DFV Deutsche Familienversicherung AG
The digital direct insurer

Group Annual Report 2022

DEUTSCHE
Familienversicherung

ABOUT DFV DEUTSCHE FAMILIENVERSICHERUNG AG

Deutsche Familienversicherung is a publicly listed, high-growth and digitised direct insurer 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.').

www.deutsche-familienversicherung.de

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EXECUTIVE BOARD

Dr Stefan Knoll
Chief Executive Officer
Since 1 April 2007
– Founder –

Dr Karsten Paetzmann
Chief Financial Officer
since 1 February 2021

Marcus Wollny
Chief Information Officer
since 1 August 2018

Dear Shareholders,

As in the previous two years, the 2022 financial year was initially marked by the coronavirus pandemic. We were able to overcome this challenge again in 2022, as we have a digital business model and thoroughly professionally employees. However, something that we could not expect began on 24 February 2022: war in Europe. We very quickly initiated initiatives to identify and evaluate potential effects on the business of Deutsche Familienversicherung and initiate countermeasures. Our scenario analyses also factored in the indirect effects – particularly inflation, interest rate hikes and unprecedented volatility in capital markets. In connection with the central bank conference in Jackson Hole in August 2022, the term ‘Great Volatility’ was even coined to describe this challenge. In fact, there were also significant effects on the continuing growth of the investment portfolio of Deutsche Familienversicherung. We believe that we were able to cope well with this challenge and, above all, we were able to secure the client assets under management.

Nevertheless, as a precautionary measure, the Executive Board decided to reduce expenses overall in 2022 whilst using the time to optimise sales so that the relative sales costs return to the level of 2019 in particular. Based on this, we have derived the primary objective that Deutsche Familienversicherung should return to profitability in the 2022 financial year, which we have also accomplished.

The 2022 financial year was indeed marked by a new start in terms of sales, including personnel. We have optimised our position in relevant online channels and initiated a strengthening of direct sales, which has been reflected in TV advertisements since January 2023, among other things, which further promote our brand awareness. On the product side, we have in particular developed our family product ‘DFV-KombiSchutz’, launched new ‘Surgical Cover’ for dogs and cats and launched an accident campaign. At the same time, we revamped our website. Our products once again received top ratings in 2022, such as from the consumer organisation Stiftung Warentest.

On the process side, continued automation was the main theme of 2022. In pet health insurance, for example, only 5% of claims documents now reach us by post. We are continuing to work tirelessly to fully automate our business processes – from the online policy creation process to fully digitised claims management. Efficiency improvements that benefit our customers in the form of transparent, fast processing have an equal effect here with a further reduction in paper consumption, which helps make sustainable use of resources. Sustainability plays an important role in the activities of Deutsche Familienversicherung. Our second voluntary sustainability report, which is included here, testifies to how our actions are guided not only by the capital interests of shareholders, but also by the following five dimensions: Honest and fair conduct, environment and carbon neutrality, sustainable capital investments, responsible employer and social cohesion.

Deutsche Familienversicherung’s premium income increased to € 184 million in the 2022 financial year, compared to € 155 million in 2021. Growth (net) amounted to a strong 34% in 2022. This was offset by a 12% reduction in operating expenses (Opex), which significantly reduced the cost ratio from 48% in 2021 to 31% in 2022. Essentially, this meant that we were profitable in the 2022 financial year, for the first time since the IPO. Consolidated income before taxes amounted to € 1.7 million in 2022, compared to € –0.8 million in 2021 and € –10.6 million in 2020. Without the active efforts of all employees, this transition from a technology-driven, growth-oriented business model to a performance-oriented organisation would not have been possible in such a short space of time.

The Executive Board would like to thank all employees for their hard work. We really asked a lot of them. The refurbishment of our office building on Reuterweg and the associated move into alternative premises, plenty of home office with the same level of productivity and the integration of new employees have led us to make full use of the option of granting every employee who worked full-time for Deutsche Familienversicherung in 2022 the sum of € 250 per month in 2023, free of social security and income tax, to a total of € 3,000. It is not only our responsibility to contribute to compensating for high inflation – it is also an expression of our gratitude for the work done under difficult conditions.

Nevertheless, we are far from finished and have a lot to do! This is one of the reasons why we expanded the management level of Deutsche Familienversicherung at the beginning of 2023 to include a new management team whose members support the Executive Board, particularly on the process side. At the same time, this is accompanied by a rejuvenation of management, and we are providing an indication of the future development of Deutsche Familienversicherung. We have also strengthened key Group functions by recruiting experienced professionals in areas such as marketing, claims/benefits or finance.

On behalf of the Executive Board and our 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 M. Knoll
Chairman of the Executive Board (CEO)

Frankfurt am Main, March 2023

REPORT OF THE SUPERVISORY BOARD

In the 2022 financial year, the Supervisory Board performed the duties incumbent upon it by law and the Articles of Association. In particular, it continuously monitored the Executive Board in the management of the company and received regular, timely and comprehensive information on the company's business policy, position and development, key financial data and corporate planning by means of written and verbal reports.

The Executive Board informed the Supervisory Board regularly and comprehensively about the entire management team and coordinated the strategic direction and development with the Supervisory Board. 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. The Supervisory Board was directly involved in all decisions that were of fundamental importance to the company. To the extent required by law and the Articles of Association, the Supervisory Board voted on the corresponding proposals of the Executive Board – after thorough examination and consultation.

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

CHANGES IN THE SUPERVISORY BOARD AND EXECUTIVE BOARD

At the end of the Annual General Meeting on 25 May 2022, the previous Chairman of the Supervisory Board, Dr Hans-Werner Rhein, and the Supervisory Board member, Mr Herbert Pfennig, stepped down from the Supervisory Board for personal reasons. On 25 May 2022, the Annual General Meeting elected Carola Theresia Paschola and Axel Hellmann to the Supervisory Board. At the Supervisory Board meeting following the Annual General Meeting, the Supervisory Board elected Ms Paschola as the new Chairwoman of the Supervisory Board.

In the year under review, the Supervisory Board resolved to reappoint the Chairman of the Executive Board for a further three years until 31 March 2026.

The Chief Sales Officer Mr Stephan Schinnenburg stepped down from the Executive Board of the company on 28 February 2022.

TASKS OF THE SUPERVISORY BOARD

In the year under review, the Supervisory Board consisted of five members.

In the reporting year, a total of seven Supervisory Board meetings were held on 4 January 2022, 23 March 2022, 24 May 2022, 25 May 2022, 6 July 2022, 8 August 2022 and 9 November 2022. All members of the Supervisory Board attended the meetings. One member of the Supervisory Board was excused at two meetings on 25 May 2022 and 8 August 2022. With the consent of all Supervisory Board members, the meeting on 4 January 2022 took place as a telephone and video conference within the meaning of Article 14 (6) of the company's Articles of Association. The other meetings were held in person, with one or two Supervisory Board members attending the meetings on 23 March 2022 and 25 May 2022 by telephone and video transmission within the meaning of Article 14 (6) of the company's Articles of Association. Where necessary, the Supervisory Board passed resolutions outside meetings within the meaning of Article 14 (8) of the Articles of Association, usually on topics already discussed at a Supervisory Board meeting.

At all Supervisory Board meetings, the Executive Board reported in detail on current business developments as well as on sales results and current topics. In particular, the Supervisory Board was presented with the portfolio and new business figures as well as premium trends. In addition, the key company figures and developments, particularly with regard to sales, costs and earnings, were discussed at each 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.

In addition, each Supervisory Board meeting discussed developments and progress in the areas of reorganisation of sales and automation through digitisation, as well as in Project 22, which included initiatives in the areas of growth and profitability, customer service, automation, product quality and online communication.

In its meeting on 4 January 2022, the Supervisory Board discussed strategic and personnel-related topics.

In its meeting on 23 March 2022, the Supervisory Board approved the audited annual and consolidated financial statements for the 2021 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 2021 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. The Chairman of the Audit Committee also reported on the audit of the annual and consolidated financial statements by the Audit Committee.

Furthermore, the Supervisory Board approved the remuneration report of the Executive Board and Supervisory Board and dealt with corporate governance (including the annual declaration of compliance with the German Corporate Governance Code and ESG issues), the preparation of the Annual General Meeting (including proposals for the special election of two retired Supervisory Board members, taking into account the general composition and the desired profile of skills and expertise of the Supervisory Board), as well as Project 22 and the Hyrance AG cooperation project.

In the Supervisory Board meeting on 24 May 2022, the Executive Board reported on the financial result for the first quarter and the current business development, as well as the status of implementation of Project 22.

