarial provisions	91,030,045	70,674,538	0	0	4,887,689	0	95,917,734	70,674,538
III. Provisions for outstanding claims	17,323,484	13,665,021	1,742,641	1,136,359	0	0	19,066,125	14,801,380
IV. Other technical provisions	3,899,324	2,125,308	392,249	131,000	0	0	4,291,573	2,256,308
Total A.	**115,676,337**	**89,546,873**	**2,479,272**	**1,523,653**	**4,887,689**	**0**	**123,043,298**	**91,070,526**
B. Other provisions	**1,941,721**	**3,182,845**	**195,326**	**264,680**	**0**	**0**	**2,137,047**	**3,447,524**
C. Other segment liabilities	**73,090,214**	**64,215,882**	**677,748**	**1,036,328**	**0**	**0**	**73,767,962**	**65,252,210**
Total segment liabilities	**190,708,272**	**156,945,600**	**3,352,346**	**2,824,661**	**4,887,689**	**0**	**198,948,307**	**159,770,260**

INCOME STATEMENT	Supplementary health		Damage/accident		Active reinsurance		Total	
In €	2021	2020	2021	2020	2021	2020	2021	2020
1. Written premiums from insurance business	124,935,601	105,928,028	12,567,791	8,808,789	17,712,032	0	155,215,424	114,736,817
2. Net earned premiums	61,370,166	55,457,444	8,349,252	6,438,767	17,712,032	0	87,431,450	61,896,211
3. Income from capital investments	9,959,262	797,313	877,448	66,303	0	0	10,836,710	863,617
4. Other revenue	818,346	322,130	-7	5,938	132,549	0	950,888	328,069
Total revenue	**72,147,774**	**56,576,887**	**9,226,693**	**6,511,008**	**17,844,581**	**0**	**99,219,048**	**63,087,897**
5. Claim payments to customers	50,201,944	37,884,050	3,182,511	1,655,287	4,905,901	0	58,290,356	39,539,337
6. Expenses for insurance operations	15,610,168	22,388,463	9,349,857	7,798,617	12,631,139	0	37,591,164	30,187,080
7. Other expenses	3,766,720	3,623,388	378,910	301,315	0	0	4,145,630	3,924,703
Total expenses	**69,578,832**	**63,895,901**	**12,911,278**	**9,755,219**	**17,537,040**	**0**	**100,027,150**	**73,651,120**
8. Operating income	**2,568,942**	**-7,319,014**	**-3,684,585**	**-3,244,211**	**307,541**	**0**	**-808,102**	**-10,563,223**
9. Financing expenses	14,999	17,916	1,509	1,490	0	0	16,508	19,406
10. Annual profit before taxes	**2,553,943**	**-7,336,930**	**-3,686,094**	**-3,245,701**	**307,541**	**0**	**-824,610**	**-10,582,629**
11. Income taxes	-2,702,165	-2,906,711	3,900,022	-241,717	-325,390	0	872,467	-3,148,428
12. Annual income	**5,256,108**	**-4,430,219**	**-7,586,116**	**-3,003,984**	**632,931**	**0**	**-1,697,077**	**-7,434,201**

ADDITIONAL INFORMATION	Supplementary health		Damage/accident		Active reinsurance		Total	
In €	2021	2020	2021	2020	2021	2020	2021	2020
Interest revenue	4,660	2,648	469	220	43,989	0	49,118	2,868
Interest expenses	1,137,471	878,394	1,509	73,046	0	0	1,138,980	951,440
Scheduled depreciation and amortisation	3,396,401	2,806,181	341,658	233,357	0	0	3,738,059	3,039,538
Significant non-cash revenue (+) and expenses (–)[1]	0	0	0	0	0	0	0	0
Loss ratio (in %)	77.3	67.3	38.1	25.7	27.7	0.0	63.0	63.0

[1] Excluding scheduled depreciation and amortisation.

The results generated by the individual products are examined on a regular basis as part of the internal control processes of DFV Deutsche Familienversicherung AG. They are compiled into the following segments in internal reports:

- Health insurance by type of loss
- Health insurance by type of life
- Non-life insurance, including pet health insurance
- Active reinsurance

Due to their similarity, the health insurance segments have been merged into one segment for the annual financial statements.

Essentially, the premiums are generated in Germany. The company started providing pet health insurance in Austria in mid-2021. Due to the low volume of premiums, Deutsche Familienversicherung has opted not to present any more detailed disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 PRINCIPLES OF PREPARATION AND LEGAL PROVISIONS

1.1 General information

The consolidated financial statements of the parent company, DFV Familienversicherung AG, Reuterweg 47, 60323 Frankfurt am Main, Germany, HRB 78012, were prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002 and section 315e, paragraph 3 of the German Commercial Code (HGB). The consolidated financial statements comply with all IFRS and applicable International Accounting Standards (IAS) valid in the European Union (EU) in the 2021 financial year and the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretation Committee (SIC). The new standards, amendments to existing standards and interpretations that came into force in 2021 but were not mandatory for the 2021 financial year were not applied early.

The central accounting system is SIMBA, an ERP system from Simba Computer GmbH. It documents all transactions that are of relevance to the financial statements. Transactions that relate directly to insurance contracts are taken from the portfolio management system BSN from Intervista AG Germany. Where possible, transactions are documented automatically. Manual processing is subject to the appropriate application of the four-eyes principle. Checklists are used to ensure completeness in day-to-day business and in the contract conclusion process. Routine inspections and spot checks are carried out.

Uniform accounting and valuation methods have been applied to the reporting and comparative periods. The consolidated financial statements were prepared under the assumption of a going concern. The reporting currency is the euro. The consolidated financial statements are presented in whole euros, which could result in rounding differences.

IFRS 4 (Insurance Contracts), which is currently still applicable for insurance companies, permits the accounting and valuation of underwriting items during a transitional phase, phase I, in principle in accordance with the accounting rules applied prior to the introduction of IFRS. Accordingly, Deutsche Familienversicherung, in accordance with IFRS 4.25, has applied the national accounting standards applicable to insurance contracts under the German Commercial Code (HGB) and other additional national accounting standards for insurance companies.

1.2 Indication of the underwritten classes of insurance

Pursuant to IFRS 4, an insurance company has to classify its contracts concluded with policyholders in regard to the assumption of underwriting risks and thus with respect to the applicability of IFRS 4. Deutsche Familienversicherung underwrites the following classes and segments of insurance:

Damage and accident insurance

- Accident insurance
- Liability insurance
- Legal expense insurance
- Household insurance
- Pet health insurance
- Electronics insurance

Private supplementary health insurance and long-term care insurance

— Supplementary health insurance, underwritten according to the type of life insurance

- Supplementary long-term care insurance
- State-aided care provision insurance
- Supplementary insurance for inpatient treatment
- Sick day benefit insurance

— Supplementary health insurance, underwritten according to the type of damage insurance

- Supplementary dental insurance for dentures and tooth preservation
- Supplementary insurance for outpatient treatment and outpatient prevention
- Foreign travel health insurance

Active reinsurance business (since 1 June 2021)

- Supplementary long-term care insurance

The insurance contracts concluded by Deutsche Familienversicherung as part of the above-mentioned insurance classes each include the assumption of a significant insurance risk of a policyholder by agreeing to pay compensation or to assume costs incurred in the event of an uncertain future event which adversely affects the policyholder. These contracts therefore meet the definition of an insurance contract (IFRS 4 Appendix B – Definition of an insurance contract) and must be accounted for in accordance with IFRS 4.

Reinsurers' shares in technical provisions for direct insurance business are presented separately on the balance sheet pursuant to IFRS 4.14 (d) (i). Reserved amounts of discretionary profit participation are shown under technical provisions.

1.3 Changes to standards and interpretations in the reporting year

The standards presented in the table below were applicable for the first time in the reporting year. As Deutsche Familienversicherung has not been affected by the changes, there has been no impact on the consolidated financial statements.

INITIAL APPLICATION	NEW OR AMENDED STANDARDS AND INTERPRETATIONS
1 January 2021	IBOR reform – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Phase 2)
1 April 2021	Amendment to IFRS 16 – COVID-19-Related Rent Concessions
Extension of the current legal situation	Amendments to IFRS 4 ('Insurance Contracts') – Extension of the Temporary Exemption from Applying IFRS 9 ('Financial Instruments') for IFRS 4 users

IBOR reform – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Phase 2)

On 27 August 2020, the International Accounting Standards Board (IASB) published amendments to IFRS 9 ('Financial Instruments'), IAS 39 ('Financial Instruments: Recognition and Measurement'), IFRS 7 ('Financial Instruments: Disclosures'), IFRS 4 ('Insurance Contracts') and IFRS 16 ('Leases').

The amendments are due to the second phase of the IBOR (Interbank Offered Rates) project of the IASB. The project aims to mitigate the impact on financial reporting of the replacement of a benchmark interest rate with an alternative interest rate at the time of replacement.

The amendments introduce a practical expedient for modifications required by the IBOR reform. In spite of the replacement of the benchmark interest rate, hedge accounting will be able to continue under amended documentation.

The amendments are mandatory for financial years beginning on or after 1 January 2021.

Amendment to IFRS 16 – COVID-19-Related Rent Concessions
In response to the ongoing effects of the COVID-19 pandemic, the International Accounting Standards Board (IASB) amended IFRS 16 ('Leases') on 31 March 2021. The practical expedient which helps lessees account for COVID-19-related rent concessions was extended by one year. The amendments extend the practical expedient to cover rent concessions that reduce lease payments originally due on or before 30 June 2022. Previously, the expedient only applied to rent concessions that reduce lease payments which are/were due on or before 30 June 2021.

The amendments apply to reporting periods beginning on or after 1 April 2021, although they can also be applied at an earlier date. This also applies to annual financial statements which had not yet been approved for publication at the time of publication of the amendment. The amendments have not yet been endorsed to apply in the EU.

Amendments to IFRS 4 ('Insurance Contracts') – Extension of the Temporary Exemption from Applying IFRS 9 ('Financial Instruments') for IFRS 4 users
Insurers' temporary exemption from applying IFRS 9 ('Financial Instruments') has been extended until 31 December 2022. This exemption for insurers was originally set to end on 31 December 2020. The exemption was supposed to end for financial years beginning on or after 1 January 2021. It has now been extended by two years. Insurers are now required to apply IFRS 9 ('Financial Instruments') to financial years beginning on or after 1 January 2023 for the first time.

1.4 Significant new IFRS standards to be applied by Deutsche Familienversicherung in future accounting periods

IFRS 17 – Insurance Contracts (EU endorsement procedure complete)
With the currently applicable IFRS 4, the IASB published a transitional solution for accounting for insurance contracts in 2004, which has now been applicable for more than ten years.

The final new standard IFRS 17 (Insurance Contracts) must be applied for the first time as of 1 January 2023.

IFRS 17 largely applies to all insurance and reinsurance contracts written by an entity. The definition of insurance contracts was adopted from IFRS 4.

The subject matter of the standard is the presentation of assets and liabilities resulting from insurance contracts. In the course of standard development, the present value of fulfilment cash flows has emerged as the preferred valuation concept. The present value of fulfilment cash flows results from a current estimate of the expected present value of the cash flows required from the company's perspective to meet the obligations arising from an insurance contract.

The valuation of the provision for future cover is based on a general model using the three-block approach (building block approach, BBA):

- Estimation of expected incoming and outgoing cash flows;
- Discounting of expected cash flows to reflect the time value of money;
- Determination of a risk adjustment for the uncertainty in estimated cash flows resulting from underwriting risks

If the present values of expected proceeds exceed those of expected risk-adjusted payments, the remaining residual amount has to be recognised as the contractual service margin (CSM). Negative margins must be recognised through profit or loss in the income statement.

In general, a distinction has to be made between the prospective provision for future cover and the provision for damages incurred. The above concept is likewise applied to the provision for damages incurred.

Not all insurance contracts have to be mapped according to the three-block approach. Contracts with a maximum term of one year can be mapped using the simplified method (premium allocation approach, PAA). This also applies to contracts with a term of more than twelve months, where the application of the simplified method would lead to similar results to under the three-block approach. However, the simplified approach does not apply to contracts for which the PAA is not a reasonable estimate for the three-block approach. These include unprofitable contracts as well as contracts that contain embedded options or guarantees or that have long terms.

In addition to direct insurance contracts (including active reinsurance), passive reinsurance contracts also have to be valued by a primary insurer. In general, passive reinsurance contracts are valued using the three-block approach, while some modifications have to be taken into account.

By including the variable-fee approach (VFA), the IASB set an important course for the accounting of life insurance business, in particular of business with profit participation rights. Fluctuations in the amount of the insurer’s share of the investment result and in the value of the guarantees may be offset against CSM under the VFA. An insurance contract is regarded as directly entitled to surpluses and therefore falls within the scope of the variable fee approach if:

- The policyholder participates in a clearly identifiable pool of underlying reference values.
- The insurer distributes a significant portion of the income to the policyholder.
- A significant portion of the insurer’s cash flows to the policyholder fluctuates with the development of the underlying reference values.

According to the current status, the applicability of the VFA for participating direct insurance business in Germany can be derived from this definition of contracts directly entitled to surpluses. Reinsurance contracts are not covered by the VFA, even if they relate to insurance contracts covered by the VFA.

In deviation from the general model, the contractual service margin under the VFA bears interest at the current interest rate, not at the locked-in interest rate.

In the context of subsequent measurement, the topics of income recognition and handling changes in estimates with regard to expected cash flows, risk adjustment and the yield curve are of great importance. Changes in estimates of the expected cash flows and the risk adjustment with respect to future cover are offset against CSM; the effects of interest rate fluctuations on underwriting liabilities can be recognised either in the income statement through profit or loss or directly in equity at portfolio level (OCI option).

With the OCI solution, the IASB has decided on an instrument to avoid volatility in an insurer’s income statement. Accordingly, the effects of market interest rate fluctuations on the fulfilment cash flow of the underwriting obligations can be recognised directly in equity (OCI). In analogy, a category for financial instruments with a debt character for the assets side was created in IFRS 9, which is also subject to measurement recognised directly in equity (OCI) with no effect on income in accordance with the business model holding and selling. While the new investment category is recycled when a financial instrument is sold, an analogous effect is guaranteed when the OCI solution is applied on the liabilities side by adding interest at the fixed (locked-in) interest rate at the time of posting.

Assessment of possible effects of the application of IFRS 17

A significant portion of the assets and liabilities in the balance sheet and the overall structure of the income statement will change completely in standards of Deutsche Familienversicherung’s consolidated financial statements with the introduction of IFRS 17. This corresponds to the extensive introduction of IFRS at Deutsche Familienversicherung, which also represents a paradigm shift from the accounting method previously used for insurance contracts. In the future, all incoming and outgoing payments from an insurance contract have to be estimated and mapped at the beginning of the contract. Misjudgements in regard to cash flows result in increased volatility of profit and loss. Especially in the first period after the introduction of IFRS 17, this will result in major challenges with regard to the planning, predictability and ability to interpret corporate results.

The introduction of IFRS 17 always has to be viewed in close interaction with IFRS 9, which further increases the requirements for users.

Challenges in the future interaction of IFRS 9 and IFRS 17
The main challenge in the joint application of IFRS 9 and IFRS 17 is to avoid an accounting mismatch. In this context, the possibility to exercise the OCI option for financial instruments on the assets side and for insurance contracts on the liabilities side mostly congruently is of major importance.