At the Supervisory Board meeting on 25 May 2022, the Supervisory Board elected Ms Carola Theresia Paschola as the new Chairwoman of the Supervisory Board and Mr Luca Pesarini as Deputy Chairman of the Supervisory Board, Dr Ulrich Gauß as Chairman of the Audit Committee and Ms Carola Theresia Paschola and Mr Georg Glatzel as members of the Audit Committee.

In the Supervisory Board meeting on 6 July 2022, the Executive Board discussed the strategy for 2022 and selected operational, product-specific, financial and IT-specific topics with the Supervisory Board, also in light of onboarding measures for the newly elected Supervisory Board members at the Annual General Meeting on 25 May 2022.

At the Supervisory Board meeting on 8 August 2022, the Executive Board presented the semi-annual financial report to the Supervisory Board and reported from the respective departments, including on the restructuring of all communication platforms, the improvement of the combined product and the implementation of an accident campaign.

The Supervisory Board also dealt with a loan for the CEO.

At the Supervisory Board meeting on 9 November 2022, the Executive Board reported on the status of the reorganisation in sales, the status of the implementation of the new accounting standards IFRS 17 and 9, the status of automation and digitisation, current IT topics, the results of the third quarter and the status of current business development. In addition, the Supervisory Board dealt with aspects of Executive Board remuneration, efficiency testing and corporate governance issues (including the self-assessment by Supervisory Board members required under insurance regulations as well as education and further training measures).

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.

COMMITTEE TASKS

With the exception of the Audit Committee, which will be active from 1 January 2022, the Supervisory Board, in consultation with the Executive Board, has refrained from forming specific committees for the 2022 financial year, especially a nomination committee. 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.

In the reporting year, a total of four Audit Committee meetings were held on 19 January 2022, 22 March 2022, 24 May 2022 and 9 November 2022. All members of the Audit Committee attended the meetings. With the consent of all members of the Audit Committee, the meeting of 19 January 2022 took place in the form of a telephone and video conference within the meaning of Article 14 (6) of the Articles of Association of the Company; all other meetings were attended in person.

The Chairman of the Audit Committee in the year under review was Dr Ulrich Gauß (a financial expert in the field of auditing). Until 25 May 2022, the members of the Audit Committee were Dr Hans-Werner Rhein and Mr Herbert Pfennig (a financial expert in the field of accounting). Since 25 May 2022, the members of the Audit Committee have been Ms Carola Theresia Paschola (a financial expert in the field of accounting) and Mr Georg Glatzel.

The Audit Committee regularly dealt in detail with the forthcoming financial statements and the key economic figures in accordance with Solvency II. The Audit Committee addressed and discussed in detail with the Executive Board, the auditors and the responsible actuary the annual and consolidated financial statements for the 2021 financial year (including the non-financial statement integrated into the management and group management report), the audit reports of the consolidated and annual financial statements for 2021, the key audit matters and the report of the responsible actuary. In addition, the Audit Committee examined the quarterly reports for the first and third quarters of 2021 and discussed in detail the semi-annual financial report for 2021 and the results of the review by the auditor.

The Audit Committee also discussed the accounting process and internal controls in the context of financial reporting and addressed and discussed the annual reports for the 2021 financial year and the annual plans for the 2022 financial year with the following key functions: the Internal Audit department, the independent risk management function and Compliance.

The Audit Committee and the Executive Board discussed the effects of the transition to the new accounting standards IFRS 9 and 17 on the company's financial reporting from the 2023 financial year onwards and received several reports on the status of the implementation measures to ensure a proper transition to the new standards.

In addition, the Audit Committee assessed the quality of the auditor's work, made a recommendation to the Supervisory Board on the proposal to the Annual General Meeting for the appointment of the auditor for the 2022 financial year, and addressed the process of awarding contracts for non-audit-related services to the auditor.

The Audit Committee also dealt with the awarding of the audit contracts and the determination of the focal points of the audit to the auditor for the 2022 financial year.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2022

By resolution of 25 May 2022, the Annual General Meeting appointed the auditing company Deloitte GmbH Wirtschaftsprüfungsgesellschaft as the new auditor for the 2022 financial year.

Deloitte GmbH Wirtschaftsprüfungsgesellschaft has audited the annual financial statements 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 2022 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 2022 financial year and the report of the auditor in a timely manner, and thus had sufficient opportunity for acknowledgement and review.

The documents for the annual financial statements and the audit report were also discussed in detail at an Audit Committee meeting on 27 March 2023, and at the Supervisory Board meeting on 28 March 2023. 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. The Chairman of the Audit Committee reported extensively on the audit of the annual and consolidated financial statements at the Supervisory Board meeting. The Supervisory Board examined the annual and consolidated financial statements and the condensed management and group management report, including the non-financial statement integrated into the management and group management report, and did not raise any objections.

The Supervisory Board approved the annual and consolidated financial statements of the company on 28 March 2023. 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 in accordance with section 162 of the German Stock Corporation Act (AktG) and the auditor audited the remuneration report.

The Supervisory Board would like to thank the management and all employees of Deutsche Familienversicherung for their great personal commitment as well as their very dedicated work and successes in the 2022 financial year.

For the Supervisory Board

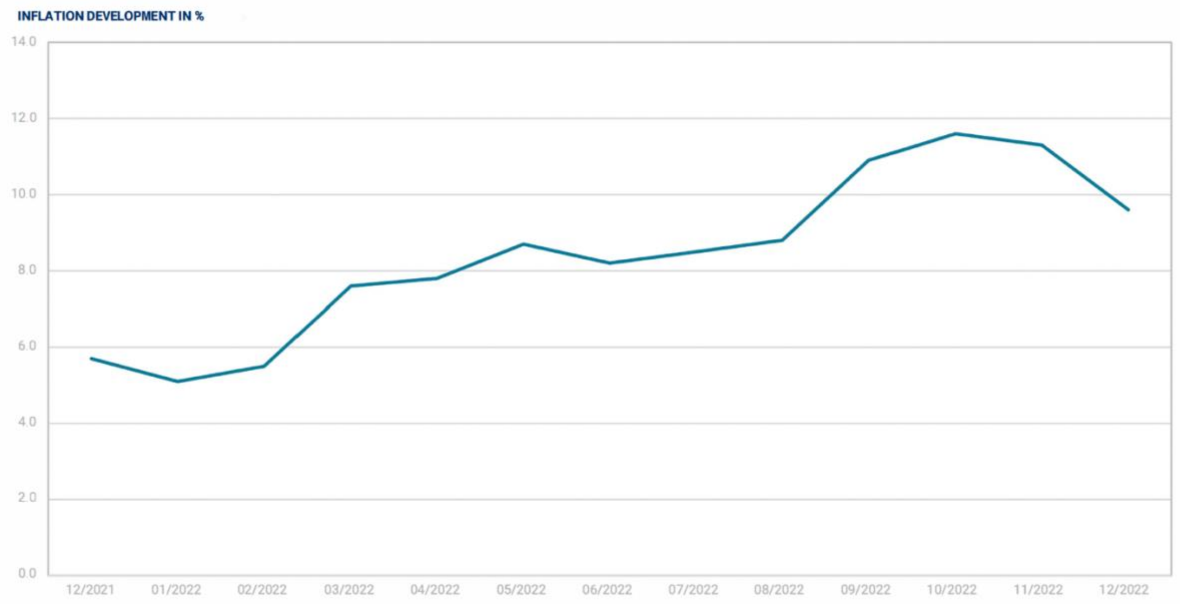
28 March 2023

Carola Theresia Paschola
Chairwoman of the Supervisory Board

GROUP MANAGEMENT REPORT

1 ECONOMIC ENVIRONMENT AND SECTOR DEVELOPMENT

Initially, the economic environment in Germany was briefly characterised by a recovery in 2022, accompanied by the increasingly endemic course of the coronavirus pandemic. The gradual lifting of nationwide coronavirus restrictions over the course of the year led to significant catch-up effects in some sectors. The other services sector in particular experienced a strong recovery. Triggered by Russia's invasion of Ukraine on 24 February 2022 and Western sanctions against Russia, the economy suffered from an energy crisis with sharply rising prices. The inflation rate in the eurozone stood at 9.2% in December 2022 but declined again (source: Eurostat). Despite all the adversities, the economy proved to be robust and the gross domestic product in 2022 was 1.9% higher than in the previous year (source: Destatis). Production costs increased significantly, in particular due to higher energy and producer prices. As a result, industrial goods and then consumer goods became much more expensive. These circumstances culminated in an increase in inflation that was far beyond the adjusted targets of the European Central Bank.



The central banks around the world reacted to the rise in inflation. The ECB increased the key interest rate in several stages to 2.5% by the end of 2022. In addition, several central banks reacted to the inflation trend by discontinuing their purchase programmes. These measures led to positive interest rates on German government bonds for the first time in years; at the end of 2022, the yield on the latest ten-year German government bond was 2.51% (source: Deutsche Bundesbank). At the end of the 2022 financial year, chief insurance economists expected high inflation rates for 2023, despite the recent decline in inflation. The ECB was also expected to announce further key interest rate hikes to up to 2.75% at the end of May 2023. As early as February 2023, the base rate reached 3% (source: GDV).

Performance of the yield on ten-year German government bonds

The German Stock Index (DAX) experienced a mixed performance over the course of the year, but was able to recover some of the losses despite the difficult environment. At the beginning of 2022, the DAX started at 15.947 points and by the end of the year was able to catch up again from its low of 11.975 points to 13.923 points. Overall, however, the DAX ended 2022 with a decline of –12.3%. In this environment, the EURO STOXX 50 Index lost some 9.4% in 2022.

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 ageing of society as a result, particularly in Germany – poses a major problem for social security systems. However, 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 that premium income declined by 0.7% across all segments of the German insurance industry in the 2022 financial year. According to the GDV, damage and accident insurance recorded growth in premiums of 4.0%. The private health insurance segment grew by 3.1% while life insurance and pension funds recorded a decrease in premiums of 6.0% (source: GDV).

German insurers expect premium growth to slow significantly in 2023. Across all segments, the GDV expects nominal growth of 1.9% for the insurance market. On the other hand, growth of up to 3% could be possible if price trends were to calm down and the economy were to stabilise. However, the trends forecast for 2023 will vary depending on the segment. For damage and accident insurance, the GDV expects nominal premium growth in a range of 3.4% to 5.6%, with significant differences between the individual segments. The GDV expects only slight growth in accident, legal expenses and general liability insurance (source: GDV). The GDV did not have any specific 2023 forecasts relating to health insurance – especially supplementary health insurance – which is also relevant to Deutsche Familienversicherung, at the time the report was prepared.

Deutsche Familienversicherung closely monitors both forecast and actual macroeconomic and sector developments on an ongoing basis, as these can bring both risks and opportunities to the market.

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 2022 and key performance indicators

As in the previous year, the 2022 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:

With Russia's military invasion of Ukraine on 24 February 2022, Deutsche Familienversicherung initiated several initiatives with the aim of identifying and evaluating potential effects on its business and initiating countermeasures. This included the analysis of indirect effects including inflation, interest rate hikes and capital market volatility. The greatest impact was in the area of capital investments, for which a targeted de-risking strategy has been implemented.

In view of this heightened uncertainty, the Executive Board decided to further reduce expenses, in particular sales expenses, as a precautionary measure. This was achieved effectively in 2022. Expenses for insurance operations decreased by € 4.6 million, or 12.3%, year on year. At the same time, the time was used to re-focus sales. In particular, the aim was to reduce the relative sales costs. Overall, the 2022 financial year was characterised by a new start in terms of sales, including personnel. The company's position in relevant online channels has been optimised and a strengthening of direct sales has been initiated. This push for direct sales is also reflected externally, in television advertisements for example, which are also intended to help increase brand awareness. On the product side, the family product 'DFV-KombiSchutz' in particular has been enhanced, new 'Surgical Cover' for dogs and cats was launched and an accident campaign was launched. The website has also been revamped.

DFV insurance products again scored top marks in independent product comparisons in 2022. Stiftung Warentest Finanztest rated DFV-HaftpflichtSchutz as 'very good' (0.6). ZahnSchutz Exklusiv 100 in the predominant supplementary dental insurance product was rated 'very good' (0.5), making it the test winner for the seventh time. DFV-AuslandsreiseSchutz also received a rating of 'very good' (0.8).

Deutsche Familienversicherung gained further partners in the 2022 financial year. This includes in particular A1, Austria's leading telecommunications company, with which business is to be expanded in what is currently the only foreign market of Deutsche Familienversicherung. In the 2022 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 63%, the largest share of new business was attributable to online sales channels including direct response television. However, DRTV in particular paved the way for an optimised sales approach in 2022. As mentioned above, Deutsche Familienversicherung has been advertising its own brand products with television advertisements since the start of 2023, meaning that previously used 'secondary brands' will no longer be sold.

On the process side, continued automation was the main theme of 2022. New customers can already register in the digital customer portal of Deutsche Familienversicherung, manage their policies, change their own master data, view documents and submit claims. The functionality and handling of the portal were further improved in 2022. The aim is to digitally map the entire customer journey in as many products as possible. For example, in pet health insurance, only 5% of claims documents were submitted via analogue channels in the fourth quarter. These efficiency improvements provide customers with benefits in the form of transparent, fast processing, but also serve to reduce paper consumption, which helps make sustainable use of resources.

Sustainability played an even larger role in the activities of Deutsche Familienversicherung in 2022. This includes the establishment of a separate Sustainability Board in 2022 to address sustainability issues across the Group. Business activities should not only be guided by the capital interests of the shareholders, but also by the following five dimensions: Honest and fair conduct, environment and carbon neutrality, sustainable capital investments, responsible employer and social cohesion. Details can be found in the voluntary non-financial statement, which is part of this management report in the form of a sustainability report.

In terms of operational activities, it should be noted that the office building on Reuterweg was temporarily vacated in the middle of the 2022 financial year in order to make room for a fundamental refurbishment. In 'emergency quarters', also situated in an attractive location in Frankfurt's Westend district, business operations have been able to continue smoothly since then, albeit under difficult conditions. All employees are to be commended for the high level of commitment and understanding they showed in not only accepting these limitations, but also making the most of them. At the time of writing this report, the situation was still ongoing, but it is expected to end in the course of the 2023 financial year with the relocation to the fully refurbished and newly furnished office building on Reuterweg.

Deutsche Familienversicherung assumed liability as the reinsurer of the CareFlex Chemie (Group) consortium in the 2021 financial year. Primary insurance shares of Barmenia Krankenversicherung AG, Wuppertal, were taken over by way of a reinsurance agreement with retroactive effect from 1 June 2021. Through this active reinsurance business, premium income has increased by another € 18.4 million in 2022 after totalling € 17.7 million in 2021.

In the 2022 financial year, the premium income of Deutsche Familienversicherung increased to € 183.5 million, after having totalled € 155.2 million in 2021. This equates to premium growth of 18.2%, which is far above the market average. For one, as described above, this growth is due to the increase in active reinsurance. In the 2022 financial year, the premium income from supplementary health insurance and damage/accident insurance also increased by 6.1% to € 132.6 million and by 18.0% to € 14.8 million respectively.

Deutsche Familienversicherung closed the 2022 financial year with an annual profit, before taxes, of € 1.7 million (loss before taxes in the previous year: € 0.8 million). The year-on-year improvement is primarily due to lower expenses for insurance operations (€ –4.6 million).

The earnings of Deutsche Familienversicherung are still largely characterised by investment-heavy growth with strong rates of growth in profitable, adequately calculated new business.

2.1.1 Premium development

Gross premiums increased by € 28.3 million or 18.2% from € 155.2 million in 2021 to € 183.5 million in 2022. Besides premium adjustments, the following insurance segments contributed to this positive premium growth.

- The commencement of active reinsurance for parts of the CareFlex Chemie (Group) consortium in 2021 caused gross premiums to grow by a further € 18.4 million in the reporting year.
- Sales success in supplementary dental insurance continued in 2022, causing gross premiums to increase by € 7.2 million.
- 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 € 2.2 million, this area also made a major contribution to the sales successes of Deutsche Familienversicherung in the 2022 financial year.

The existing portfolio of insurance contracts in primary insurance increased by 7,000 (1.2%) from 574,000 at the end of the previous year to 581,000 at the end of 2022. 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 18.0% in 2022 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 10.1% in 2022, compared to 9.1% in the previous year. 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 a 16 Matrix. In 2022, the premium income from pet health insurance rose by 31.3% to € 9.1 million.

The overall volume of business of Deutsche Familienversicherung, measured in current premiums for a year, increased by € 34.9 million in the 2022 financial year (previous year: by € 40.2 million). Of this volume of new business, € 16.6 million was attributable to primary insurance (previous year: € 22.6 million). The total volume of business of Deutsche Familienversicherung was € 187.8 million as at the end of the 2022 financial year, which corresponds to a 16.8% increase over the volume of € 160.8 million at the end of the previous year.

2.1.2 Investments

Existing investments of Deutsche Familienversicherung decreased slightly by € 0.4 million (0.2%) year-on-year from € 180.8 million to € 180.4 million as at the end of the 2022 financial year.

When an optimal strategic asset allocation is selected for guarantee assets, which are protected separately in accordance with the German Insurance Supervision Act (VAG), special attention is 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 2022 financial year, current income from capital investments was € 5.3 million, which represents an increase of 84.8% compared to the 2021 financial year (€ 2.9 million).