The standard 'Applying IFRS 9 (Financial Instruments) with IFRS 4 Insurance Contracts', Amendments to IFRS 4, published in September 2016, contains, inter alia, the deferral approach for insurance companies, which generally allows them to not introduce IFRS 9 until the first-time application of IFRS 17. Companies whose primary business is insurance have the option to claim temporary exemption from IFRS 9. DFV meets the necessary criteria (the proportion of the group's insurance activities was 100% on 31 December 2015 and its business activities have not changed in the meantime) and has opted to make use of the extension for reasons including the interaction between the recognition of financial instruments and insurance contracts. The disclosures in the notes as part of the deferral approach (fair values of financial instruments currently in the portfolio, subdivided under the payment stream criterion, plus disclosures relating to the bad debt risks of securities which pass the SPPI test) which are intended to allow for a certain degree of comparability with companies that are already applying IFRS 9 are presented in section 13.5 of the notes to the consolidated financial statements ('Disclosures regarding the temporary exemption from IFRS 9'). Deutsche Familienversicherung will introduce IFRS 9 together with IFRS 17. Due to the delay in introducing IFRS 17, the timing of the implementation of IFRS 9 has also been delayed.

IFRS 9 assigns financial instruments to the following measurement categories:

1. At amortised cost
2. At fair value directly in equity (FVTOCI)
3. At fair value through profit or loss (FVTPL)
4. At fair value directly in equity (FVTOCI)

For classification under IFRS 9, the cash flow criterion (SPPI) is applied which requires the contractual terms of the financial asset to result in cash flows consisting exclusively of payments of principal and interest on the outstanding capital on set dates. If the SPPI criterion is met, the financial instruments are assigned to one of the first two categories. At the same time, the business model within the framework of which the financial instruments are held is used as a classification factor. Where the objective is to hold the financial asset to collect the contractual cash flows, it is measured at amortised cost. Accounts receivable and bank balances will likely fall into this category. Where the objective of the business model is to collect the contractual cash flows as well as to sell financial assets, it is measured at fair value directly in equity (FVTOCI). Deutsche Familienversicherung will probably measure the majority of its capital investments in this category, especially bonds.

If the cash flow criterion is not met, the financial instrument is assigned to category 3 or 4. As a rule, measurement is at fair value through profit or loss. However, when it first recognises certain financial investments in equity instruments, a company can select the measurement category 'At fair value directly in equity (FVTOCI)'. Unlike the measurement of debt instruments directly in equity, all changes in value are recognised in other comprehensive income and impairments are not presented in the income statement. As Deutsche Familienversicherung does not expect to hold any direct equity instruments until the introduction of IFRS 9, this category is not likely to be used. As the property funds and ETF shares in the portfolio do not meet the cash flow or equity instrument criteria, they will probably be recognised at fair value through profit or loss. This will likely increase the volatility of Deutsche Familienversicherung's net income from capital investments as these instruments are currently categorised as financial assets available for sale pursuant to IAS 39. Consequently, the market price fluctuations are recognised in other comprehensive income. With the introduction of IFRS 9 from 1 January 2023, the reserve for unrealised gains and losses, including attributable deferred taxes, will be reclassified to retained earnings or losses carried forward.

The recognition of impairments is another significant change brought about by IFRS 9. Under the current standard, impairments are only recognised in the income statement if the impairment has occurred, such as if the creditworthiness of a creditor falls sharply or the creditor is in default. In the reporting year, there were no indications of this with regard to the bonds. IFRS 9 introduces the expected credit loss model to counter the criticism of the old standard – that such impairments are too late and too small-scale – which grew more significant during the financial market crisis. This model recognises expected impairment losses at various stages for every financial instrument under 'At amortised cost' and 'FVOCI'. This means that a forecast valuation allowance, which has to be calculated more restrictively with increased risk in the subsequent measurement, is recognised through profit or loss as soon as it is added. This change will affect the bonds held by Deutsche Familienversicherung in particular.

Conclusion
Overall, it is foreseeable that the application of IFRS 9 and the implementation of IFRS 17 will at least result in considerable conversion expenses in the next financial year. This will result in a reorganisation of IFRS accounting for Deutsche Familienversicherung, which will lead to a completely new picture of the consolidated financial statements under IFRS.

Deutsche Familienversicherung has initiated and/or carried out the following measures for the implementation of IFRS 17 and IFRS 9:

- Selection of cloud-based and easily scalable IFRS 17 software to map accounting processes (SaaS);
- Preparation of key methodical concepts and evaluation of potential accounting options; and
- Technical conceptualisation and modifications to existing actuarial models.

In addition to some initial quantitative impact assessments on selected portfolios, Deutsche Familienversicherung intends to conduct a dry run in the first half of 2022. Qualitative analyses have shown that the variable-fee approach will be used to measure underwriting liabilities for health insurance business by type of life insurance, whereas the premium allocation approach will be used for health insurance business by type of damage insurance and for non-life business. Likewise, the premium allocation approach will be used to measure the reinsurance business, with two exceptions. At the time of writing of this report, no quantitative statement can be made as to the potential impact on the value of the underwriting liabilities and assets pursuant to IFRS 9.

2 ADJUSTMENT OF THE MEASUREMENT AND REPORTING

The statement of cash flow was restructured in the reporting year. As is standard for insurance companies, interest received, dividends and other investment income have been allocated to the cash flow from operating activities. In this context, expenses for the management of capital investments have also been left in the operating cash flow. Due to this reclassification, the cash flow from operating activities increased by € 1,313 thousand from € 17,673 thousand in the previous year to € 18,986 thousand. Consequently, the cash flow from investing activities in the previous year decreased from € -14,124 thousand to € -15,438 thousand. Where admissible in the statement of cash flow, cash paid and cash received for items with a sizeable turnover rate or large amounts in connection with the acquisition and sale of capital investments have been netted. The net payments received from the acquisition of capital investments are now recognised. The previous year was adjusted accordingly.

With regard to measurement, the estimation methods for the gross provision for outstanding claims have been revised. The effects are described in the following section.

Additionally, no adjustments were made to the measurement or presentation.

3 USE OF DISCRETION, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires the use of discretion, estimates and assumptions in the measurement of various items in the balance sheet and income statement. Below we provide an overview of segments with more considerable scope for judgement or greater complexity, as well as line items that are likely to be adjusted if estimates and assumptions prove inaccurate. This concerns, in particular, the following segments:

- Determination of the underwriting reserves
- Determination of the technical provision for onerous contracts
- Determination of the fair values of financial instruments, unless stock exchange prices or acquisition costs are taken as a basis for measurement
- Determination of recoverable amounts for impairment tests of assets
- Measurement of deferred tax assets on losses carried forward

The use of discretion, estimates and assumptions are presented in the accounting and valuation methods.

All estimates and discretionary decisions are checked continuously and are based on past experience and other factors, including expectations regarding future events which might affect the company financially and are considered appropriate under the circumstances. However, estimates, discretionary judgements and assumptions always have inherent uncertainties which can affect the result.

In the financial year, the estimation methods for the gross provisions for outstanding claims have been revised. This resulted in a € 1.4 million increase in the provision. Less the reinsurance shares, claims expenditure increased by a net amount of € 0.8 million which lowered the operating income by the same amount on a one-off basis.

4 RECOGNITION AND DERECOGNITION OF ASSETS AND LIABILITIES

Assets are recognised if it is likely that their future economic benefits will flow to the company, the company can control the inflow of economic benefits and if their acquisition or production costs can be reliably measured. Assets are derecognised when risks and rewards transfer to third parties or when power of disposition is lost.

Liabilities are recognised if it is likely that a direct outflow of economically relevant resources will result from the fulfilment of a current obligation of the company. Liabilities are derecognised when the obligation no longer exists.

5 GENERAL VALUATIONS OF ASSETS AND LIABILITIES

The monetary amounts for the items in the financial statements are determined with the help of various valuation bases and methods. The most frequently used valuation bases for the measurement of assets and liabilities are:

- Amortised acquisition costs and
- fair values

These valuation bases are often combined with other valuation bases, for example when determining present values and net realisable values. The valuations and valuation bases are regulated in the IFRS framework concept.

Measurement at fair value is becoming increasingly important in IFRS. Fair value is defined as the price that would be received in an ordinary transaction between market participants on the measurement date upon sale of an asset or upon transfer of a liability. IFRS 13 (Fair Value Measurement) provides detailed guidance on how to measure assets and liabilities at fair value if another standard requires a fair value measurement or disclosure of fair value in the notes. When fair values are determined internally on the basis of non-market-related input factors, by nature there is scope for discretion, for example in the choice of input parameters.

Therefore, fair value measurements require extensive disclosures in the notes, for example information on the hierarchy levels of the fair values, descriptions of the measurement procedures and the input parameters used.

6 GENERAL PRINCIPLES OF IMPAIRMENT AND REVERSAL OF IMPAIRMENT LOSSES OF ASSETS

6.1 Impairments under IAS 36

Pursuant to IAS 36 (Impairment of Assets), all intangible and tangible assets used over the long term are assessed at least on each balance sheet date to determine whether there is any indication of material impairment. If this is the case, the recoverable amount of the corresponding asset is determined. Assets that do not generate separable cash inflows are allocated to so-called cash-generating units. The subject of an impairment test is the cash-generating unit. The recoverable amount is defined as the higher of the net realisable value (sales price less selling costs) and the value in use (present value of future cash flows from continued use). Irrespective of whether any indications of impairment exist, intangible assets with an indefinite useful life, such as, goodwill, brand names and intangible assets not yet ready for use, are subject to an annual impairment test.

Market prices quoted on active markets or prices from transactions with the same or comparable assets are used as the basis to determine recoverable amounts. Alternatively, fair values are determined using generally accepted mathematical valuation models. Details for this and the internally defined criteria for an impairment are explained in the notes to the general accounting and valuation methods under the corresponding items.

If the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, an impairment loss has to be recognised in accordance with IAS 36. An impairment loss is first allocated to the goodwill of a cash-generating unit and then proportionately to the other assets on the basis of their carrying amounts, and is immediately recognised in the result for the period.

Impairments of goodwill are shown in a separate item in the income statement. Impairments of other intangible assets and other assets are recognised as expenses for insurance operations, claims expenses, investment expenses and other expenses by function. Impairment losses are recognised directly by reducing the carrying amounts of the assets.

If the requirements of IAS 36 are met, reversals of impairment losses are performed for all assets – with the exception of goodwill – up to the lower of their recoverable amount and amortised acquisition costs.

6.2 Allowances under IAS 39

The allowance principle set out in IAS 39 is applied to financial instruments, excluding those in connection with leases. This depends on the classification of the financial instruments which are described in more detail in section 10.3f. Deutsche Familienversicherung allocates its capital investments to the categories ‘Financial investments held for sale’ and ‘Financial investments measured at fair value through profit or loss’, the allowance principle for which is described below.

6.2.1 Financial investments held for sale

The category ‘Financial investments held for sale’ contains fixed and variable-interest securities which Deutsche Familienversicherung does not intend to sell immediately and which are not allocated to any other category. On the balance sheet, they are measured at fair value (IFRS 13) which is described in section 13.4.

With regard to **fixed-interest securities**, agios and disagios are spread over the life of the security in line with the effective interest method and recognised through profit or loss as income from capital investments. With consideration for accrued interest and deferred taxes, unrealised gains and losses resulting from changes to fair value are recognised in other comprehensive income and in equity in the balance sheet item 'Reserve for unrealised gains and losses'. In contrast, changes in value due to impairment losses are recognised through profit or loss in the income statement.

A risk to or sharp decline in the creditworthiness of a debtor is an indication that fixed-interest securities are impaired. Besides a rating downgrade by two notches or more, such indications include non-payment of interest income, the likelihood of insolvency and the current market situation. Deutsche Familienversicherung takes the aforementioned indications into account when evaluating, on a case-by-case basis, whether it is a price fluctuation to be recognised directly in equity or an impairment loss. Where an impairment is carried out, the cumulative loss recognised in equity is reclassified from equity to the income statement. The cumulative loss is the difference between the acquisition cost (less any repayments and amortisation) and the current fair value, less any valuation allowances recognised for that financial asset through profit or loss at an earlier date. If the fair value increases in a subsequent period and the increase can be attributed objectively to an event which occurred after the impairment was posted through profit or loss, the valuation allowance is reversed through profit or loss.

A write-down to fair value is recognised through profit or loss if the fair value of **equity instruments** in an active market is below acquisition cost for more than nine months or more than 20% on the balance sheet date. With regard to equity instruments recognised at cost, an impairment is carried out through profit or loss on the present value of the estimated future cash flows, provided that there are objective indications of impairment. Appreciations through profit or loss of equity instruments are not permitted.

6.2.2 Financial investments measured at fair value through profit or loss

All changes in the value of these financial instruments, as well as interest and dividends, are presented in profit and loss (item: 'Income from capital investments').

6.2.3 Loans and receivables

In addition to capital investments, IAS 39 applies to the cash and cash equivalents and receivables of the group. They are measured at amortised cost. On every reporting date, Deutsche Familienversicherung determines whether there are objective indications of impairment. For example, objective indications might be default, late payment or significant financial difficulties on the part of the issuer/debtor. If there is such an indication, the difference between the carrying amount and the present value of the expected future cash flows is determined and recognised as a valuation allowance through profit or loss. Essentially, the overdue status of receivables from policyholders is examined and devalued depending on the duration of the overdue status.

7 CONSOLIDATION PRINCIPLES AND GROUP REPORTING ENTITY

7.1 Consolidation principles

Pursuant to IFRS 10 (Consolidated Financial Statements), a parent company controls another entity, irrespective of the nature of its engagement, if it has power of disposition over that entity, is exposed to or has rights to variable returns (positive or negative) from the entity and can influence those returns based on its power of disposition. In this context, a parent company has the power of disposition if it is currently able to determine the relevant activities of the entity based on existing voting rights or other rights. These are the activities that significantly influence the economic success of the investment company.

If voting rights are relevant, the group controls an entity if it directly or indirectly holds more than half of the voting rights in the entity. Potential voting rights are also taken into consideration in evaluating control if they are deemed to be substantial.

Special funds and other structured companies are included in the consolidated financial statements as subsidiaries according to the uniform criteria of IFRS 10, provided the aforementioned requirements have been met. They are also considered consolidated structured entities within the meaning of IFRS 12 (Disclosure of Interests in Other Entities). Pursuant to IFRS 12, structured entities are entities that are designed in such a way that voting rights or similar rights are not relevant to decide who controls the entity.

The balance sheet date of the consolidated subsidiaries is generally 31 December of each calendar year.

Inter-company receivables and liabilities, expenses and income as well as interim results are eliminated.

In general, as part of the consolidated financial statements, uniform group-wide accounting principles are applied. Subsidiaries are consolidated as of the date when Deutsche Familienversicherung obtains a controlling influence. The consolidation ends at the point in time when a controlling influence is no longer possible. A business combination exists when the DFV Group acquires control of another business. A business combination is recognised using the purchase method pursuant to IFRS 3 (Business Combinations). This requires the recognition of all identifiable assets, liabilities and contingent liabilities of the acquired company generally at their fair values on the acquisition date, in particular also the identification and measurement of intangible assets acquired as part of the business combination. The acquisition costs result from the total fair value of the consideration paid to obtain control. Incidental acquisition costs are recorded as an expense in the financial year in which they arise. If the acquisition costs exceed the group’s share in the revalued net assets of the subsidiary, the difference is capitalised as goodwill. Differences on the liabilities side are immediately recognised through profit or loss after the carrying amounts have been reassessed.