However, in the year under review, Deutsche Familienversicherung, like other insurance companies, was very much affected by the general interest rate increase, which led to a reduction in the market value of fixed-interest bonds. Due to reallocations into asset classes with higher credit ratings, some market value losses were realised through disposals of securities. This had a significant impact on the net income from disposals, which at € –2.6 million was significantly worse than in the previous year (€ 8.8 million). In contrast, investment administration expenses remained constant at € 0.9 million (previous year: € 0.9 million).

Overall, at € 2.1 million, the income from capital investments for the 2022 financial year was lower than in the previous year (€ 10.8 million) due to the aforementioned effects. The return recognised in profit, relative to the average of the investment portfolio, was 1.2% in the financial year (previous year: 6.9%).

In the financial year, the reserves for unrealised losses from capital investments, which are recognised in other comprehensive income, increased by € 27.8 million from € –1.7 million at the beginning of the year to € –29.5 million at the end of the year. However, due to investments in the investment portfolio, there was little change in the fair value of the funds on the balance sheet.

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 € 27.6 million or 28.5% from € 96.8 million in the previous year to € 124.4 million in the 2022 financial year. Of this amount, € 52.3 million (previous year: € 25.2 million) can be attributed to the allocation to the actuarial provisions. Gross claims payments increased by € 4.3 million or 6.6% from € 64.5 million in 2021 to € 68.7 million. The (net) loss ratio of Deutsche Familienversicherung increased from 63.0% to 69.8% in the 2022 financial year. The net loss ratio is 68.9%, not taking into account the new active reinsurance business launched in the previous year (previous year: 71.8%).

The gross actuarial provision as at the end of the year increased by € 52.3 million from € 95.9 million in the previous year to € 148.2 million as at 31 December 2022. This includes the actuarial provision for active reinsurance business, which increased from € 4.9 million to € 30.6 million. The provision for profit-related premium refunds in the amount of € 3.6 million (previous year: € 2.8 million) continues to relate mainly to the long-term care segment. The provision for non-profit-related premium refunds was € 1.1 million at the end of 2022 (previous year: € 1.3 million) and relates exclusively to health insurance business by type of life insurance.

Gross provisions for outstanding claims amounted to € 21.9 million as at the balance sheet date (previous year: € 19.1 million).

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 decreased by 12.3% from € 37.6 million to € 33.0 million, while earned premiums increased by 33.9% compared to the previous year. The disproportionately small increase in these expenses is due to the increase in the scope of the active reinsurance business.

The sales expenses – which are directly recognised through profit or loss – have an impact on underwriting income, even though 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 31.1% (previous year: 47.7%) on the basis of net earned premiums.

2.1.5 Other expenses and other revenue

Deutsche Familienversicherung recorded other expenses of € 3.5 million (previous year: € 4.1 million) as well as other revenue of € 0.6 million (previous year: € 1.0 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 € 2.0 million (previous year: € 3.0 million) as well as the interest on deposits of reinsurers in the amount of € 1.4 million (previous year: € 1.1 million). In the reporting year, the other revenue of € 0.6 million (previous year: € 0.8 million) mainly comprised income from active reinsurance, whereas in the previous year, it largely contained premiums from the gross provision for premium refunds.

2.1.6 Total comprehensive income

Deutsche Familienversicherung closed the 2022 financial year with an annual profit before taxes of € 1.7 million (loss before taxes in the previous year: € 0.8 million).

After offsetting taxes, the annual profit came to € 1.0 million (previous year: net loss for the year of € 1.7 million).

Due to unrealised losses in capital investments totalling € 19.0 million (previous year: € –4.1 million), the comprehensive income after tax for 2022 was € –18.0 million (previous year: € –5.8 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.

2.2 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
	2022	2021	In units	In %	2022	2021	In € thousand	In %
Total supplementary health insurance	**466,463**	**458,129**	**8,334**	**1.8**	**132,611**	**124,935**	**7,676**	**6.1**
Health by type of loss	**371,093**	**370,947**	**146**	**0.0**	**89,363**	**82,476**	**6,887**	**8.4**
Supplementary dental insurance	305,701	300,983	4,718	1.6	87,745	80,515	7,230	9.0
Other health insurance by type of loss	65,392	69,964	−4,572	−6.5	1,618	1,961	−343	−17.5
Health by type of life	**95,370**	**87,182**	**8,188**	**9.4**	**43,248**	**42,459**	**789**	**1.9**
Supplementary care insurance	55,278	47,293	7,985	16.9	30,089	30,060	29	0.1
Other health insurance by type of benefit	40,092	39,889	203	0.5	13,159	12,399	760	6.1
Total non-life insurance	**114,675**	**115,852**	**−1,177**	**−1.0**	**14,834**	**12,568**	**2,266**	**18.0**
Pet health insurance	24,792	18,017	6,775	37.6	9,088	6,923	2,165	31.3
Other non-life insurance	89,883	97,835	−7,952	−8.1	5,746	5,645	101	1.8
Subtotal for primary insurance business	**581,138**	**573,981**	**7,157**	**1.2**	**147,445**	**137,503**	**9,942**	**7.2**
Active reinsurance	0	0	0	N/A	36,062	17,712	18,350	103.6
Total	**581,138**	**573,981**	**7,157**	**1.2**	**183,507**	**155,215**	**28,292**	**18.2**

Due to the presentation in thousands of euros, 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 claims reserves.

CLAIMS DEVELOPMENT

Insurance segments	Gross expenses for claims in € thousand		Changes		Net loss ratio in % of the earned premiums		Changes
	2022	2021	In € thousand	In %	2022	2021	in % points
Total supplementary health insurance	**65,535**	**64,177**	**1,358**	**2.1**	**72.8**	**77.3**	**–4.5**
Health by type of loss	**57,133**	**55,470**	**1,663**	**3.0**	**69.2**	**74.8**	**–5.6**
Supplementary dental insurance	56,431	54,718	1,713	3.1	69.7	75.6	–5.9
Other health insurance by type of loss	702	752	–50	–6.6	46.9	39.5	7.4
Health by type of life	**8,402**	**8,707**	**–305**	**–3.5**	**82.5**	**84.5**	**–2.0**
Supplementary care insurance	4,229	4,233	–4	–0.1	86.7	88.9	–2.2
Other health insurance by type of benefit	4,173	4,474	–301	–6.7	76.6	69.9	6.7
Total non-life insurance	**5,859**	**4,546**	**1,313**	**28.9**	**39.9**	**38.1**	**1.8**
Pet health insurance	4,994	3,064	1,930	63.0	67.0	51.0	16.0
Other non-life insurance	865	1,482	–617	–41.6	14.6	29.3	–14.7
Subtotal for primary insurance business	**71,394**	**68,723**	**2,671**	**3.9**	**68.9**	**71.8**	**8.8**
Active reinsurance	**139**	**18**	**121**	**N/A**	**71.8**	**27.7**	**44.1**
Total	**71,533**	**68,741**	**2,792**	**4.1**	**69.8**	**63.0**	**6.8**

Due to the presentation in thousands of euros, rounding differences may occur in the totals.

The net loss ratio in the largest insurance segment, supplemental dental insurance, decreased by 5.9 percentage points in the reporting year. This was due, on the one hand, to the significant increase in net premiums, but also to lower claims payments and a weaker allocation to claims reserves, which were higher in the previous year due to an improvement in the estimation process. 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 decreased by 2.2 percentage points to 86.7%. 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 2022: 31.3%), the net loss ratio rose by 16.0 percentage points year-on-year, ending up at 67.0% in the 2022 financial year. Here, the gross loss ratio was significantly better at 55.0% in 2022; claims payments for pet health insurance also remain within the actuarially expected range.

The overall (net) loss ratio of Deutsche Familienversicherung was 69.8% in the 2022 financial year (previous year: 63.0%). The net loss ratio has decreased to 68.9%, not taking into account the new active reinsurance business launched in the previous year (previous year: 71.8%).

GROSS SETTLEMENT RESULTS BY INSURANCE SEGMENT

Insurance segments	Settlement result in € thousand		Changes	
	2022	2021	In € thousand	In %
Total supplementary health insurance	–1,268	–1,611	343	21.3
Health by type of loss	–506	–990	484	48.9
Health by type of life	–762	–621	–141	–22.7
Total non-life insurance	1,606	1,348	258	19.1
Pet health insurance	449	233	216	92.7
Other non-life insurance	1,157	1,115	42	3.8
Total	**338**	**–263**	**601**	**228.5**

In the 2022 financial year, run-off profit of € 0.3 million was generated (previous year: loss of € 0.3 million). In particular, the loss in the largest insurance class, health by type of property, has almost halved.

As part of the preparation of the financial statements, Deutsche Familienversicherung analyses the run-off results on an annual basis and, if necessary, makes adjustments to its reserve creation methods in order to avoid settlement losses in the future and to allocate the corresponding expenses in the appropriate period.