The non-controlling interest in the net assets of the subsidiary is shown separately in the balance sheet.

At the time when Deutsche Familienversicherung loses control of a subsidiary, the assets and liabilities of the subsidiary are derecognised at their carrying amounts, the carrying amount of all non-controlling interests in the former subsidiary is derecognised and the fair value of the received consideration is recognised. The shares held in the former subsidiary are recognised at fair value and any resulting difference is recognised as a profit or loss in the consolidated income statement. Amounts recognised in other comprehensive income directly in equity in prior periods associated with this subsidiary are transferred to the consolidated income statement or, if required by other standards, directly to retained earnings.

7.2 Group reporting entity

Pursuant to IFRS 10, the consolidated financial statements include all subsidiaries in addition to DFV Deutsche Familienversicherung AG, Frankfurt am Main, as the parent company. The shares in subsidiaries of the group are held directly by Deutsche Familienversicherung. The financial information in the consolidated financial statements contains data of the parent company together with its consolidated subsidiaries, presented as an economic unit.

Deutsche Familienversicherung (Group) consists of seven (previous year: six) consolidated companies. Besides the parent company and the four subsidiaries, this includes two special funds, the wholly owned HI DFV Master Fund which has only contained the investment assets for the business operated by type of life insurance since the reporting year, and the wholly owned HI DFV Master II Fund which was set up and consolidated for the first time in the reporting year and contains the capital investments that are not allocated to the business operated by type of life insurance.

There are no joint ventures or associated companies.

LIST OF CONSOLIDATED SUBSIDIARIES	Registered office	Investment carrying amount	Equity share	Subscribed capital	Equity	Last year's result
COMPANY		In € thousand	In %	In € thousand	In € thousand	In € thousand
DFVS Deutsche Familienversicherung Servicegesellschaft mbH	Frankfurt am Main	25.0	100.00	25.0	398.2	142.4
DFVV Deutsche Familienversicherung Vertriebsgesellschaft mbH	Frankfurt am Main	135.0	100.00	25.0	143.9	0.0
DFVR Deutsche Familienversicherung Rechtsschutz-Schadenabwicklungsgesellschaft mbH	Frankfurt am Main	25.0	100.00	25.0	39.0	12.6
DFV Deutsche Familienversicherung Krankenversicherung-Vermittlungs-AG	Frankfurt am Main	50.0	100.00	50.0	48.8	-0.6

8 ACCOUNTING AND VALUATION METHODS

8.1 Intangible assets

Intangible assets are capitalised if they are identifiable and Deutsche Familienversicherung has control over them. Additionally, there must be a future economic benefit and it must be possible to determine the acquisition costs reliably. They contain purchased software. Purchased software is recognised at amortised acquisition costs. For purchased software, the acquisition costs include the purchase price and directly attributable costs to prepare the software for its intended use. Subsequently, software is carried at acquisition cost or manufacturing costs less any accumulated amortisation and impairment losses. The additions and disposals of the financial year to intangible assets with limited useful lives are generally amortised pro rata temporis on a linear basis. The useful life is normally between three and 15 years. Amortisation is allocated in accordance with the Regulation on the Accounting of Insurance Undertakings (RechVersV) and is essentially allocated to the expenses of insurance operations.

8.2 Right of use pursuant to IFRS 16

IFRS 16 sets out principles for the recognition, valuation, disclosure and notes on leases with the aim of ensuring that lessees and lessors provide relevant information on the effects of leases. A lease exists if the lessee is contractually granted the right to control an identified asset by the lessor for a specified period of time and the lessor receives consideration from the lessee in return.

As a lessee, Deutsche Familienversicherung recognises an asset for the right of use and a lease liability. The right of use is measured at cost, which corresponds to the lease liabilities when measured for the first time. In subsequent measurements, the right of use is subject to straight-line depreciation until the end of the period of lease. Impairments are carried out if they become necessary. The lease liabilities are recognised at the present value of the remaining lease payments. They are generally discounted using the marginal interest rate of the lessee. Lease liabilities are measured at amortised cost using the effective interest method.

DFV Deutsche Familienversicherung AG makes use of the relief in practice pursuant to IFRS 16.5 and does not recognise any leases with a basic term of less than one year.

Only the rented office building is presented on the balance sheet in the 2021 financial year.

8.3 Investments

Financial instruments

Upon addition, financial instruments are allocated to the four categories set out by IAS 39. These are 'Loans and receivables', 'Held to maturity', 'Available for sale' and 'Fair value through profit or loss'.

Deutsche Familienversicherung currently allocates capital investments to 'Available for sale' and 'Fair value through profit or loss' exclusively – as at 31 December 2021, no financial instruments categorised as 'Fair value through profit or loss' were in the portfolio of Deutsche Familienversicherung. Financial instruments are initially recognised on the fulfilment date.

'Financial instruments available for sale'

The category 'financial instruments available for sale' is a residual and contains all financial instruments which, due to their nature, do not have to be allocated to another category and for which no other option has been exercised. This item mainly shows bonds, shares, investment shares and other shareholdings.

Assets in this category are measured either at fair value or acquisition cost.

Generally, fair values of financial instruments are determined based on parameters that can be observed on the market. IFRS 13 defines the fair value as the sales price (i.e. the price that would be received in an ordinary transaction between market participants on the measurement date upon sale of an asset or upon transfer of a liability). Pursuant to IFRS 13, the method to determine the fair values results in an allocation to a specific hierarchy level. The hierarchy levels are explained and quantified in section 13.4. If there is no quoted price (levels 2 and 3), the measurement methods used to determine fair value are also explained there.

Financial instruments available for sale measured at fair value

If the fair value of financial instruments available for sale can be determined reliably, the financial instruments are recognised at that value. For listed securities, this is generally the market value. With listed bonds, shares and investment shares, this category constitutes a significant part of the investment portfolio of Deutsche Familienversicherung.

With regard to fixed-interest securities, agios and disagios are spread over the life of the security in line with the effective interest method and recognised through profit or loss as income from capital investments.

Changes in value resulting from the difference between fair value and amortised acquisition cost are recognised directly in other comprehensive income after taxes. Where there are objective indications that a valuation allowance is necessary, a valuation allowance is recognised through profit or loss. See section 6.2 with regard to accounting for valuation allowances and potential reversals of write-downs.

Profits or losses on the disposal of financial instruments available for sale are calculated from the difference between the proceeds from the sale and the carrying amount on the date of sale. They are reported under investment income or expenses. Profits or losses from an interim revaluation that were initially recognised directly in equity are realised upon sale.

Financial instruments available for sale measured at acquisition cost

Equity instruments are recognised at acquisition cost if no public prices or observable market data are available for them.

Changes in fair value are not generally recognised for these assets. The valuation allowance is only carried out on the fair value through profit or loss if there are objective indications of a need for impairment. Such valuation allowances are not reversed.

Financial investments measured at fair value through profit or loss
At Deutsche Familienversicherung, this category encompasses convertible bonds in particular. They are recognised at fair value, normally the exchange price. All changes in their value, as well as interest and dividends, are presented in profit and loss (item: Income from capital investments).

9 DEPOSITS TO CEDANTS FROM ACTIVE REINSURANCE

The item 'Deposit receivables from active reinsurance' contains the securities withheld by the primary insurer in order to cover the share of DFV in the actuarial provisions as part of active reinsurance.

The actuarial provisions are calculated by the primary insurer in line with the regulations of commercial law and verified by the responsible actuary of Deutsche Familienversicherung.

9.1 Receivables

Receivables mainly include interest receivables, receivables from direct insurance business (DIB) and accounts receivable from active and passive reinsurance business They are recognised at their amortised acquisition costs. A standardised specific allowance based on past experience is made for receivables from the DIB. Credit risks are adequately taken into consideration after an individual risk assessment.

For reinsurance, allowances are made on a strict case-by-case basis. Derecognition through profit and loss is generally only made in case of insolvency. No further allowances are made based on past experience, even with regard to essential items.

In the DFV Group, allowances are made through profit and loss and reduce the premium income and the carrying amount of the receivables. If fair values of receivables are to be determined for the required disclosures in the notes, it is assumed pursuant to IFRS 7.29 (a) that the carrying amount represents the best approximate value. According to the regulations of IFRS 13, this results in an allocation of these fair values to hierarchy level 3.

9.2 Cash and cash equivalents

Cash and cash equivalents are reported at the nominal value.

9.3 Share of reinsurers in technical provisions

According to IFRS, reinsurers' shares in underwriting provisions are shown under assets in the balance sheet. The corresponding gross amounts have to be shown on the liabilities side. The reinsurers' shares in technical provisions are determined by taking the contractual terms of the underlying reinsurance contracts into consideration.

9.4 Current and deferred taxes

Deferred tax assets have to be recognised in accordance with IAS 12 if asset items in the consolidated balance sheet are to be valued lower or liability items higher than in the tax balance sheet of the relevant group company and these differences balance out in the future with effect on taxes (temporary differences).

Deferred tax liabilities have to be recognised in accordance with IAS 12 if asset items in the consolidated balance sheet are to be valued higher or liability items lower than in the tax balance sheet of the relevant group company and these differences balance out in the future with effect on taxes (temporary differences).

Liabilities arising from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, do not affect either the accounting or the taxable profit and at the time of the transaction, do not give rise to equal taxable and deductible temporary differences and are not recognised as deferred tax liabilities.

If the temporary differences are recognised through profit or loss, the deferred taxes are recognised through profit or loss; if they are recognised in directly equity, the related deferred taxes are also recognised directly in equity. Deferred taxes are calculated using the individual corporate tax rates of the respective group companies. For this purpose, changes in tax rates already decided as of the balance sheet date are taken into consideration. If the taxes can be offset against each other, deferred tax assets and liabilities are recognised net. In particular, this is the case is there is the company has a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity.

Deferred tax assets are only recognised on valuation differences between the consolidated and tax balance sheets if there are sufficient deferred tax liabilities with regard to the same taxing authority and the same entity, or if there are enough taxable earnings in the reversal period.

Moreover, deferred tax assets are formed on unused tax loss carryforwards in so far as it is likely that future taxable profit, against which the unused tax losses can be utilised, will be available.

The current taxes are calculated on the basis of the taxable income of the group companies. Where payment obligations arise towards the tax authorities, they are recognised as current tax liabilities. In the event of overpayment or an entitlement to a refund, these are presented as current tax assets.

9.5 Other assets

Other assets include operating and office equipment, accruals and deferrals and other assets.

Operating and office equipment is recognised at acquisition cost less accumulated depreciation and impairment losses. The straight-line depreciation is based on expected useful lives of between three and five years.

Accruals and deferrals are reported pro rata temporis at nominal value.

9.6 Equity

Subscribed capital

Subscribed capital is reported at the nominal value of the shares. There are no different share categories. By resolution of the Annual General Meeting on 19 May 2021, the Executive Board is authorised to increase the subscribed capital by up to € 14,587,780 by 18 May 2026, once or multiple times, in exchange for cash contributions and/or contributions in kind, with the consent of the Supervisory Board; the subscription rights of shareholders can be excluded.

Capital reserve

The capital reserve contains the premium from the issue of shares and other additional payments to equity. Expenses that are directly attributable to the procurement of equity are to be accounted for as a deduction from equity in accordance with IAS 32.35. They reduce capital reserves after offsetting tax effects.

Loss carried forward

The loss carried forward contains the previous year's cumulative non-settled results of the Group as well as the current annual result of the Group.

Reserve for unrealised gains and losses

The reserve for unrealised gains and losses includes changes recognised in other comprehensive income in the value of financial assets measured at fair value that are available for sale at any time, less deferred taxes.

9.7 Technical provisions (gross)

9.7.1 Unearned premiums

In cases of short-term insurance contracts, such as damage/accident insurance, premiums attributable to future years which have already been collected are allocated on a pro-rata basis and recognised as provisions for unearned premiums. These unearned premiums are earned in future periods in relation to the provision of insurance cover. As a rule, premium income is allocated exactly to the day for contracts.

9.7.2 Actuarial provisions

For health insurance business by type of life insurance, the company calculates according to the actuarial equivalence principle, i.e. the present value of premiums and benefits are calculated in parity during the initial calculation. The provisions of the German Calculation Regulation (KVAV)[1] are observed. Unless premium adjustments have to be made, the premiums per tariff and policyholder will remain the same throughout the life of the policyholder.

For tariffs which are calculated according to the type of life insurance, a provision for future policy benefits (ageing provision) is formed with part of the premiums received on the basis of recognised actuarial methods and in accordance with the relevant legal regulations. It is used to finance claims payments when the policyholder reaches a more advanced age. Where the legal requirements[2] are met, the calculation bases and in turn the amounts are adjusted.

Statistics on the course of claims and cancellation behaviour are drawn from internal data as far as possible. If the internal data is not sufficient to produce its own statistics, external statistics, from BaFin, the private health insurance association (PKV) or other appropriate data sources are used. The calculations are also based on the current mortality tables of the PKV. After the security assets reached a sufficient size, the company switched from an internal procedure to a procedure known as the actuarial corporate interest rate, developed by the private health insurance association (PKV) and the German Association of Actuaries (DAV) to determine the applicable actuarial interest rate.

The valuation of the ageing provision is based on its actuarial history. This value corresponds exactly to the value that is to be recognised in financial mathematics on the respective reporting date. The ageing provision is generally calculated prospectively in accordance with the statutory provisions of section 341f, paragraph 3 of the HGB.

The primary insurer calculates and provides the actuarial provision for the adopted active reinsurance business.

Both the value of the ageing provision recognised in the balance sheet and its calculation have been examined by the company's actuary and found to be correct.

[1] Ordinance on the Supervision of Business Activities in Private Health Insurance (Health Insurance Supervision Regulation; Krankenversicherungsaufsichtsverordnung).

[2] § 203 (2) VVG, § 155 Abs. 3 und 4 VAG, § 15-17 KVAV.

9.7.3 Provision for premium refunds

Non-profit-related provision for premium refunds

In accordance with legal and supervisory provisions, Deutsche Familienversicherung maintains a non-profit-related provision for premium refunds. This provision is comprised of the following amounts:

– The portion of excess interest earned in accordance with section 150, paragraph 4 of the VAG for the entire health insurance business by type of life insurance
– The excess premium payments earned for a part of the employer-funded obligatory daily long-term care insurance

Profit-related provision for premium refunds

For health insurance business conducted by type of life insurance, policyholders are entitled to underwriting surpluses in accordance with regulatory provisions. These surpluses result from risk, interest and cost profits arising in the course of business of these tariffs. They have to be accumulated in a profit-related provision for premium refunds according to the statutory provisions. The reserves provided by the company for this purpose were independently audited and found to be correct by the responsible actuary.

9.7.4 Provision for outstanding claims

The provision for outstanding claims represents benefit obligations from claims for which the amount and/or time of payment cannot yet be reliably determined. The provision is created for reported claims, but also for claims that have already been incurred but not yet reported. This also includes both internal and external expenses as well as claims settlement costs.

For known claims, the provision for outstanding claims is generally calculated individually. Receivables from recourses, claim recoveries and distribution agreements are offset. In addition, for claims incurred or caused but not yet reported as of the balance sheet date, an IBNR (incurred but not reported) provision was created for claims incurred but not reported as of the balance sheet date based on the subsequent claims reports observed in previous years. Claims not yet reported as of the balance sheet date are assessed with a lump sum. The provisions for claims settlement expenses also included in this item are determined using a lump-sum method. The share of reinsurers in the provision is determined pursuant to the reinsurance contracts.

With the exception of a few partial reserves such as annuity reserves, the provision for outstanding claims is generally not discounted.

In the segments for legal expenses insurance and residential building insurance, provisions are formed for already-reported claims by external partners.

At least once a year, we perform an adequacy test on all technical
provisions in accordance with IFRS 4. If the test shows that future income is not likely to cover the expected expenses on the level of the computation cluster, we will form a provision for onerous contracts after reversing the assigned conclusion costs.

With regard to the provision for unearned premiums and the claims reserve, the calculation is based on the fulfilment amount that is currently considered realistic and is generally aligned with the business model of the segments, and factors in future modifications of terms and conditions, reinsurance cover and, where applicable, steps taken to control the profitability of individual contractual relationships. This calculation does not take investment income into account. We test the adequacy of the actuarial provision on the basis of current assumptions about the calculation bases, including the pro-rata investment result and (if relevant) future profit participation.

9.8 Other provisions

Pursuant to IAS 37, other provisions are recognised and measured in consideration of all identifiable risks in the amount of the expected settlement amount, insofar as a current obligation exists to third parties from a past event that will likely results in an outflow of resources in the future and can be reliably estimated. The fulfilment amount is determined based on the best possible estimates. Provisions according to IAS 37 are not offset against reimbursement claims.

9.9 Liabilities

Liabilities include liabilities from direct insurance business as well as accounts payable and deposits retained from active and passive reinsurance business and other liabilities. They are reported at nominal values.

9.10 Gross premiums written

Gross premiums written are premiums and premium rates due in the financial year for direct insurance business and adopted reinsurance business.

9.11 Earned premiums (net)

Earned premiums (net) correspond to gross premiums written less reinsurers' shares. Moreover, the change in unearned premiums is taken into consideration here. The premiums for each insurance contract are calculated pro rata temporis on a daily basis, in consideration of the commencement of insurance cover.

9.12 Investment income and expenses

9.12.1 Income and expenses from 'Financial investments held for sale'

Investment income and expenses include current income, revenue from appreciations of debt instruments and gains from the disposal of capital investments. Current income mainly includes interest income from fixed-interest securities and dividend income. Interest income can result from current interest payments, accrued interest and the amortisation of amortised costs of fixed-interest securities. With regard to dividends, the date of the dividend resolution counts as the accrual date. Interest income is allocated on an accruals basis.

Investment expenses include expenses for the management of investments, depreciation of capital investments and losses from the disposal of capital investments.

9.12.2 Income and expenses from 'Financial investments measured at fair value through profit or loss'

This item encompasses all value changes, interest and dividends.

9.13 Insurance benefits (net)

Insurance benefits (net) include payments for insurance claims, the change in the reserve for outstanding claims, the change in the actuarial provision and the other technical provisions as well as the expenses for premium refunds. They are shown less reinsurers' shares.

9.14 Expenses for insurance operations (net)

Expenses for insurance operations (net) include direct and indirect acquisition and administrative expenses. Commissions and profit shares received from reinsurers are deducted from this amount.

9.15 Other expenses

Pursuant to section 43 of the Regulation on the Accounting of Insurance Undertakings (RechVersV), expenses that cannot be allocated to any of the functions specified in the regulation are shown here. The same procedure is used for the presentation under IFRS.

10 NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

10.1 Development of other intangible assets

DEVELOPMENT OF OTHER INTANGIBLE ASSETS	Insurance-specific software	Other intangible assets	Total	Insurance-specific software	Other intangible assets	Total
In € thousand		2021			2020	
Gross carrying amount as of 01.01	**13,377**	**4,429**	**17,806**	**12,625**	**3,248**	**15,873**
Cumulative deprecation as of 01.01	6,223	2,736	8,959	5,523	1,685	7,208
Balance sheet value as of 01.01	**7,154**	**1,693**	**8,847**	**7,102**	**1,563**	**8,665**
Additions	307	270	577	885	1,403	2,288
Disposals of gross carrying amounts	-153	0	-153	133	222	355
Depreciation and amortisation	859	1,227	2,086	833	1,273	2,106
Disposals of depreciation and amortisation	0	0	0	133	222	355
Balance sheet value as of 31.12	**6,449**	**736**	**7,185**	**7,154**	**1,693**	**8,848**
Cumulative depreciation as of 31.12	7,082	3,963	11,045	6,223	2,736	8,959
Gross carrying amount as of 31.12	**13,531**	**4,699**	**18,230**	**13,377**	**4,429**	**17,807**

The useful life of intangible assets is normally between three and 15 years.

10.2 Rights of use for property pursuant to IFRS 16

RIGHTS OF USE		
In € thousand	**2021**	**2020**
Gross carrying amount as of 01.01	**2,738**	**2,738**
Cumulative deprecation as of 01.01	1,370	685
Balance sheet value as of 01.01	**1,368**	**2,053**
Additions	68	0
Depreciation and amortisation	715	685
Balance sheet value as of 31.12	**721**	**1,368**
Cumulative depreciation as of 31.12	2,085	1,370
Gross carrying amount as of 31.12	**2,806**	**2,738**

With the addition of rights of use as of 1 January 2019, other liabilities in the same amount were formed. As at 31 December 2021, other liabilities resulting from the application of IFRS 16 amounted to € 727 thousand (previous year: € 1.377 thousand).

10.3 Financial instruments

FINANCIAL INSTRUMENTS – AVAILABLE FOR SALE

In € thousand	31.12.2021	31.12.2020
Stocks	1,931	2,250
Investment shares	55,108	21,358
Bonds	123,755	108,557
	180,794	**132,165**
Fixed-term deposits	0	400
Total	**180,794**	**132,565**

FINANCIAL INSTRUMENTS – MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

In € thousand	31.12.2021	31.12.2020
Convertible bonds	0	2,503
Total	**0**	**2,503**

Securities lending

No securities were lent as of the reporting date.

10.4 Deposits to cedants

Deposits to cedants from active reinsurance business of € 4,888 thousand were recognised in the financial year for the first time.

10.5 Receivables

RECEIVABLES

In € thousand	31.12.2021	31.12.2020
Receivables from direct insurance business		
Of which from policyholders	2,118	1,791
Of which from insurance brokers	95	39
Receivables from insurance business	**2,213**	**1,830**
Accounts receivable from reinsurance business	3,730	536
Receivables from long-term care insurance allowance	436	465
Other receivables	1,828	1,294
Other receivables from insurance business	**5,994**	**2,295**
Total	**8,207**	**4,125**

10.6 Shares of reinsurers in technical provisions

SHARE OF REINSURERS IN TECHNICAL PROVISIONS

In € thousand	2021	2020
Unearned premiums	1,092	878
Actuarial provisions	61,112	49,235
Provision for outstanding claims	5,870	5,725
Other technical provisions	41	12
Total	**68,115**	**55,850**

10.6.1 Shares of reinsurers in the development of unearned premiums

SHARES OF REINSURERS IN THE DEVELOPMENT OF UNEARNED PREMIUMS

In € thousand	2021	2020
As of 01.01	**878**	**559**
Additions	1,092	878
Reversal/utilisation	878	559
As of 31.12	**1,092**	**878**

10.6.2 Shares of reinsurers in the development of actuarial provisions

SHARE OF REINSURERS IN THE DEVELOPMENT OF ACTUARIAL PROVISIONS

In € thousand	31.12.2021	31.12.2020
Actuarial provisions for previous year	**49,235**	**37,021**
Addition	18,818	14,484
Reversal	6,942	2,270
Actuarial provisions for financial year	**61,111**	**49,235**

10.6.3 Shares of reinsurers in the development of the provision for outstanding claims

SHARES OF REINSURERS IN THE DEVELOPMENT OF THE PROVISION FOR OUTSTANDING CLAIMS

In € thousand	2021	2020
As of 01.01	**5,725**	**2,905**
Claims expenses	0	0
For the financial year	25,586	20,498
For previous years	-182	990
Total	**25,404**	**21,488**
Less payments	0	0
For the financial year	20,547	15,901
For previous years	4,711	2,767
Total	**25,258**	**18,668**
As of 31.12	**5,871**	**5,725**

10.7 Deferred taxes

DEFERRED TAX ASSETS In € thousand	Total deferred tax assets	of which recognised in OCI	of which recognised in the income statement	of which directly in equity	Total deferred tax assets	of which recognised in OCI	of which recognised in the income statement	of which directly in equity
	31.12.2021				31.12.2020			
Intangible assets	0	0	0	0	0	0	0	0
Investments								
Financial instruments	528	528	0	0	1,317	0	1,317	0
Derivative financial instruments	0	0	0	0	0	0	0	0
Technical provisions	323	0	323	0	452	0	452	0
Other	576	0	576	0	279	0	279	0
Income tax loss carried forward	9,337	0	8,480	857	6,829	0	5,972	857
	10,764	**528**	**9,379**	**857**	**8,877**	**0**	**8,020**	**857**

DEFERRED TAX LIABILITIES In € thousand	Total deferred tax liabilities	of which recognised in OCI	of which recognised in the income statement	of which directly in equity	Total deferred tax liabilities	of which recognised in OCI	of which recognised in the income statement	of which directly in equity
	31.12.2021				31.12.2020			
Intangible assets	569	0	569	0	645	0	645	0
Investments								
Financial instruments	2,021	0	2,021	0	3,027	3,002	25	0
Derivative financial instruments	0	0	0	0	0	0	0	0
Technical provisions	210	0	210	0	137	0	137	0
Other	247	0	247	0	40	0	40	0
	3,047	**0**	**3,047**	**0**	**3,849**	**3,002**	**847**	**0**

Deferred taxes were shown net for the financial year.

Please see section 12.8 with regard to the usability of the deferred taxes.

10.8 Other assets

OTHER ASSETS

In € thousand	31.12.2021	31.12.2020
Operating and office equipment	447	704
Accruals and deferrals	1,119	1,134
Tax prepayments	0	40
Other assets	5	673
Total	**1,571**	**2,551**

10.9 Development of operating and office equipment

DEVELOPMENT OF OPERATING AND OFFICE EQUIPMENT

In € thousand	2021	2020
Gross carrying amount as of 01.01	2,684	2,271
Cumulative deprecation as of 01.01	1,980	1,741
Balance sheet value as of 01.01	**704**	**530**
Additions	29	413
Disposals of gross carrying amounts	-1	0
Depreciation and amortisation	286	239
Disposals of depreciation and amortisation	-1	0
Balance sheet value as of 31.12	**447**	**704**
Cumulative depreciation as of 31.12	2,290	1,980
Gross carrying amount as of 31.12	**2,737**	**2,684**

11 NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

11.1 Equity

Reserve for unrealised gains and losses

RESERVE FOR UNREALISED GAINS AND LOSSES (2021)

In € thousand	01.01.2021	Change	31.12.2021
Investments	5,935	-7,590	-1,654
Deferred taxes	-3,001	3,530	528
	2,934	**-4,060**	**-1,126**

RESERVE FOR UNREALISED GAINS AND LOSSES (2020)

In € thousand	01.01.2020	Change	31.12.2020
Investments	2,649	3,286	5,935
Deferred taxes	-1,953	-1,048	-3,001
	696	**2,238**	**2,934**

For further disclosures, please refer to the development of consolidated equity.

11.2 Technical provisions (gross)

TECHNICAL PROVISIONS (GROSS)

In € thousand	31.12.2021	31.12.2020
Unearned premiums	3,768	3,338
Actuarial provisions	95,918	70,675
Provision for outstanding claims	19,066	14,801
Provision for premium refunds	4,133	1,642
Provision for onerous contracts	0	550
Other technical provisions	158	64
Total	**123,043**	**91,070**

11.2.1 Development of unearned premiums

DEVELOPMENT OF UNEARNED PREMIUMS

In € thousand	31.12.2021	31.12.2020
Unearned premiums in previous year	**3,338**	**2,966**
Additions	3,768	3,338
Reversal/utilisation	-3,338	-2,966
Unearned premiums in financial year	**3,768**	**3,338**

The provision for unearned premiums does not essentially involve future cash flows and we have therefore dispensed with a maturity disclosure.

11.2.2 Development of actuarial provisions

DEVELOPMENT OF ACTUARIAL PROVISIONS

In € thousand	31.12.2021	31.12.2020
Actuarial provisions for previous year	**70,674**	**51,078**
Addition	33,689	21,554
Reversal	10,106	3,132
Interest portion	1,661	1,174
Actuarial provisions for financial year	**95,918**	**70,674**

The interest portion is calculated using the actuarial interest rate from the financial year in relation to the mean value of the actuarial balance sheet provision for the previous year and the financial year.

11.2.3 Development of the provision for outstanding claims

DEVELOPMENT OF THE PROVISION FOR OUTSTANDING CLAIMS

In € thousand	2021	2020
As of 01.01	**14,801**	**13,047**
Claims expenses		
For the financial year	68,477	51,242
For previous years	263	1,402
Total	**68,740**	**52,644**
Less payments		
For the financial year	52,032	39,875
For previous years	12,443	11,015
Total	**64,475**	**50,890**
As of 31.12	**19,066**	**14,801**

The provisions for outstanding claims will normally be used up in the following year. Essentially, the increase was due to the expansion of business and the changes to the way in which the average settlement amounts are calculated.

11.2.4 Other technical provisions

DEVELOPMENT OF THE PROVISION FOR PREMIUM REFUNDS

In € thousand	2021	2020
As of 31.12 of the previous year/01.01 of the financial year	1,642	1,430
Additions	3,252	463
Utilisation	761	251
As of 31.12 of the financial year/previous year	**4,133**	**1,642**

Essentially, the provision for premium refunds will be used up in the next two to three years. Due to the insured risks, payments for claims from earlier periods tend to be low.

OTHER TECHNICAL PROVISIONS

In € thousand	31.12.2021	31.12.2020
Cancellation provision	112	34
Other technical provisions	46	30
Total	**158**	**64**

TECHNICAL PROVISION FOR ONEROUS CONTRACTS

In € thousand	31.12.2021	31.12.2020
Technical provision for onerous contracts	0	550
Total	**0**	**550**

The technical provision for onerous contracts was formed as a precaution in the previous year so as to be able to fulfil obligations towards policyholders over a four-year period from 2020, even if interest rates continue to fall. The examination of the measurement of this provision and the assumptions on which it is based found no indications that a structural failure to achieve the basic actuarial interest rate in accordance with the tariff is to be expected. The company therefore reversed the provision through income.

11.3 Other provisions

DEVELOPMENT OF OTHER PROVISIONS

In € thousand	2021	2020
As of 31.12 of the previous year	**3,448**	**3,373**
Utilisation	3,448	3,185
Reversal	0	188
Addition	2,137	3,448
As of 31.12 of the financial year	**2,137**	**3,448**

The remaining term of other provisions is at most twelve months. Essentially, the provisions contain bonuses of € 703 thousand (previous year: € 400 thousand), outstanding invoices of € 578 thousand (previous year: € 2,403 thousand), € 238 thousand (previous year: € 115 thousand) for the preparation and audit of the annual financial statements and provisions for holiday leave of € 256 thousand (previous year: € 262 thousand).