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 2022 financial year, the asset situation was essentially characterised by the increase in technical provisions. Whereas the capital investments decreased slightly to € 180.4 million over the course of the year, the gross technical provisions increased by 45.4%. 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 54.5% to € 148.2 million. The total gross technical provisions amounted to € 178.9 million at the end of 2022 (previous year: € 123.0 million), standing in contrast to capitalised reinsurers' shares of € 84.8 million (previous year: € 68.1 million).

Intangible assets amounted to € 6.0 million as at the reporting date (previous year: € 7.2 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 2022 financial year, equity decreased from € 85.1 million at the start of the year to € 67.2 million in line with the comprehensive income for 2022 pursuant to IFRS of € –18.0 million, as described above. Consequently, the equity ratio decreased from 30.0% to 19.9% 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 2022 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 a year-on-year increase of € 31.7 million in the cash flow from operating activities. As a result, the operating cash flow in the current year amounted to € 46.3 million (previous year: € 14.6 million). This increase is mainly due to the expansion of the insurance business and distributions from investments.

The cash flow from investing activities amounted to € 39.1 million (previous year: € 47.4 million) and resulted from the purchase of securities for investment.

At € 86.8 million (previous year: € 703.5 million), the cash flow from financing activities results from the injection of capital by non-controlling interests and, conversely, from the repayment of a lease liability.

The total cash and cash equivalents (funds for financing purposes) increased by € 7.2 million from € 4.3 million to € 11.5 million at the end of the 2022 financial year.

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

At € 1.7 million in 2022, the consolidated profit before taxes was far higher than in the previous year (€ –0.8 million), and was therefore higher than the originally expected corridor of € 0–1 million. Earnings development was caused by the following factors:

- The income from capital investments fell to € 2.1 million. In addition, the reserve for unrealised gains and losses before taxes decreased by € 27.8 million.
- At € 180.4 million, the value of the capital investments remained almost completely stable in spite of further additions (previous year: € 180.8 million). The changes in the market values are reflected in the unrealised losses of € 19.0 million.
- Premium income increased by € 28.3 million or 18.2% to € 183.5 million in 2022.
- At € 16.6 million, the volume of new direct insurance business fell short of its target of € 23.1 million. At € 18.4 million, active reinsurance once again made a major contribution to the increase in business volume.
- The total volume of business of Deutsche Familienversicherung, measured in current premiums for a year, was € 187.8 million as at the end of the 2022 financial year, which corresponds to a 16.8% increase over the volume of € 160.8 million at the end of the previous year.
- At 69.8%, the net loss ratio was in line with expectations, although the development of claims in the individual insurance segments varied considerably. The net loss ratio has decreased from 71.8% to 68.9%, not taking into account the new active reinsurance business launched in the previous year.
- 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 annual profit of € 1.0 million for the financial year (previous year: € –1.7 million).

The asset situation of Deutsche Familienversicherung remained stable as a result of the positive course of business. Although equity on the balance sheet decreased by € 17.9 million to € 67.2 million in the 2022 financial year, due in particular to unrealised losses, the regulatory requirements concerning equity were still clearly met in the reporting year. The preliminary solvency ratio was 280% at the end of the financial 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 identification, analysis 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. 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 2022 was still 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. With regard to supplementary health insurance tariffs that are calculated by type of life insurance, the comparison between actual and calculated claims payments is taken into account alongside current benefit trends. These calculations are performed in accordance with the statutory provisions, as is the examination of all other calculation bases. Overall, Deutsche Familienversicherung mitigates the premium and loss risk 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

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
49.6%	59.1%	66.5%	61.5%	57.3%	56.0%	60.6%	63.0%	63.0%	69.8%

The loss ratios shown above also include active reinsurance business since 2021. The net loss ratio of primary insurance business in 2022 was 68.9% (2021: 71.8%).

– 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)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
38.9%	27.3%	33.4%	−1.1%	4.8%	14.0%	24.3%	−3.5%	−0.2%	6.1%

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, 0.0% (previous year: 0.2%) 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 € 2.5 million existed as at the balance sheet date (previous year: € 2.2 million). Receivables from policyholders were revalued by 50.4% as of the balance sheet date (previous year: 51.0%). Receivables totalling € 0.5 million (previous year: € 0.7 million) were up to 90 days old. 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 A– 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:

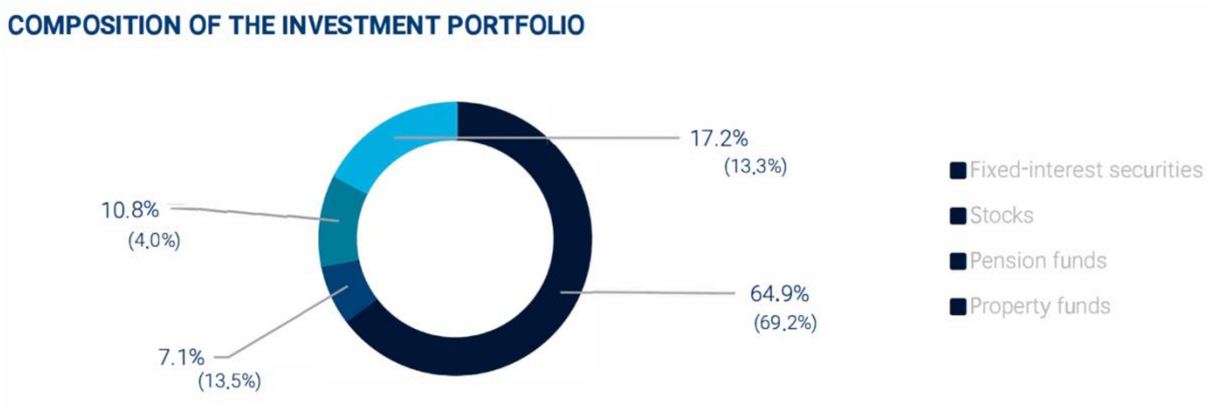
- BNP Paribas Cardif Allgemeine Versicherung, Stuttgart, German branch of BNP Paribas Cardif Assurances Risques Divers – Paris, France;
- Echo Rückversicherungs-AG – Zurich, Switzerland;
- E+S Rückversicherung AG – Hanover, Germany;
- HanseMerkur Reiseversicherung AG – Hamburg, Germany;
- Munich Re of 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 of the investment portfolio of Deutsche Familienversicherung as of 31 December 2022 (values as of 31 December 2021 are in brackets).



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 is exposed to such currency risks and opportunities because its capital investments have become more diversified and internationalised through its professional 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
Counterparty default and concentration risks 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 2022, the market value of the investment portfolio was € 180.4 million (previous year: € 180.8

million), which were 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. These investment guidelines must be checked ex-ante by the fund manager and ex-post by the asset management company before entering into an investment transaction. The total 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 weekly 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%	−5,235
HI DFV Master Fund	Fixed-interest securities	Interest decrease of 1%	+5,917
HI DFV Master Fund	Stocks	Price increase of 10%	+780
HI DFV Master Fund	Stocks	Price decrease of 10%	−780
HI DFV Master II Fund	Fixed-interest securities	Interest increase of 1%	−3,318
HI DFV Master II Fund	Fixed-interest securities	Interest decrease of 1%	+3,793
HI DFV Master II Fund	Stocks	Price increase of 10%	+501
HI DFV Master II Fund	Stocks	Price decrease of 10%	−501

The calculation of the interest rate risk is based on the full valuation method. The calculation is carried out without derivatives, as the corresponding instruments are not in the portfolio as of the reporting date.

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 and futures 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.

As part of an 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, taking into account the report on events after the reporting date. 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 2022

At € 35 million, the volume of new business (current premiums for one year) reached its target of around € 35–40 million in 2022. Primary insurance and active reinsurance, which was started in 2021, contributed to this in almost equal measure, with € 17 million and € 18 million respectively. Due to the continued growth of the primary insurance portfolio and the commencement of its active reinsurance business, the gross premiums of Deutsche Familienversicherung increased by € 28.3 million from € 155.2 million in the 2021 financial year to € 183.5 million in the 2022 financial year.

With actual consolidated income before tax of € 1.7 million, Deutsche Familienversicherung has surpassed its original earnings forecast of € 0–1 million for 2022, despite the ongoing coronavirus pandemic and the uncertainties resulting from the war in Ukraine that began at the end of February 2022.

Exceeding earnings expectations is primarily the result of cost-cutting measures and increased cost discipline, which led to a reduction in the cost ratio from 48% in 2021 to 31% in 2022. The significant reduction in the cost ratio was achieved in spite of one-off expenses arising in connection with the restructuring of human resources in the sales department and the introduction of IFRS 17/9. This improvement in the cost structure more than compensated for a significant decline in the income from capital investments, which amounted to € 2.1 million in 2022 (previous year: € 10.8 million). This shows that Deutsche Familienversicherung has optimised its operative business processes and made them resilient in order to also cope with the challenge of crises that arise, triggered here by an unexpected war in Europe.

When preparing the forecast for the 2022 financial year, it was not foreseeable that the cost-cutting measures introduced in 2021 would already have an impact in 2022, nor was it apparent that the investments would enter highly volatile territory from the end of February 2022.

5 OUTLOOK 2023

5.1 Macroeconomic and industry-specific framework conditions

In January 2023, the German government forecast GDP growth for the German economy of 0.2% for 2022.

After German insurers' premium income fell by 0.7% across all segments to € 224 billion in 2022, the German Insurance Association (GDV) forecast premium growth of 3% for the 2023 financial year.

5.2 Company forecast

Deutsche Familienversicherung plans to continue its portfolio growth in all areas of primary insurance in the 2023 financial year. The focus will be on profitable sales channels and profitable products with high growth potential. A new business volume of around € 15 million is to be realised. There are no explicit plans for further growth in active reinsurance for the time being. With the planned volume of new business in primary insurance, which is slightly lower than in 2022, the acquisition of profitable business is set to be even more selective. On the basis of measures initiated or already implemented, Deutsche Familienversicherung aims to continuously increase its policy portfolio and portfolio volume in 2023, and at the same time actively manage conclusion costs and cancellations.

The new accounting standards IFRS 17 (Insurance Contracts) and IFRS 9 (Financial Instruments) for listed insurance companies entered into force on 1 January 2023. The implementation projects set up at the beginning of 2022 should be completed in time for the preparation of the consolidated report for 2023. On the one hand, the associated one-off expenses will once again have a negative impact on consolidated income in 2023. On the other hand, the application of the new standards for the first time will make the earnings forecast for 2023 considerably more difficult. At the time of preparation of this report, it is not yet clear how the earnings situation in the consolidated financial statements of Deutsche Familienversicherung will change as a result of the first-time application. However, it is not expected that the consolidated income will be worse as a result of IFRS 17 than under IFRS 4. With regard to IFRS 9, the income from capital investments can be expected to be more volatile compared to accounting under IAS 39, depending on the development of the capital market. For further details, please see the notes to the consolidated financial statements.

Provided that the uncertain financial, political, and economic conditions described above do not lead to any extraordinary negative influences on its net income, Deutsche Familienversicherung expects positive consolidated income in 2023 with an earnings forecast of € 1–2 million before taxes.

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 second non-financial statement about environmental, employee and social issues, human rights and the prevention of corruption and bribery. Provided that no conclusive, mandatory European Sustainability Standards (ESRS) apply, the sustainability reporting of Deutsche Familienversicherung 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 German Commercial Code (HGB) in conjunction with sections 289c to 289e of the German Commercial Code (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 regulations of the European Corporate Sustainability Reporting Directive (2022/2464) of 14 December 2022, which extend the scope of application of the non-financial statement described in section 289b, paragraph 1 of the HGB. The Directive came into force 20 days after its publication; it must be transposed into national law by 6 July 2024. In accordance with the guidelines, Deutsche Familienversicherung will fall within the scope of application from the 2025 financial year. Article 8 of the Taxonomy Regulation (EU Regulation 2020/852 of 18 June 2020) has been applied and the information referred to therein has been published in the report.

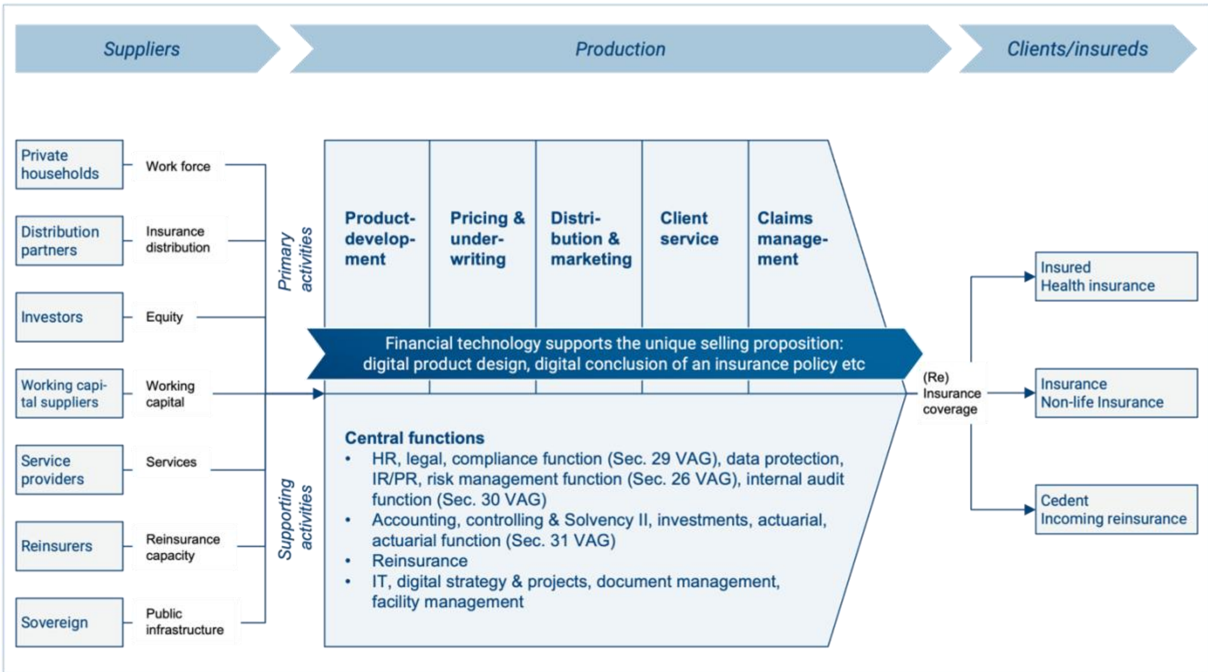
This reporting also refers to the German Corporate Governance Code (DCGK) as amended on 28 April 2022, which recommends that sustainability reporting and auditing should also be included in the reporting and auditing of financial statements (Recommendation D.3). In our understanding, this recommendation applies irrespective of any (pre-existing) legal obligation to report on sustainability, as the Government Commission emphasises in its explanatory statement on the adopted amendments that corporate governance should be based on a pluralistic concept of objectives that is not developed solely on the basis of the principal-agent approach. Principle 6 of the Code also clarifies that monitoring and advising the Supervisory Board also includes sustainability issues in particular. 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 2022 financial year, i.e. from 1 January 2022 to 31 December 2022. The Taxonomy-aligned figures relating to capital investments refer to the total investment assets as at 31 December 2022. 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 that includes the option to take out policies digitally. 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. 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, consisting of accident, household and glass breakage, personal liability and motor legal protection insurance. In 2022, we launched the new, attractively priced 'Surgical Cover' pet health insurance and the on-demand accident insurance 'DFV Snap', which offers 24-hour insurance cover via an app.

The strategy of Deutsche Familienversicherung is based on continued, strong growth as well as on continuous product innovations and even more progressive digitisation. The entry into the Austrian market in 2021 was a first step towards internationalisation in other European markets. GRI 102-6 In the 2022 financial year, Deutsche Familienversicherung launched several initiatives to further increase process automation along the entire value chain. GRI 102-10

In claims and benefit processing, automation requires relevant information to be available in digitised form. For this reason, digitised claim submission by the customer is already one of the bases for fully automated claims management right through to reimbursement. Deutsche Familienversicherung will pursue this digitisation path, illustrated below using the example of document receipt as part of the settlement of a pet insurance claim (source: DFV claims management), on a continuous basis. Efficiency improvements in business processes that benefit our customers in the form of transparent, fast processing have an equal effect here with a further reduction in paper consumption, which helps make sustainable use of resources.