11.4 Liabilities

LIABILITIES

In € thousand	31.12.2021	31.12.2020
Liabilities from direct insurance business	1,064	1,416
Of which to policyholders	544	454
Of which to insurance brokers	520	962
Deposits retained on ceded reinsurance business	66,353	51,754
Accounts payable from reinsurance business	1,715	6,636
Other liabilities	4,621	5,446
Total	**73,753**	**65,252**

OTHER LIABILITIES

In € thousand	31.12.2021	31.12.2020
Taxes	353	415
Payroll tax	5	26
Trade liabilities	2,854	3,242
Liabilities from the application of IFRS 16	727	1,377
Other	682	386
Total	**4,621**	**5,446**

LIABILITIES

		Remaining terms			
In € thousand	31.12.2021	up to 1 year	1 to 5 years	more than 5 years	31.12.2020
Liabilities from direct insurance business	1,064	1,064	0	0	1,416
Of which to policyholders	544	544	0	0	454
Of which to insurance brokers	520	520	0	0	962
Deposits retained on ceded reinsurance business	66,353	66,353	0	0	51,754
Accounts payable from reinsurance business	1,715	1,715	0	0	6,636
Other liabilities	4,621	4,371	250	0	5,446
Total	**73,753**	**73,503**	**250**	**0**	**65,252**

OTHER LIABILITIES

In € thousand	31.12.2021	Remaining terms: up to 1 year	1 to 5 years	more than 5 years	31.12.2020
Taxes	353	353	0	0	415
Payroll tax	5	5	0	0	26
Trade liabilities	2,854	2,854	0	0	3,242
Liabilities from the application of IFRS 16	727	727	0	0	1,377
Other	682	682	0	0	386
Total	**4,621**	**4,621**	**0**	**0**	**5,446**

MATURITIES OF LEASE LIABILITIES

	2021			2020		
In € thousand	Future minimum lease rates	Interest	Present value of minimum lease rates	Future minimum lease rates	Interest	Present value of minimum lease rates
Less than 1 year	741	14	727	704	10	694
Between 1 and 5 years	0	0	0	704	20	684
More than 5 years	0	0	0	0	0	0
Total	**741**	**14**	**727**	**1,408**	**30**	**1,378**

12 NOTES TO THE CONSOLIDATED INCOME STATEMENT

12.1 Earned premiums

NET EARNED PREMIUMS

In €	2021	2020
Written premiums		
Gross	155,215,423	114,736,817
Share of reinsurers	67,568,635	52,786,925
Net	**87,646,788**	**61,949,892**
Change in unearned premiums		
Gross	-429,566	-372,482
Share of reinsurers	214,227	318,801
Net	**-215,339**	**-53,681**
Net earned premiums	**87,431,449**	**61,896,211**

12.2 Income from capital investments

INCOME FROM CAPITAL INVESTMENTS

In € thousand	2021	2020
Revenue from capital investments		
Current revenue from capital investments	2,888	1,885
Gains from changes in fair value	0	135
Gains from the disposal of capital investments	10,875	2,909
Foreign currency gains	133	0
Total	**13,896**	**4,929**
Expenses for capital investments		
Expenses for the management of capital investments, other expenses	891	575
Losses from changes in fair value	0	55
Losses from the disposal of capital investments	2,094	3,435
Foreign currency losses	74	0
Total	**3,059**	**4,065**
Income from capital investments	**10,837**	**864**

12.3 Other revenue

OTHER REVENUE

In € thousand	2021	2020
Other underwriting revenue	894	251
Other non-underwriting revenue	57	77
Total	**951**	**328**

12.4 Insurance benefits

INSURANCE BENEFITS

In € thousand	2021	2020
Payments for insurance claims		
Gross amount	64,475	50,890
Share of reinsurers	25,257	18,669
Net amount	39,218	32,221
Change in the provision for outstanding claims		
Gross amount	4,265	1,755
Share of reinsurers	1,327	2,820
Net amount	2,938	-1,065
Change in actuarial provisions		
Gross amount	25,244	19,596
Share of reinsurers	11,877	12,214
Net amount	13,367	7,382
Change in other technical provisions		
Gross amount	-456	537
Share of reinsurers	29	-2
Net amount	-485	539
Expenses for premium refunds		
Gross amount	3,252	463
Share of reinsurers	0	0
Net amount	3,252	463
Total	**58,290**	**39,540**

12.5 Claims development

Claims development (claims provisions plus claims payments made (in each case including claims settlement)) for direct damage/accident insurance business:

PROPERTY 2021

GROSS in € thousand	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	1,303,200	2,066,283	3,234,840	6,060,736	11,758,286	14,412,484	11,724,574	9,222,768	2,406,278	2,955,895	3,774,493	5,894,507
2	1,785,097	1,625,641	3,244,183	6,417,169	12,571,908	14,748,998	11,607,532	8,910,821	2,187,818	2,001,782	2,979,510	
3	1,816,195	1,713,158	2,568,250	6,259,299	12,400,656	14,721,159	11,414,515	8,805,652	1,972,263	1,868,931		
4	1,800,128	1,920,747	2,522,659	6,355,112	12,431,976	14,777,473	11,279,378	8,735,920	1,993,364			
5	1,397,156	2,119,935	2,678,135	6,278,786	12,431,363	14,736,006	11,170,985	8,484,246				
6	1,406,534	2,386,331	2,678,718	6,279,341	12,473,441	14,733,879	11,024,375					
7	1,395,791	2,379,763	2,675,674	6,307,965	12,482,093	14,666,192						
8	1,389,839	2,440,052	2,678,021	6,290,219	12,492,962							
9	1,389,932	2,449,307	2,692,520	6,290,386								
10	1,363,826	2,448,122	2,701,673									
11	1,380,401	2,453,535										
12	1,379,441											
Settlement result	**-76,241**	**-387,251**	**533,167**	**-229,650**	**-734,676**	**-253,708**	**700,199**	**738,522**	**412,914**	**1,086,965**	**794,983**	**0**

PROPERTY 2021

NET in € thousand	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	390,274	494,160	2,259,145	4,811,515	8,677,879	7,088,799	5,108,328	3,604,086	2,254,445	2,770,745	2,830,948	4,265,500
2	488,674	443,453	2,215,822	5,088,292	9,143,503	7,406,964	5,268,370	3,641,442	2,053,675	1,852,873	2,119,964	
3	538,340	594,131	1,966,178	4,995,109	9,072,907	7,369,049	5,193,118	3,583,506	1,846,414	1,730,804		
4	596,570	691,645	1,960,761	5,028,103	9,107,952	7,432,170	5,116,768	3,616,169	1,875,455			
5	499,048	739,013	1,998,989	5,000,262	9,103,791	7,413,313	5,053,189	3,472,044				
6	537,412	750,264	1,996,341	5,000,558	9,145,869	7,411,097	4,956,819					
7	528,538	745,441	1,994,679	5,029,182	9,114,928	7,346,316						
8	527,029	752,480	1,997,025	5,011,436	9,099,363							
9	527,059	761,735	2,011,525	5,011,634								
10	523,834	760,549	2,020,677									
11	540,409	765,962										
12	539,449											
Settlement result	**-149,174**	**-271,802**	**238,468**	**-200,118**	**-421,484**	**-257,517**	**151,509**	**132,042**	**378,990**	**1,039,940**	**710,984**	**0**

HEALTH INSURANCE 2021

GROSS in € thousand	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	1,195,517	3,265,014	4,448,117	6,149,290	9,289,456	12,750,009	15,994,251	18,377,836	23,800,708	35,017,349	47,467,962	62,564,223
2	1,501,212	3,611,407	5,006,025	6,313,310	10,509,044	12,313,512	16,060,481	19,250,641	24,488,090	37,415,931	49,089,930	
3	1,508,026	3,649,782	5,099,164	6,487,045	10,167,826	12,550,516	16,226,707	19,328,307	24,702,607	37,297,590		
4	1,513,529	3,761,255	5,114,898	6,466,153	10,222,046	12,618,126	16,282,013	19,420,767	24,762,559			
5	1,569,215	3,765,725	5,121,749	6,500,050	10,254,318	12,625,336	16,301,862	19,440,011				
6	1,573,216	3,765,332	5,122,511	6,503,766	10,259,529	12,627,767	16,327,434					
7	1,572,750	3,768,528	5,122,800	6,503,462	10,260,380	12,630,304						
8	1,572,749	3,768,475	5,122,549	6,505,226	10,260,504							
9	1,573,012	3,768,475	5,122,609	6,505,221								
10	1,572,762	3,768,739	5,122,606									
11	1,572,762	3,768,725										
12	1,572,762											
Settlement result	**-377,245**	**-503,711**	**-674,489**	**-355,931**	**-971,048**	**119,705**	**-333,183**	**-1,062,175**	**-961,852**	**-2,280,241**	**-1,621,968**	**0**

HEALTH INSURANCE 2021

NET in € thousand	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	386,086	1,827,564	2,312,676	3,290,102	6,179,857	7,848,807	9,151,427	10,764,212	13,890,274	25,583,708	27,913,485	37,426,819
2	588,171	2,060,840	2,823,463	3,421,086	7,038,692	7,749,312	9,287,604	11,444,194	15,523,064	26,900,415	29,395,777	
3	594,272	2,074,693	2,877,765	3,516,378	6,882,622	7,828,273	9,356,490	11,500,835	15,695,178	26,888,056		
4	596,926	2,140,595	2,887,822	3,502,338	6,906,740	7,874,304	9,401,668	11,579,974	15,750,335			
5	629,763	2,143,280	2,891,591	3,516,162	6,925,319	7,880,231	9,417,131	11,595,544				
6	632,418	2,143,029	2,892,036	3,518,670	6,928,461	7,882,517	9,430,450					
7	632,104	2,144,872	2,892,205	3,518,486	6,929,002	7,885,057						
8	632,103	2,144,819	2,892,074	3,520,102	6,928,990							
9	632,233	2,144,819	2,892,109	3,520,106								
10	631,983	2,145,077	2,892,107									
11	631,983	2,145,069										
12	631,983											
Settlement result	**-245,898**	**-317,505**	**-579,431**	**-230,005**	**-749,133**	**-36,251**	**-279,023**	**-831,333**	**-1,860,061**	**-1,304,348**	**-1,482,292**	**0**

12.6 Expenses for insurance operations (net)

EXPENSES FOR INSURANCE OPERATIONS (NET)

In € thousand	2021	2020
Acquisition expenses	46,952	42,007
Administrative expenses	16,569	10,913
Share of reinsurers	-25,930	-22,733
Total	**37,591**	**30,187**

The increase is due to the expansion of business operations.

12.7 Other expenses

OTHER EXPENSES

In € thousand	2021	2020
Other underwriting expenses		
Deposit interest for reinsurance	1,122	934
Fire protection tax	19	17
	1,141	**951**
Other non-underwriting expenses	3,004	2,974
Total	**4,145**	**3,925**

12.8 Main components of income tax expense and income

MAIN COMPONENTS OF INCOME TAX EXPENSE AND INCOME

In € thousand	2021	2020
Current taxes		
Reporting year	29	22
Previous year	3	-171
	32	**-149**
Deferred taxes		
Deferred taxes from losses carried forward	-2,508	-2,740
Deferred taxes on the formation or reversal of temporary differences	2,240	-259
Reclassification of deferred taxes from the reserve for unrealised gains and losses	1,108	0
	840	**-2,999**
	872	**-3,148**

Income taxes are comprised of current taxes from corporation tax along with solidarity surcharge and trade tax from each domestic group company. Additionally, changes in deferred tax assets and liabilities are included in this item.

Deutsche Familienversicherung is growing and its gross premiums are increasing by between 25% and 35% per year. Under current law, the sales expenses required for this cannot be capitalised for tax purposes or under the accounting standards applied by Deutsche Familienversicherung – they must be recognised in profit or loss instead. These contract conclusion costs are the prime driver of the company's accumulated tax loss carryforward. At its core, Deutsche Familienversicherung underwrites profitable business. If it were possible to capitalise acquisition costs under IFRS, the

IFRS result would also already be positive. The conclusion costs will come to represent a relatively lower amount in proportion to the premiums earned over the coming years, so the company's planning shows a positive result beginning in 2022. The tax loss carryforward will likely be able to be fully used during the five-year planning period. Deutsche Familienversicherung has confirmed this result by performing sensitivity analyses on alternative planning assumptions, which means that the deferred tax assets are seen as retaining value and deferred tax assets have been formed for the 2021 tax loss.

In the reporting year, deferred taxes of € 1,108 thousand from the reserve for unrealised gains and losses were reclassified as a loss carryforward through the income statement. This was due to taxes originating from 2019 and previous years which, now attributable to other periods, have been reclassified to the current period. Deferred tax expenses/income on differences between the income from capital investments under tax law and under IFRS recognised in profit and loss are generally to be recognised in the income statement. Deferred taxes on differences recognised directly in equity, especially in connection with changes in the fair value of financial instruments held for sale which are posted in 'Other comprehensive income', must be recognised in other comprehensive income. They then accumulate in the reserve for unrealised gains and losses. However, no such differentiation took place in previous years. All deferred taxes relating to capital investments were recognised in other comprehensive income. The error was not in the calculation of deferred taxes, but rather only in the allocation between the income statement and other comprehensive income. It was corrected in the reporting year by recognising the prior-period tax expenses in the income statement and inverse effects in other comprehensive income. The effect on net income is one-off as the error has been corrected going forward. It will have no impact on the total equity or the comprehensive income of Deutsche Familienversicherung for 2021.

12.9 Reconciliation of expected income taxes to reported income taxes

Based on the operating result before income taxes, the following reconciliation of expected income taxes to reported taxes applies:

RECONCILIATION OF EXPECTED INCOME TAXES TO REPORTED INCOME TAXES

In € thousand	2021	2020
Consolidated income	-1,697	-7,434
Income taxes	872	-3,148
Results before income taxes	-825	-10,582
Group tax rate in %	32.00	32.00
Expected income taxes	-264	-3,386
Adjusted for tax effects from		
Reclassification of deferred taxes from the reserve for unrealised gains and losses	1,108	0
Non-deductible expenses	24	234
Income taxes for other accounting periods	3	4
	1,135	**238**
Reported income taxes	871	-3,148
Expected income taxes were determined using the group tax rate of 32% (previous year: 32%). In the reporting year, the average effective group income tax rate amounted to -105.6%, compared to 29.8% in the previous year.		
Effective group income tax rate in %	-105.6%	29.8%

The unexpected tax rate in the income statement is due to the one-off reclassification of deferred taxes described above. The reclassification assigns the deferred taxes arising from investment result differences under IFRS and tax law which are recognised through profit or loss to losses carried forward. Without this reclassification, the tax rate in the income statement would be roughly the same as in the previous year at 28.6%. Due to inverse effects from this reclassification in other comprehensive income, the comprehensive income of Deutsche Familienversicherung has a total tax rate of 31.4%.

12.10 Disclosures under IAS 33 – Earnings per Share

All ordinary shares are bearer shares. No preference shares are outstanding.

The earnings per share reported in the income statement is derived as follows:

DISCLOSURES UNDER IAS 33 – EARNINGS PER SHARE

In € thousand	2021	2020
Net result for the period	**-1,697,077**	**-7,434,202**

	Number of shares	Number of shares
Weighted average number of ordinary shares in circulation during the period		
Existing shareholders	14,587,780	13,261,620
Weighting		
Number of days	360	360
Weighted number	**14,587,780**	**13,261,620**
New shareholders	0	1,326,160
Weighting		
Number of days	0	174
Weighted number	**0**	**640,977**
Total	**14,587,780**	**13,902,597**
EPS in €	-0.12	-0.53

13 OTHER INFORMATION

13.1 Capital management under IFRS 4

Capital structure

As at 31 December 2021, the DFV Group had total equity of € 85.1 million (previous year: € 90.9 million). The equity was comprised of the following components:

The subscribed capital amounts to € 29.2 million (previous year: € 29.2 million). As in the previous year, the capital reserve amounted to € 72.7 million. The loss carried forward amounted to € 15.7 million (previous year: € 14.0 million).

The reserve for unrealised gains and losses where changes in the fair value of financial instruments classified as available for sale, in consideration of deferred tax effects, are recognised directly in equity decreased to € -1.1 million over the course of the reporting year due to capital market factors and the realisation of hidden reserves (previous year: € 2.9 million).

The equity ratio, defined as the ratio of total equity in the amount of € 85.1 million (previous year: € 90.9 million) to the earned premiums (net) in the amount of € 87.4 million (previous year: € 61.9 million), decreased to 97.3% due to the growth in premiums (previous year: 147%). The adjusted return on equity increased to -1.0% (previous year: -12%). It is calculated as the ratio of earnings before income taxes of € -0.8 million (previous year: € -10.6 million) to equity adjusted for the reserve for unrealised gains and losses in the amount of € 86.2 million (previous year: € 87.9 million).

Risk reporting

This report meets the requirements for risk reporting pursuant to IAS 1.134 through 136 (Capital), IFRS 4.38 to 39A (Nature and Extent of Risks Arising from Insurance Contracts) and IFRS 7.31 to 42 (Nature and Extent of Risks Arising from Financial Instruments).

Deutsche Familienversicherung's risk management includes all relevant risk types. This approach is reflected in the present opportunity and risk report. In general, the requirements of IFRS 4 and IFRS 7 are limited to risks resulting from insurance contracts or risks from financial instruments and place these at the centre of reporting.

Deutsche Familienversicherung focuses on an overall approach when using risk management instruments and when assessing the risk situation pursuant to the requirements of the German Insurance Supervision Act (*Versicherungsaufsichtsgesetz* – VAG).

Risk management system

The objective of Deutsche Familienversicherung's risk management is to ensure that the obligations arising from insurance policies – and in this regard in particular solvency and long-term risk-bearing capacity, the creation of sufficient technical provisions, investment in suitable assets, compliance with commercial principles including proper business organisation and compliance with the remaining financial principles of business operations – can be fulfilled on a permanent basis for all business activities.

Risk management comprises all systematic measures to identify, evaluate and control risks. Risks and other negative developments that could have a significant impact on the net assets, financial position and earnings situation are analysed and countermeasures are initiated.

The implemented risk management process establishes rules for the identification, analysis and evaluation, control and monitoring, reporting and communication of risks and for a central early-warning system. Investments are also included in risk management.

The objective of the annual risk inventory is to identify risks and assess their materiality. The subject of the risk inventory is to review and document all individual and cumulative risks. The results of the risk inventory are recorded in the risk profile, with the identified risks being assigned to risk categories.

Following this categorisation, the main risks are shown in this opportunity and risk report and measures to limit them are explained. Risk exposure is generally shown as net numbers, i.e. in consideration of the initiated or planned risk mitigation measures.

The review and assessment of risk-bearing capacity at least once per quarter also includes a review of clearly defined key figures and threshold values. Measures are initiated if a defined index value is exceeded.

The risk-bearing capacity and all material risks are finally assessed by the risk commission on a quarterly basis. The central risk reporting system ensures transparency in reporting. Notifications to the Executive Board are provided for in the event of significant changes in risks. The risk-relevant company information is made available to the responsible supervisory bodies on a regular basis and, if necessary, also on an ad hoc basis.

The effects on the company's risk profile are already analysed and assessed as part of the new-product procedure during product development. The impact of new business segments or the introduction of new insurance products on the overall risk profile has to be assessed.

With regard to capital investments, the performance of the investments is monitored continuously by the relevant department. Moreover, the Executive Board, the Independent Risk Controlling Unit, the responsible actuary and other relevant people are notified of the performance of the investments, including their opportunities and risks, on a weekly basis.

In defined cases in which capital investments have to be hedged, such as an expected significant market decline, a hedging process based on exchange-traded put options is in place to reduce the risks of changing interest rates and falling market prices, with consideration for statutory and regulatory requirements. Where hedges exist, these hedging instruments are controlled and reported on continuously.

Governance structure

Deutsche Familienversicherung's risk management is embedded in the business strategy as an integral component of corporate management. It builds on the risk strategy approved by the Executive Board and is based on the three interlinked functions embedded in the control and monitoring system: operational risk management, risk monitoring and internal audit. The control environment is completed by the Supervisory Board and external auditors.

The guideline for risk management and ORSA (own-risk and solvency assessment) documents the management of risks with comprehensive descriptions of methods, processes and responsibilities. A basic principle of risk organisation and risk management processes is the separation of risk management and risk monitoring.

Operational risk management

Risk management is the operational implementation of the risk strategy in the risk-bearing business segments. The operating segments make decisions to consciously assume or avoid risks. In this context, they have to observe the specified framework conditions and risk limits. The functions of the persons responsible for establishing risk positions are separated from the subordinate areas of risk monitoring under personnel and organisational aspects.

Risk monitoring

Insurance companies must have an effective risk management system that is well integrated into the organisational structure and decision-making processes of the company and that reasonably considers the information needs of persons who actually manage the company or hold key functions through appropriate internal reporting. The risk management system has to include the strategies, processes and internal reporting procedures which are required to identify, assess, monitor and control risks to which the company is or may be exposed and to report these risks in a meaningful manner.

In particular, a risk strategy coordinated with the management of the company which takes the type, scope and complexity of the business conducted and the risks associated with it into consideration is part of the strategies that is to be developed.

Due to the uncertainty of future developments, the insurance business is associated with risks. It is important to take risks in a targeted manner based on the existing ability to bear risks, insofar as the opportunities associated with this allow for the expectation of sufficient added value.

The overall risk of Deutsche Familienversicherung can be divided into the following risk categories:

- Underwriting risks
- Market risks, in particular in connection with investments
- Credit risks, in particular from the default of receivables from insurance business
- Liquidity risks
- Operational risks
- Reputational risks
- Strategic risks

Risk management at Deutsche Familienversicherung aims to identify these risks at an early stage, to monitor them and, ultimately, to manage them in a systematic manner. Active risk management is carried out by the members of the Executive Board and managers. Department heads routinely report to the member of the Executive Board responsible for their department, or the Executive Board as a whole, about the current course of business, including from a risk perspective. In addition, the company's Supervisory Board regularly addresses risk strategy issues at its meetings and is informed by the Executive Board about business development and planning.

The risk strategy of the company also includes the transfer of risk to solvent reinsurance companies with first-class credit ratings by means of pro rata risk assumption and flexibly expandable cover for major losses and natural catastrophes, as well as annually adjusted insurance cover for loss of revenue or business interruptions, business liability, commercial buildings and inventory, and cyber risks.

During the reporting period, Deutsche Familienversicherung also implemented an internal risk and solvency assessment process (ORSA – own-risk and solvency assessment) according to the requirements of Solvency II. While each insurance company applies identical criteria for assessing a risk with the application of the standard formula, and thus determines a Europe-wide comparable solvency capital requirement, individual company assessment criteria are also used in the ORSA procedure and the individual overall solvency requirement is determined based on this. Furthermore, the forecast for the next three to five years runs through certain stress scenarios to ensure a stable solvency of Deutsche Familienversicherung even under considerable pressure.

The Executive Board commissions the performance of an ORSA at least once a year (regular ORSA). If certain criteria established in guidelines by the Executive Board (e.g. the intention to change the company's reinsurance policy or changes on the capital market that exceed established limits) occur, the Executive Board can initiate an additional ORSA at any time. The changes in the procedure, principles, findings and conclusions of ORSA are summarised in an internal report to the Executive Board. The Executive Board determines possible effects on the business strategy and business planning within two weeks after the report is submitted and also decides on any further information to the Supervisory Board and the supervisory authority.

At Deutsche Familienversicherung, the Independent Risk Controlling Unit (IRCU) reports to the Chief Executive Officer (CEO).

The compliance function performs the tasks according to section 29, paragraph 2 of the German Insurance Supervision Act (VAG), which include advising the Executive Board on compliance with the laws and administrative regulations that apply to the operation of the insurance business. Furthermore, the compliance function has to assess the possible effects of changes in the legal environment for the company and identify and assess the risk associated with the violation of legal requirements (compliance risk).

The compliance function informs the Executive Board on a regular basis about compliance issues and prepares an annual compliance report.

Insurance undertakings must have an effective actuarial function (AF). At Deutsche Familienversicherung, the AF has been divided according to the insurance products, by the type of damage insurance on the one hand and by the type of life insurance on the other hand, and allocated externally in each case. Within the framework of a function outsourcing agreement, the AF for the insurance segments by type of loss – in particular supplementary health products by type of loss and personal and property insurance such as pet health, liability, accident, glass breakage and household – was outsourced to Meyerthole Siems Kohlruss Gesellschaft für aktuarielle Beratung mbH, Cologne, where Ms Marion Beiderhase, actuary (DAV), fulfils the responsibility. Within the framework of a function outsourcing agreement, the AF for the insurance segments by type of life insurance – in particular for the supplementary products for non-substitutive health and long-term care by type of life insurance – was outsourced to the actuary (DAV) Dr Berthold Ströter from the actuarial firm Bek Ströter PartG. The outsourcing officer for the AF is the head of the Deutsche Familienversicherung's actuarial department, who has many years of professional experience as a graduate mathematician (FH) in the insurance sector.

Insurance companies are required to have an effective internal audit function that checks the adequacy and effectiveness of the entire business organisation and, in particular, the internal control system.

The Internal Audit department provides independent and objective auditing services and thereby supports management in achieving its objectives by assessing and recommending possible measures to improve the appropriateness and effectiveness of the business organisation, in particular the internal control system, risk management and the management and monitoring processes. To ensure its independence, the Internal Audit department works directly under the CEO of the Executive Board. The Internal Audit department reports to the Executive Board as a whole. Within the scope of their auditing activities, the persons tasked with internal auditing are not subject to any restrictive instructions and have to perform these tasks autonomously and independently.

13.2 Regulatory risk-bearing capacity and underwriting risks

It is the objective of capital management at Deutsche Familienversicherung to ensure risk-bearing capacity at all times to be able to meet all obligations from insurance contracts and to finance future growth largely independently through an appropriate equity strategy. The degree of capitalisation represents the regulatory risk-bearing capacity of Deutsche Familienversicherung as a ratio of eligible own funds to the risks resulting from business activities. The risk-bearing capacity is analysed at least quarterly on the basis of supervisory regulations and under consideration of internal limits.

Deutsche Familienversicherung's own funds are expected to once again exceed the equity under commercial law. The valuation differences are mainly due to the non-recognition of intangible assets and valuation differences in technical provisions (e.g. unearned premiums and claims equalisation provisions).

Regulatory risk-bearing capacity

Regulatory risk-bearing capacity is determined using the standard formula pursuant to Solvency II. Risk capital requirements (SCR: solvency capital requirement) are calculated as the value at risk with a confidence level of 99.5%.

The regulatory risk-bearing capacity of DFV is shown as a ratio of eligible own funds to the risks resulting from business activities. The development of the regulatory risk-bearing capacity is analysed at least quarterly.

In the 2021 financial year, Deutsche Familienversicherung met the statutory minimum solvency requirements pursuant to Solvency II. The solvency ratio is well above the minimum requirements.

Underwriting risks

General information

Currently, Deutsche Familienversicherung operates in Germany and Austria. In this context, the policyholders are exclusively natural persons, with the exception of group insurance contracts. According to the classes of insurance mentioned in section A.1.2., the insured risks are as follows:

- Risks or illness, disability and accidents of natural persons
- Property belonging to persons

Cumulative and major risks

Based on the nature of the conducted business, the portfolio of Deutsche Familienversicherung has no individual major risks whose occurrence could endanger the continued existence of the company. Moreover, the underwritten risks are widely spread geographically and thereby reduce possible risk concentrations.

Even when developing its products, Deutsche Familienversicherung is careful to design offers for a broad customer base so as to preclude cumulative and major risks almost entirely.

Appropriate calculation and underwriting policy

In general, premiums are calculated using accepted actuarial methods and include sufficient safety margins. Based on this, acceptance guidelines are implemented for each insured risk and their compliance is systematically monitored so that the risk of underwriting losses can be limited.

The powers of attorney to enter into legally binding underwriting risks for Deutsche Familienversicherung are only granted to employees who can prove that they have the necessary professional qualification. Before it is written, every underwriting risk is subjected to an appropriate and comprehensive risk assessment.

All segments of insurance offered by Deutsche Familienversicherung include in their terms the right to adjust premiums in case of a permanent change of the calculation basis, which also limits the risk of permanent underwriting losses.

Permanent risk control

The company systematically monitors the economic, social and legal bases of its insurance business. In doing so, it reviews in particular whether the underlying calculation bases for the premium calculation are still applicable and whether insurance conditions need to be adjusted due to changes in the legal framework. If this careful examination reveals the need for adjustments in the calculation or of the terms and conditions, such adjustments will be made promptly within the legally permissible framework.

Measurement of underwriting risks

The measurement of all categories of underwriting risk corresponds to and is integrated in the procedures used when applying the Solvency II requirements. This applies in particular to the calculation of stress scenarios, i.e. extremely unfavourable progressions in the development of business and investments, and their impact on the result and possible negative effect on equity.

For this purpose, the procedure is as follows in line with the inventory of insurance contracts underwritten by the company:

– Management of the underwriting risk health

The underwriting risk health is calculated as a combination of the capital requirements for the subcategories health by type of non-life insurance, health by type of life insurance and catastrophe risk health.

The risk measurement in the subcategory health by type of non-life insurance is generally carried out according to the methods described in the chapters on non-life underwriting risk.

The underwriting risk health at Deutsche Familienversicherung includes accident insurance business as well as health insurance business.

For insurance contracts subject to mortality risk, the risk is shown by a permanent increase in mortality of 15%.

For insurance contracts subject to longevity risk, the risk is shown by a permanent decrease in mortality of 20%.

For the insurance contracts subject to the cancellation risk, the risk is shown for the scenarios cancellation increase at a 50% increase in the cancellation rate, cancellation decrease at a 50% reduction of the cancellation rate and mass cancellation with a cancellation rate at 40% of the contracts.

The measurement of cost risk is based on the stress scenarios of a permanent increase of 10% in the costs taken into consideration in the measurement of the underwriting provisions and an increase by one percentage point in the cost inflation rate.

With regard to the risk of illness, there is a difference between cost reimbursement insurance and income reimbursement insurance.

The risk of illness in income reimbursement insurance is represented by an increase in expected-loss costs by 10%.

The risk of illness in cost reimbursement insurance is represented by a one-off increase in insurance benefits of 5% and an increase in annual medical inflation of one percentage point. Furthermore, insurance benefits are expected to decrease by 5% on a one-time basis and annual medical inflation is expected to decrease by one percentage point.

The disaster risk health is divided into mass accident risk, accident concentration risk and pandemic risk.

The mass accident risk assumes a sudden loss event in which many people are affected simultaneously by an accident.