The Executive Board is committed to ensuring the continued existence and development of Deutsche Familienversicherung and its sustainable value creation in accordance with the principles set out in the Foreword of the Code as amended on 28 April 2022, in accordance with the principles of the social market economy and taking into account the interests of shareholders, employees and other groups associated with the company (stakeholders). Sustainable corporate governance is of immense importance to Deutsche Familienversicherung. This commitment is also in line with the pursuit of climate protection, as formulated for the entire insurance industry in the paper 'Sustainability Positioning' published by the German Insurance Association (GDV) on 19 January 2023. 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

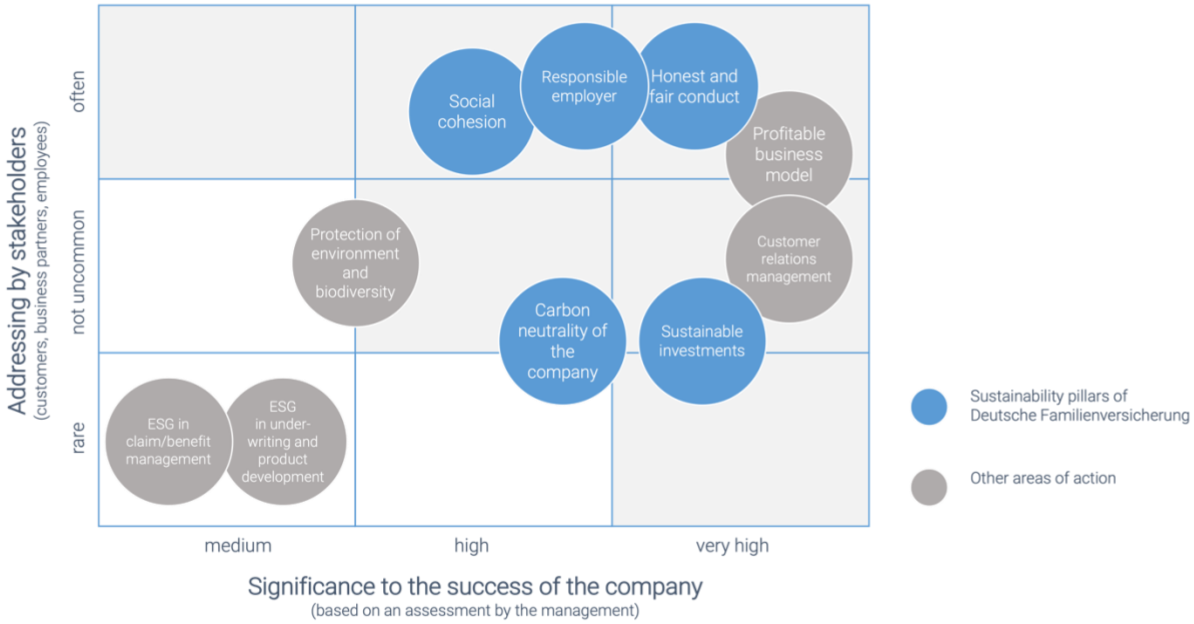
6.2.2 Materiality analysis

In the fourth quarter of 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', as also set out in the ESRS 1 General Principles, 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 Party donations	103-1 203-2 413-1 415-1

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 has taken it upon itself to make a strong contribution to this by means of its own product portfolio.

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 fight global warming. 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. In addition, a separate sustainability committee (Sustainability Board) was set up for capital investments in 2022 to deal with 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 and trade secrets, compliance procedures and consequences of breaches of compliance. This code of conduct is also updated continuously, most recently in July 2022.

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 meant that due to the overall responsibility of the Executive Board of Deutsche Familienversicherung, the formulation and adoption of an initial sustainability strategy were a component of its variable remuneration in 2021. 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 162, paragraph 1, sentence 1 of the AktG, the total remuneration of the Supervisory Board and Executive Board has been presented in the remuneration report since 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.

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 June 2022, 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 seventh time in a row with a score of 'very good' (0.5).

Another test winner at Stiftung Warentest was our DFV-HaftpflichtSchutz in September 2022, which won the test with 363 family tariffs with private liability cover.

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 compensate for CO_2 emissions, carried out for the first time in 2021 and again in 2022, and described in more detail below, aims to support regional forestry – this too contributes to the protection and restoration of habitats. In this context, Deutsche Familienversicherung is working with Greenkeeper GmbH in Munich in 2022, a company focused on the common good that is, among other things, a member of the 1% for the Planet® Club. GRI 304-3b

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.

Monitoring of Scope 3 emissions under the GHG Protocol

Finally, other indirect greenhouse gas emissions (Scope 3) encompass company activities resulting from the use of products and services, including mobility. According to the GHG Protocol Scope 3 Standard (Corporate Value Chain Accounting and Reporting Standard), the GHG Protocol has 15 categories of Scope 3 emissions. We have examined the relevance of all 15 categories in this standard and consider five of them to be of relevance to Deutsche Familienversicherung. As part of at least annual monitoring, we measure the emissions of four of these relevant categories (*Purchased goods and services*, *Waste generated in operations*, *Employee commuting* and *Investments*).

At Deutsche Familienversicherung, the majority of Scope 3 emissions are attributable to the *Investments* category. Employee commuting was largely negated by the pandemic in 2020, 2021 and 2022. However, even before the emergence of COVID-19, all employees were entitled to claim a free job ticket for public transport. GRI 305-5

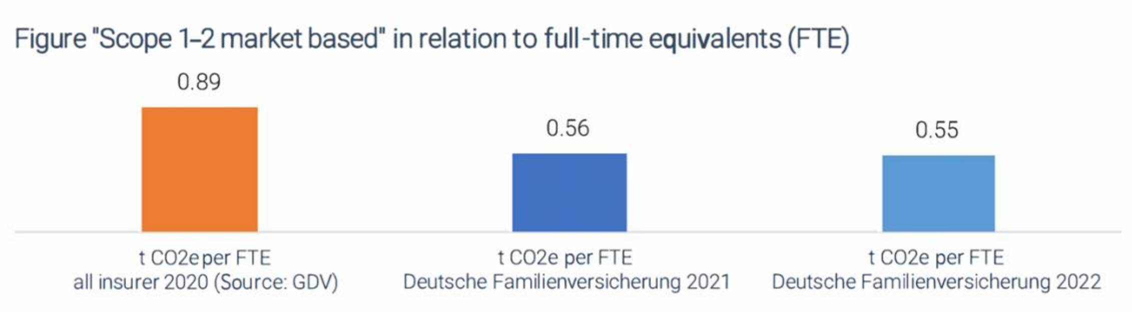
The offsetting of Scope 1 and 2 emissions has been re-implemented in 2022

Early on, we set ourselves the goal of offsetting all Scope 1 and 2 CO_2 emissions by means of carbon credits 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. In 2022, Deutsche Familienversicherung once again calculated the total emissions, which (before taking into account a reserve) amounted to a total of 100,367 tonnes of CO_2 equivalents (t CO_2e). The following table shows a breakdown of the total emissions 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 calculation of the total emissions (carbon footprint) was carried out with the help of Eco Cockpit, a methodology offered by Landesenergieagentur Hessen on behalf of the Hessian Ministry of Economics, Energy, Transport and Housing. The consumption values from the previous year have been used as a basis because the values for 2022 were unavailable when the report was completed.

Category	Item	CO_2 equivalents
Basic data	Heating	42.009 t CO_2e
	Electricity consumption	0.000 t CO_2e
	Water consumption	0.092 t CO_2e
	Waste disposal	45.875 t CO_2e
Local mobility	Vehicle fleet	0.00 t CO_2e
Purchased goods	Paper	12.391 t CO_2e
Total emissions		100.367 t CO_2e
Certified emission reductions to offset emissions		–106.000 t CO_2e
Net total emissions after offsetting		~ 0.000 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 2022, in order to accomplish carbon neutrality immediately, Deutsche Familienversicherung purchased certified emission reductions in connection with regional German forests to fully offset the actual emissions.

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 neutral (Scope 1 and Scope 2) in 2021. At 0.55 t CO_2 in 2022, the CO_2 emissions per full-time employee at Deutsche Familienversicherung were 39% (37% in 2021) 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). In 2021, on the other hand, the industry average for German insurers with regard to this indicator rose again slightly to 0.90 t CO_2 (source: GDV, 2022 sustainability report, p. 23).



Specific CO_2-related targets for the 2023 financial year relate to:

- reducing paper consumption in incoming and outgoing mail to 10% of 2022 levels;
- limiting the room temperature in the office to 19 °C in winter (heating) or 23 °C in summer (cooling);
- the non-reimbursement of expense reports relating to meals using energy-intensive meat production and delivery (e.g. Argentinian steak houses).

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 accounted for through an explicit requirement in the investment guidelines, and are kept on a negative list by asset managers and investment management firms. 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. This is checked critically initially and then regularly. Failure to take the sustainability criteria into account will result in the exclusion of the product initiator.

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 by distinguished market participants.

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 methods are therefore used on the basis of investments that are not classified as cash or cash equivalents:

a. Exclusion of government bonds;

b. Exclusion of other cash items from the target fund review;

c. Result: Adjusted basis of capital investments;

d. Inclusion of investments in real estate and infrastructure (calculation of share);

e. Inclusion of green bonds in funds and target funds (calculation of share);

f. Exclusion of other instruments (non-NFRD, calculation of share);

g. Exclusion of derivatives (if applicable).