The accident concentration risk assumes that a very large number of the persons affected by an accident are insured by the insurance company.

The pandemic risk assumes that a large number of people will require health care or disability benefits as a result of a directly spreading pandemic.

– Management of the underwriting risk non-life

The calculation of capital requirements for the premium and reserve risk is based on risk factors and volume measures for all classes of insurance. The risk factors (e.g. the standard deviation as a percentage of the volume measure) describe the danger of the risk. Volume measures for the premium risk is the premium income. The volume measure for the reserve risk is the net claims provisions in the form of the best estimate.

To determine the risk requirement from a catastrophe scenario, we used site-specific and value-specific risk factors in consideration of the probabilities defined in the standard formula.

The solvency requirement for the cancellation risk is determined on the basis of a stress scenario assuming a cancellation of 40% of those insurance contracts for which a cancellation would result in an increase in the best estimate for the premium provision.

– Risk factors

In health insurance, as an essential component of the underwriting risk health, the risk of increased claims exists based on the behaviour of insured persons and service providers.

As part of its property and casualty insurance business, Deutsche Familienversicherung conducts business that covers catastrophes, which are natural disasters, such as earthquakes, storms or floods, and also accidents caused by human intervention. These events are unforeseeable.

In general, there is a risk that particularly large individual loss events take place and also that a particularly large number of loss events occur that are not necessarily large individual loss events. As a result, the actual claim burden from the amount and frequency of claims for one year can significantly exceed the expected burden.

Unfavourable claims experiences would result in an increase in insurance benefits reported in the income statement and could have a negative impact on Deutsche Familienversicherung's result.

The limit values presented here for the stress scenarios performed by us correspond to the stipulations of Solvency II. They are suitable for assessing and quantifying extreme – but unlikely – business developments that could present a burden on equity. In no event did these calculations show a result that even remotely exhausts the company's equity.

Risk-adequate reinsurance

The company concludes reinsurance contracts in order to transfer its assumed risks with the following objectives:

– Avoidance of fluctuations in the underwriting experience
– Limitation of cover amounts for contracts with a high cover commitment
– Reduction of any remaining concentration risks

In this contract, the insurance contracts are long term in nature. Reinsurance contracts are only concluded with companies with the best credit rating.

Product development

When developing new products, the needs for insurance in the target markets of Deutsche Familienversicherung are analysed systematically and in a targeted manner to ensure that the company offers coverage concepts tailored to the needs of the market. It is in particular ensured that the protection offered is clearly structured and can be well understood by the policyholder. This reduces the risk that the provided insurance cover does not meet the expectations and understanding of the policyholder, and the risk of legal disputes and damage to the company's image is kept to a minimum as a result.

Supplementary health insurance

Deutsche Familienversicherung offers insurance cover against financial burdens in the event of illness and the need for care. In this context, the insurance contracts cannot be terminated by the company on a regular basis. However, the premiums of a tariff are adjusted under certain conditions. The company therefore bears the risk of an unfavourable development of insured losses, interest, mortality, cancellation and other expenses only until the respective next premium adjustment.

Probability tables by the Federal Financial Supervisory Authority (BaFin), the Association of Private Health Insurers (PKV) and, if the existence of a tariff provides a sufficient basis for this, the insurer's own tables are used for the calculation of insurance premiums and actuarial provisions (ageing provisions). Furthermore, the calculation takes into account sufficient security surcharges for fluctuations below the thresholds that allow premium adjustments.

If premiums are adjusted, the company reviews all calculation bases and adjusts the premiums appropriately to the existing circumstances at that time. This also applies to the composition of the respective inventories by gender.

A sufficiently high actuarial reserve (ageing provision) was created for the tariffs calculated by type of life insurance (supplementary long-term care insurance, inpatient treatment, daily sickness allowance).

Interest rate risk

Changes in interest rates can include economic and accounting opportunities and risks for the company. An economic interest rate risk primarily exists in the business conducted by the company by type of life insurance, since an implicit actuarial interest rate for the entire life of an insurance contract is used here as the basis for premium calculation. However, it is possible to adjust this actuarial interest rate to the current interest rate and capital market situation, if premium adjustments can be made. Due to the present low-interest phase, this actuarial interest rate for the tariffs of Deutsche Familienversicherung is reasonably low, so that the capital market income of the security assets created for this purpose in conjunction with a cautionary investment is sufficient to generate the established actuarial interest rate. Moreover, the stress scenario calculations performed as part of Solvency II show that none of the calculated scenarios could create an economic situation for the company in which the available equity of the company would be even remotely used up.

Damage and accident insurance

Deutsche Familienversicherung offers insurance cover for property, liability, legal protection, animal and accident insurance. The policyholders of Deutsche Familienversicherung are therefore protected from economic loss or damage to insured property caused by the occurrence of defined risks. The company offers coverage against claims for damages of injured third parties in the form of liability insurance. Accident insurance covers personal injury resulting from accidents.

Each contract entered into by Deutsche Familienversicherung can be terminated with notice at the end of a defined term. The respective policyholder has a right of termination at any time. Under certain conditions, Deutsche Familienversicherung has extraordinary termination rights.

Premium risk – premiums are calculated after a thorough evaluation of the relevant statistical bases according to accepted methods of property insurance mathematics. To this end, sufficient reserves are always part of the calculation; it is therefore unlikely that the risk contributions to cover the losses are insufficient. This counteracts the risk of underpricing. In addition, adjustment rights exist for all tariffs of property and accident insurance if the claims experience exceeds the calculated safety surcharges.

Reservation risk – the reservation risk means that the individual or lump sum provisions are too low for subsequent claims payments. Therefore, Deutsche Familienversicherung uses statistics from our own claims experience in conjunction with actuarial estimation methods to estimate their amount. In addition, we limit the risk by continuously monitoring the reversal of these provisions. The knowledge acquired in this process is reincorporated into the current estimates.

Risks from the default of receivables from insurance business

Receivables from insurance business may exist against our policyholders, brokers and reinsurers.

Risks of capital investments

With regard to capital investments, the performance of the investments is monitored continuously by the relevant department. Moreover, the Executive Board, the Independent Risk Controlling Unit, the responsible actuary and other relevant people are notified of the performance of the investments, including their opportunities and risks, on a weekly basis.

In defined cases in which capital investments have to be hedged, such as an expected significant market decline, a hedging process based on exchange-traded put options is in place to reduce the risks of falling interest and market prices, with consideration for statutory and regulatory requirements. Where hedges exist, these hedging instruments are controlled and reported on continuously.

13.3 Classification of financial instruments

Pursuant to IAS 39, financial instruments are contracts that result in a financial asset for one entity and simultaneously in a financial liability or equity instrument for another entity. Receivables from natural persons – for example from mortgage loans – are also treated as financial instruments.

IFRS 7 requires an entity to allocate its financial instruments to specific classes for the disclosures in the notes to the consolidated financial statements. A distinction has to be made at least between financial instruments measured at amortised acquisition cost or their residual carrying amount and financial instruments measured at fair value. Shares in non-consolidated subsidiaries, joint ventures and associated companies require disclosures regarding their carrying amounts and level information according to IFRS 13.

Cash and cash equivalents with a term of up to three months are reported as a separate class of financial instruments. They are reported at nominal value and are only subject to insignificant fluctuations in value.

Loan commitments also represent a separate class of financial instruments for which the requirements of IFRS 7 have to be met, if applicable.

Further detailed information pursuant to IFRS 7 about risks of financial assets and liabilities and their risk management, sensitivity analyses and capital management of the DFV Group are explained in the opportunity and risk report.

The categorisation can be found on the balance sheet and in the tables below.

13.4 Fair value hierarchy

IFRS 13 defines the fair value as the sales price (i.e. the price that would be received in an ordinary transaction between market participants on the measurement date upon sale of an asset or upon transfer of a liability). All assets and liabilities measured at fair value are assigned to a fair value hierarchy (level) pursuant to IFRS 13. Moreover, level information also has to be disclosed for fair values, which are exclusively presented in the notes. The fair value hierarchy provides for three levels of valuation. The allocation informs which of the reported fair values have occurred through transactions on the market and to what extent the determination was based on observable market-derived data or using valuation models due to a lack of market transactions. On each key date, it is reviewed whether the allocation to the levels of the fair value hierarchy is still appropriate. If changes that require a different allocation have occurred due, for example, to inactive markets, corresponding reclassifications are made between the levels.

Level 1: Prices quoted in active markets on the valuation date for the assets and liabilities to be measured
Level 2: Use of quoted prices other than those defined in Level 1 that are either directly or indirectly observable for the asset or liability
Level 3: Unobservable input factors, if possible the application of a valuation model using unobservable, estimated input factors

Valuation techniques and input factors to determine fair values for assets and liabilities at Levels 2 and 3

The measurement of financial instruments and investments in these levels is mainly based on capital-value-oriented or multiplier methods. Overnight deposits are recognised at their acquisition costs.

ASSETS AND LIABILITIES BY LEVEL (2021)

In € thousand	Level 1	Level 2	Level 3	Total
Shares in subsidiaries, joint ventures and associates	0	0	0	0
Financial instruments available for sale (measured at fair value)	178,863	0	0	178,863
Financial instruments available for sale (measured at acquisition costs)	1,931	0	0	1,931
Financial instruments measured at fair value through profit or loss	0	0	0	0
Total positive market values	**180,794**	**0**	**0**	**180,794**
Shares in subsidiaries, joint ventures and associates	0	0	0	0
Financial instruments available for sale	0	0	0	0
Non-current assets held for sale	0	0	0	0
Total negative market values	**0**	**0**	**0**	**0**

ASSETS AND LIABILITIES BY LEVEL (2020)

In € thousand	Level 1	Level 2	Level 3	Total
Shares in subsidiaries, joint ventures and associates	0	0	0	0
Financial instruments available for sale (measured at fair value)	129,914	400	0	130,314
Financial instruments available for sale (measured at acquisition costs)	0	0	2,250	2,250
Financial instruments measured at fair value through profit or loss	2,503	0	0	2,503
Total positive market values	**132,417**	**400**	**2,250**	**135,067**
Shares in subsidiaries, joint ventures and associates	0	0	0	0
Financial instruments available for sale	0	0	0	0
Non-current assets held for sale	0	0	0	0
Total negative market values	**0**	**0**	**0**	**0**

RECONCILIATION OF FINANCIAL ASSETS CLASSIFIED IN LEVEL 3

In € thousand	Financial instruments available for sale	Total
Carrying amount (fair value) as at 1 January 2020	**0**	**0**
Reclassification (net) to (+)/ from (-) level 3	2,250	2,250
Carrying amount (fair value) as at 1 January 2021	**2,250**	**2,250**
Reclassification (net) to (+)/ from (-) level 3	-2,250	0
Carrying amount (fair value) as at 31 December 2021	**0**	**2,250**
Net gains (losses) for financial instruments held as at the balance sheet date, recognised in the consolidated income statement	0	0

The fair value is equal to acquisition cost for financial investments measured at acquisition cost.

The interest in BCA AG was recognised at level 3 in the previous year. As transactions took place in connection with this interest shortly before the reporting date, its price is observable on active markets, which has resulted in the interest being reclassified from level 3 to level 1.

The following overview shows the changes in the market values of the investments depending on the market interest rates and/or the relevant stock indexes:

INVESTMENT CLASSES	Assumption	Change in market value in € thousand
Fixed-interest securities	Interest increase of 1%	-9,568
Fixed-interest securities	Interest decrease of 1%	+9,568
Shares and investment shares	Price increase of 10%	+5,511
Shares and investment shares	Price decrease of 10%	-5,511

13.4.1 Credit quality of the portfolio

CREDIT QUALITY OF THE PORTFOLIO

In € thousand	2021	Share in %	2020	Share in %
Rating categories of interest-bearing financial instruments available for sale				
AAA	6,726	5.4	14,369	12.9
AA	13,454	10.9	9,100	8.2
A	5,294	4.3	2,850	2.6
BBB	89,921	72.7	62,629	56.4
BB and lower	5,211	4.2	14,365	12.9
No rating	3,150	2.5	7,745	7.0
Total	**123,756**	**100.0**	**111,058**	**100.0**

13.4.2 Credit risk

CREDIT RISK (2021)

In € thousand	Balance sheet value as at 31.12.2021	Of which neither impaired nor overdue as at the balance sheet date	Of which impaired as at the balance sheet date	Of which not impaired and overdue in the following intervals: Less than 30 days	Between 30 and 60 days	Between 60 and 90 days	Between 90 and 180 days	Between 180 and 360 days	More than 360 days
Balance sheet item									
Available for sale	180,794.3	180,794.3							
Financial instruments measured at fair value through profit or loss	0.0	0.0							
Receivables from direct insurance business	2,212.8	987.7	1,225.1						
Accounts receivable from passive reinsurance business	3,729.6	3,729.6							
Other receivables, especially accrued interest	2,264.5	2,264.5							
Total	**186,736.7**	**185,511.6**	**1,225.1**						

CREDIT RISK (2020)

In € thousand	Balance sheet value as at 31.12.2020	Of which neither impaired nor overdue as at the balance sheet date	Of which impaired as at the balance sheet date	Of which not impaired and overdue in the following intervals: Less than 30 days	Between 30 and 60 days	Between 60 and 90 days	Between 90 and 180 days	Between 180 and 360 days	More than 360 days
Balance sheet item									
Available for sale	132,564.7	132,564.7							
Financial instruments measured at fair value through profit or loss	2,502.5	2,502.5							
Receivables from direct insurance business	1,830.5	607.2	1,223.3						
Accounts receivable from reinsurance business	536.3	536.3							
Other receivables, especially accrued interest	1,758.8	1,758.8							
Total	**137,434.0**	**137,969.5**	**1,223.3**						

13.5 Disclosures on the temporary exemption from IFRS 9

The following table shows the financial instruments to be recognised on the assets side of the balance sheet in accordance with IFRS 9 and divides them into a group that meets the cash flow criterion for financial instruments as well as other financial instruments. Besides the financial instruments currently measured at fair value through profit or loss, these include held equity instruments and shares in investment funds which, by their very nature, are unable to meet the cash flow criterion of IFRS 9. The cash flow criterion is met if the contractual terms of the financial instrument result in cash flows consisting exclusively of payments of principal and interest on the outstanding capital on set dates (Solely Payments of Principal and Interest – SPPI test).

DISCLOSURES RELATING TO FAIR VALUES OF FINANCIAL INSTRUMENTS TO WHICH IFRS 9 APPLIES

In € thousand	31 December 2021	31.12.2020
Financial instruments which meet the SPPI criterion		
Financial investments available for sale		
Fixed-interest securities	123,756	108,956
Financial assets measured at acquisition cost		
Receivables	5,994	2,295
Cash and cash equivalents	4,332	37,786
All other financial instruments		
Financial investments available for sale		
Variable-interest securities	57,039	23,608
Financial instruments measured at fair value through profit or loss		
Financial instruments classified as measured at fair value through profit or loss	0	2,503
	191,120	**175,148**

13.6 Disclosures on net income from financial instruments

The following net income was generated from financial instruments in the reporting year:

	Financial investments measured at fair value through profit or loss		Financial investments held for sale		Loans and receivables	
In € thousand	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Gains from changes in fair value	0	135	0	0	0	0
Gains from the disposal of financial instruments	0	0	10,875	2,909	0	0
Foreign currency gains	0	0	133	0	0	0
Expenses for the management of capital investments, other expenses	9	6	882	569	0	0
Impairments	0	0	0	0	150	266
Losses from changes in fair value	0	55	0	0	0	0
Losses from the disposal of financial instruments	225	0	1,869	3,435	0	0
Foreign currency losses	0		74	0	0	0
Total (through profit or loss)	**-234**	**74**	**8,183**	**-1,095**	**-150**	**-266**
Changes in fair value	0	0	-7,590	3,286	0	0
Total (directly in equity)	**0**	**0**	**-7,590**	**3,286**	**0**	**0**

13.7 Interest income and expenses, current income and expenses from financial instruments

INTEREST INCOME AND EXPENSES AND CURRENT INCOME (2021)

In € thousand	Interest income	Current income	Interest expenses
Financial instruments available for sale	1,900	988	0
Loans and receivables	0	0	33

INTEREST INCOME AND EXPENSES AND CURRENT INCOME (2020)

In € thousand	Interest income	Current income	Interest expenses
Financial instruments available for sale	1,737	178	0
Loans and receivables	0	0	32

13.8 Disclosures on leases

DISCLOSURES ON LEASES – DEUTSCHE FAMILIENVERSICHERUNG AS LESSEE

In € thousand	2021	2020
Depreciation amount	715	685
Interest expenses	17	19
Lease payments	**732**	**704**
Non-capitalised assets	564	385
Outgoing payments from leases	**1,296**	**1,089**

In the reporting year, lease payments for rights of use recognised pursuant to IFRS 16 amounted to € 732,000 (previous year: € 703 thousand).

Additionally, other lease expenses in the amount of € 564 thousand (previous year: € 385 thousand) were incurred which did not lead to the capitalisation of a right of use because the value of underlying asset is not clearly attributable to Deutsche Familienversicherung or is too low, or the term of the agreement is less than one year.

13.9 Other financial obligations

There are other financial obligations of € 1,807 thousand (previous year: € 2,893 thousand) due to various IT outsourcing contracts. Of this, € 1,702 thousand (previous year: € 2,630 thousand) is attributable to obligations with terms ending by 31 October 2023. The remaining obligations are due within twelve months.

13.10 Disclosures regarding contingent liabilities

As at the reporting date (31 December 2021), there were no contingent liabilities in addition to the provisions recognised in the consolidated balance sheet that would have to be reported.

13.11 Relations to associated companies and persons (related parties)

Only the companies that are also included in the consolidated financial statements are associated companies.

Related parties include persons in key positions within the DFV Group and their close family members. Members of the Executive Board and the Supervisory Board are regarded as persons in key positions.

There were no economic relationships with this group of people outside of their work.

In the reporting year, the total remuneration of the appointed members of the Executive Board (fixed remuneration, fringe benefits and short-term variable remuneration) was € 1,816 thousand (previous year: € 1,416 thousand). The remuneration of the Supervisory Board (fixed remuneration and ancillary costs) was € 214 thousand (previous year: € 207 thousand).

In accordance with section 289f of the HGB, we refer to the remuneration report which Deutsche Familienversicherung has published on its website.

https://ir.deutsche-familienversicherung.de/websites/dfv/English/2000/publications.html

13.12 Auditor's fee

As at the balance sheet date, the total fee charged by the auditor for services rendered in the financial year amounted to € 210 thousand (previous year: € 122 thousand). It is attributable to audit services exclusively.

13.13 Number of employees

An average of 178 people (previous year: 150) were employed in the reporting year. Of this number, 83 employees are attributable to DFV Deutsche Familienversicherung AG, 43 employees are attributable to DFVV, 49 are attributable to DFVS and three are attributable to DFVR.

13.14 Disclosures on the identity of the company and the consolidated financial statements

The parent company of the DFV Group, DFV Deutsche Familienversicherung AG, has its registered office in Frankfurt am Main, Germany, and is recorded in the Commercial Register at the Local Court (Amtsgericht) of Frankfurt am Main under the number HRB 78012.

13.15 Disclosure

The consolidated financial statements in accordance with IFRS were prepared on 7 March 2021. It will be published in due time in the electronic Federal Gazette (*Bundesanzeiger*).

We have issued the declaration required by section 161 of the German Stock Corporation Act (AktG). Our declaration is available to the public at:

https://ir.deutsche-familienversicherung.de/websites/dfv/English/8000/corporate-governance.html

For the following subsidiaries of DFV Deutsche Familienversicherung AG included in these consolidated financial statements, separate disclosure in accordance with section 264, paragraph 3, sentence 1 of the HGB has been waived:

- DFVS Deutsche Familienversicherung Servicegesellschaft mbH
- DFVV Deutsche Familienversicherung Vertriebsgesellschaft mbH
- DFVR Deutsche Familienversicherung Rechtsschutz-Schadenabwicklungsgesellschaft mbH
- DFV Deutsche Familienversicherung-Krankenversicherung-Vermittlungs-AG

13.16 Events after the reporting date

In the new financial year, as part of an Executive Board reorientation process, the Supervisory Board and the CSO Mr Stephan Schinnenburg agreed that he would step down from the Executive Board of the company from 28 February 2022.

In early 2022, Deutsche Familienversicherung and STTech GmbH, a start-up from the area around the Technical University of Munich, established a joint venture which uses the latest technology to develop software-based automation in the field of claims and benefits settlement. Deutsche Familienversicherung established the joint venture in order to further increase the level of automation, especially in its own claims and benefits settlement processes. Opening up new digital fields of business, such as blockchain-based insurance products, is another important aspect. The joint venture benefits from the two founders' leading expertise in insurance, artificial intelligence, software and IT architecture design, automation and deep learning.

Furthermore, as it plans to sell its interest in BCA AG, Deutsche Familienversicherung has recognised the interest as a capital investment held for sale. The sale will take place in the first quarter of 2022, subject to the approval of all parties involved.

So far, the crisis in Ukraine has led to moderate share price losses, widening spreads of corporate bonds and selected treasury bonds as well as a preference for quality stocks. The risks of shares and selected interest rates have been hedged in parts, so value losses have been reduced significantly. DFV has no direct investments, insurance relationships or other contractual relationships in the crisis-hit region.

There have been no other events of particular significance since the end of the group's financial year that have not been included in either the consolidated income statement or the consolidated balance sheet.

INDEPENDENT AUDITOR'S REPORT

To DFV Deutsche Familienversicherung AG, Frankfurt am Main/Germany

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

Audit Opinions

We have audited the consolidated financial statements of DFV Deutsche Familienversicherung AG, Frankfurt am Main/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2021, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of DFV Deutsche Familienversicherung AG, Frankfurt am Main/Germany, for the financial year from 1 January to 31 December 2021. In accordance with the German legal requirements, we have not audited the content of the "Sustainability report" in section 6 of the group management report nor the combined corporate governance statement in accordance with Sections 289f and 315d German Commercial Code (HGB) in section 7 of the group management report, including the further reporting on corporate governance included therein.

In our opinion, on the basis of the knowledge obtained in the audit,

– the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021, and
– the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the contents of the "Sustainability report" referred to above and of the combined corporate governance statement, including the further reporting on corporate governance included therein, referred to above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Measurement of the provision for outstanding claims from direct insurance business – gross amount
2. Measurement of the actuarial provision from direct business – gross amount

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the consolidated financial statements)
b) auditor's response

Measurement of the provision for outstanding claims from direct insurance business – gross amount

a) An amount of kEUR 19,066 or 6.7% of the balance sheet total (prior year: kEUR 14,801; 5.9% of the balance sheet total) is recognised in the balance sheet under the item "provisions for outstanding claims" – gross amount from direct insurance business pursuant to Section 341g HGB.

Provisions for known outstanding claims are measured individually, provisions for unknown claims are mostly set up using past experience based on accepted actuarial methods. The amount of the provisions is determined by the executive directors making discretionary estimates and is subject to uncertainty. There is a risk that estimates of both the number of claims and the respective amount of the damage are incorrect or inappropriate. Given these estimation uncertainties and on account of the importance of the provision for the consolidated financial statements, we classified the measurement of the provision for outstanding claims from direct insurance business as key audit matter.

Disclosures concerning the provisions for outstanding claims are included in section "Accounting and valuation methods" and in section "Notes to liabilities" of the notes to the consolidated financial statements.

b) Based on the results of the settlement, we analysed the actual development of provisions for outstanding claims posted in the prior year for any indications of provisions measured with insufficient prudence. As part of our audit, we obtained an understanding of the claims processing procedure and of implemented controls. In addition, we examined the design and effectiveness of those controls implemented to ensure that claim provisions are implemented correctly. In conducting our audit, we called in specialists with IT and industry knowledge in order to evaluate the systems relevant for calculating claim provisioning. Among others, we showed that the data underlying the settlement amount calculation is compatible with the relevant evidence. In line with that, we reproduced the proper calculation of the provisions based on the applicable legal rules and examined that measurement policies were applied consistently. On a sample basis, we verified the correctness of the calculation. To the extent that the determination of the settlement amount relies largely on the executive directors' estimation, we additionally reviewed whether the assumptions underlying this estimation can be

Translation – German version prevails

considered acceptable. Furthermore, we examined the appropriateness of the methods and data applied in this context and the reasonableness of the deduced conclusions.

In addition, we analysed the development of claims, claims payments and related expenses and provisions. In this consideration, we also took into account the ratio of insurance expenses to the number of insurance policies and to insurance premiums. In the event that unexpected changes occurred or expected changes did not occur, we requested explanations from the executive directors and evaluated them based on evidence. For individually determined claims, we examined individual cases based on the claims files.

Measurement of the actuarial provision resulting from direct business – gross amount

a) In the consolidated financial statements, a gross amount from direct insurance business of kEUR 91,030 or 32.0% of the balance sheet total (prior year: kEUR 70,675; 28.2%) is recognised under the item "actuarial provisions". In general, the gross actuarial provisions from direct insurance business are calculated as the total of provisions for increasing age (as health insurance pursued on a similar technical basis to that of life insurance) determined on a contract-by-contract basis, with these being mainly composed of collectively bargained provisions for increasing age and the accumulated funds from the direct credit in accordance with Section 150 German Insurance Supervision Act (VAG). Gross actuarial provisions (provisions for increasing age) are calculated in the Company on a contract-by-contract basis and using the prospective method as stipulated under Section 341f HGB, Section 18 German Health Insurance Supervision Regulation (KVAV) and Section 25 (5) Regulation on the Accounting of Insurance Undertakings (RechVersV). Negative provisions for increasing age were offset against positive provisions for increasing age.

Measurement was made based on actuarial methods. We determined the measurement of the gross actuarial provisions to be a key audit matter, since especially the determination of provisions is based on the law and insurance specific regulations of the executive directors and involves a higher risk of accounting misrepresentations. There is a higher risk of errors due to the calculation of actuarial provisions for different insurance rates with different measurement parameters. Particular relevance is attached to assumptions concerning cost rates, interest rates and biometric calculation bases. The assumptions and estimates made by the executive directors about the use and/or adjustment of calculation parameters directly and significantly influence the result in the consolidated financial statements.

The disclosures of the executive directors of the Company concerning gross actuarial provisions are included in section "Accounting and valuation methods" of the notes to the consolidated financial statements. Disclosures about risks are included in the group management report in section "Underwriting opportunities and risks".

b) As part of our audit, we obtained an understanding of material processes for determining gross actuarial provisions and examined the related organisational structure and workflow organisation and their material controls. Furthermore, we evaluated to what extent subjectivity, complexity or other inherent risk factors had an influence on the procedure. Our audit was conducted by involving our actuaries in the audit team. Material assumptions and parameters used (technical measurement bases), methods applied and data used for selected rates were examined by us for reasonableness based on a sample of insurance contracts taken by us. We recalculated the roll-forward of provisions in accordance with Section 150 VAG on a contract-by-contract basis within the scope of our sample and compared the assumptions used for determining the collectively agreed provisions for increasing age with those of the premiums calculation. Our results were compared to the values obtained by the Company. In the event of material valuation differences, we understood the reasons behind it by conducting interviews with the persons in charge at the Company and our actuaries. For the premium adjustments made in the reporting year, we examined on a sample basis for rates calculated according to the technical principles of life insurance whether the independent mathematical trustee of the Company approved the changes made. In the case of changes to the interest rate, we examined whether the used interest rate is in line with the interest rate as determined by the Company in accordance with the regulation on determining the actuarial company interest rate. To ensure correct implementation of the premium adjustment approved by the independent trustee, we reproduced the correct application of the new calculation bases on a case-by-case basis. We also reproduced the determination of funds to limit premium increases from the provision for premium refunds. Starting from net investment income, we reproduced the determination of the direct credit in accordance with Section 150 (1) and (2) VAG by reconciling the corresponding allocation to the actuarial provisions. Overall, we reviewed as part of our audit of the matter whether the methods applied, the assumptions made and the data used by the executive directors can be considered acceptable.

Other Information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises

- the report of the supervisory board,
- the "Sustainability report" in section 6 of the group management report,
- the combined corporate governance statement, including the further reporting on corporate governance included therein, in section 7 of the group management report,
- the executive directors' confirmation regarding the consolidated financial statements and the group management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- all other parts of the annual report,
- but not the consolidated financial statements, not the audited content of the group management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the statement according to Section 161 German Stock Corporation Act (AktG) concerning the German Corporate Governance Code, which is part of the combined corporate governance statement in section 7 of the group management report. Otherwise the executive directors are responsible for the other information.

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

In connection with our audit, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that as a whole provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group’s position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our audit opinions on the consolidated financial statements and on the group management report.

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

Translation – German version prevails

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Group Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the group management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the provided file, which has the SHA-256 value B23B81B9B935C3B6F7AC2987A7F0A566A892FAAB68B9F82B82A37E97F75A9C2F, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the group management report prepared for publication contained in the provided file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the group management report contained in the provided file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (10.2021)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the group management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the provided file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
- evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were selected as group auditor by the supervisory board on 2 July 2021. We were engaged by the supervisory board on 27 July 2021. We have been the group auditor of DFV Deutsche Familienversicherung AG, Frankfurt am Main/Germany, since the financial year 2021.

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

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as with the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Rouven Schmidt.

Munich/Germany, 14 March 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Rouven Schmidt	Josip Krolo
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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SNR 2022138514

BALANCE SHEET OATH

'We assure to the best of our knowledge that – in accordance with the applicable reporting principles – the consolidated financial statements give a true and fair view of the asset, financial and earnings position of the group, and the management report of the group includes a fair review of the development and performance of the business and the position of the group together with a description of the principal opportunities and risks associated with the expected development of the Group.'

Frankfurt am Main, 11 March 2022

DFV Deutsche Familienversicherung AG

Executive Board

Dr Stefan M. Knoll
Chairman of the Executive Board
(CEO)

Dr Karsten Paetzmann
Member of the Executive Board
(CFO)

Marcus Wollny
Member of the Executive Board
(COO)

FINANCIAL CALENDAR 2022

18 May	Quarterly report for Q1 as of 31 March 2022
25 May	Annual General Meeting 2022 in Frankfurt am Main
7 Sep	Quarterly report for Q2 as of 30 June 2022
17 Nov	Quarterly report for Q3 as of 30 September 2022

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DISCLAIMER

This group report also contains forward-looking statements which are based on the current estimates and assumptions by the corporate management of DFV Deutsche Familienversicherung AG. Forward-looking statements are characterised by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by DFV Deutsche Familienversicherung AG and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside the company's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. The company neither plans nor undertakes to update any forward-looking statements.