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 2022 (source: Helaba Invest; look-through of ETF share and bond positions with Bloomberg and of property funds with eReporting). Furthermore, reported KPIs were taken from the companies’ annual and sustainability reports in order to determine the proportion of ‘Taxonomy eligibility’ per individual company. The remainder were categorised as ‘Taxonomy non-eligible investments’. Instruments with no available reports and missing KPIs relating to Taxonomy eligibility have been compiled in the category ‘Investments in companies that are not obliged to publish a non-financial statement’. Following the notice published by the European Commission on 6 October 2022 (2022/C 385/01), the data used were examined and no issues were identified.

Taxonomy-aligned figures relating to capital investments	Fair value as at 31.12.2022 (in € thousand)	Proportion of the total investment	Notes
Total investments as at 31.12.2022	180,386	100.0%	Total investments including liquidity items
Government bonds and bonds from state-affiliated companies	66,016	36.6%	Proportion of exposures (states, state-affiliated and supranational issuers) not included in the numerator and the denominator in the total investments, including government bonds with social/sustainable bond status
Other Taxonomy-irrelevant capital investments	644	0.4%	Cash holdings in ETFs;
Adjusted basis of investments	113,726		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	37,000	32.5%	Proportion of exposures from Taxonomy-eligible economic activities in the adjusted capital investments; concerns property funds
Of which: Investments in green bonds	17,581	15.5%	Proportion of items in green bonds
Of which: Taxonomy non-eligible investments	8,733	7.7%	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	50,411	44.3%	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 the 2022 financial year, the proportion of Taxonomy-eligible investments increased from 23.0% (31.12.2021) to 32.5% (31.12.2022). This rises to 48.0% when green bonds are taken into consideration. Additional qualitative screening was carried out on a voluntary basis in 2021. Last year's calculated proportion of Taxonomy-eligible investments of 46.2% almost matches the proportion of 48.0%. As the calculation of Taxonomy-eligible investments using current methods is largely consistent with the previously voluntary procedure, the additional voluntary disclosures have been omitted.

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. Finally, we lifted the coronavirus regulations in May 2022, but at the same time pointed out that if in doubt, masks must be worn and social distancing and hygiene rules must be observed. This was all 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

Education as an investment in the future

In line with SDG 4 – Quality education, Deutsche Familienversicherung regards the qualification and further development of its employees as an important objective. Knowledge and education are particularly important for a company characterised by digital business processes and innovation. In this context, we supported the following training and development measures in 2022:

With the aim of developing junior executives at an early stage, Deutsche Familienversicherung once again formed a junior management group in the 2022 financial year. In a series of training sessions, lectures and discussions with managers, employees were prepared for the demands of future management responsibilities. Deutsche Familienversicherung also continuously employs interns and working students in order to contribute to the qualification and further development of young people. As of 31 December 2022, six working students and one intern were employed by Deutsche Familienversicherung.

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. In the 2022 financial year, the management of the supreme governing body of Deutsche Familienversicherung was handed over to a woman as Chairwoman of the Supervisory Board for the first time. GRI 405–1 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. One incident of discrimination was reported in the 2022 financial year, resulting in immediate action.
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 180 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.

We also show solidarity with the many refugees from Ukraine, which is why we supported the refugee work of Saint Peter's Church in Hamburg with a financial donation in 2022. In the 2022 financial year, we also donated a sum to the Frankfurt am Main Regional Association of the Christian Democratic Union of Germany. GRI 415-1

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. GRI 203-2

'Frankfurt – Next Generation' by the Polytechnic Foundation

Because that's not enough for us, we are supporting the planned conference 'Frankfurt Next Generation – We Design and Shape Our Future' organised by the Polytechnic Foundation of Frankfurt am Main. Its aim is to develop a vision of what a sustainable socio-ecological city of Frankfurt might look like, which resolves conflicting goals between the fields of social, economic and ecological issues. As part of a participatory process, 'Frankfurt – Next Generation' should also

a. create a 'spirit of optimism' through democratic debate in urban society and a willingness to commit to a transformation towards sustainability;

b. develop a vision for the 'Next Generation' of Frankfurt that can resolve the conflicting objectives of the economic, ecological and social sectors and dynamically develop them further;

c. define implementation activities for the civil society stakeholder groups and the magistrate;

d. contribute to a continuous and coherent transformation of urban society.

For Deutsche Familienversicherung, supporting the 'Frankfurt – Next Generation' process means that it can work together with other groups of civil society stakeholders to promote social cohesion at the company's headquarters. For Deutsche Familienversicherung, this naturally also includes – *nomen est omen* – families that play a central role in the social fabric of our society. 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 2022 financial year, the Executive Board of Deutsche Familienversicherung consisted of three members from March 2022 onwards (previously four). 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 2022 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).

The auditor was appointed by the AGM and the Supervisory Board subsequently instructed the auditor to carry out the audit. Through the Audit Committee, the Supervisory Board monitors the audit of the financial statements, including the independence, qualification, rotation and efficiency of the audit.

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 2023, 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 28 April 2022) with the following exceptions:

Recommendation A.8
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, sentence 2

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.

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.4

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 2023

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 were mainly grouped as follows in 2022:

- Human Resources, Legal and Compliance (key function), Corporate Communications, Independent Risk Control Unit (key function), Internal Audit* (key function), Sales and Marketing, Product Development (Dr Knoll)
- Accounting, Controlling, Solvency II, Capital Investments, Actuarial Services, Actuarial Mathematics (key function)*, Reinsurance (Dr Paetzmann)
- Claim/Payment, IT, IT Security, Digital Transformation, Operations (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 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 2022 financial year are described in more detail in the report of the Supervisory Board.

Since the 2022 financial year, the Supervisory Board has had an Audit Committee pursuant to section 107, paragraph 4 of the AktG chaired by Dr Ulrich Gauß (Chairman of the Audit Committee and financial expert in the area of auditing financial statements within the meaning of section 100, paragraph 5 of the AktG). The members of the Audit Committee have been Ms Carola Theresia Paschola (financial expert in the field of accounting within the meaning of section 100, paragraph 5 of the AktG) and Mr Georg Glatzel (previously Mr Herbert Pfennig and Dr Hans-Werner Rhein until 25 May 2022). 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.

Profile of skills and expertise of the Supervisory Board

The following qualification matrix shows the desired profile of skills and expertise of the Supervisory Board, which the Supervisory Board believes is currently fulfilled in its overall composition.

The aim is to ensure that the Supervisory Board as a whole has all the knowledge and experience that are considered to be material in light of the specific situation of Deutsche Familienversicherung. The members of the Supervisory Board should be able to perform the duties of a Supervisory Board member in an insurance company on the basis of their professional qualifications and ability, as well as their knowledge, skills and experience. Particular attention should be paid to the personality, integrity, motivation and professionalism of the persons proposed for election. The members of the Supervisory Board should be fully familiar with the sector in which Deutsche Familienversicherung operates.

Supervisory Board qualification matrix

		Paschola	Pesarini	Gauß	Glatzel	Hellmann
Affiliation	Member since	2022	2011	2019	2017	2022
	Elected to	2023	2023	2023	2023	2023
	Audit Committee	+		+	+	
Personal suitability	Regulatory requirements	+	+	+	+	+
	Independence	+	– [1]	+	– [2]	+
Professional suitability	Underwriting	+		+	+	
	Investment	+	+	+		+
	Accounting	+	+	+	+	
	Audit of financial statements	+		+		
	Risk management	+	+	+	+	+
	Corporate governance and control	+	+	+	+	+
Special knowledge	Finance	+	+	+	+	+
	Financial expert [3]	+	+	+		
	Operational management	+	+	+	+	+
	Technology (incl. IT)	+	+	+	+	+
	Leadership experience	+	+	+	+	+
	Sustainability	+				+
	Personnel management	+	+	+	+	+
	Law (qualification to exercise the functions of a judge)					+
Diversity	Year of birth	1965	1961	1963	1961	1971
	Gender	Female	Male	Male	Male	Male
	Nationality	German	German	German	German	German
	International experience	+	+	+	+	+
	Academic background	IT for Business	Businessman	Mathematician, actuary	Graduate in Economics, Real Estate Economist	Fully qualified lawyer (Assessor iuris)

[1] Major shareholder
[2] Executor, heir Philipp Vogel
[3] Financial expert in the field of accounting and/or auditing within the meaning of section 100, paragraph 5 of the AktG

Taking into account the legal requirements, the recommendations of the German Corporate Governance Code as well as the profile of skills and expertise and targets for the composition of the Supervisory Board, the Supervisory Board will draw up election proposals for the upcoming Supervisory Board election in May 2023.

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 March 2024.

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 EXPLANATORY REPORT PURSUANT TO SECTIONS 289A AND 315A OF THE HGB

The share capital of the company was € 29,175,560 as at 31 December 2022 and was divided into 14,587,780 no-par bearer shares with with a proportionate theoretical interest in the share capital of € 2.00 each. As such, the share capital and the number of shares were the same as at the end of the previous year. Each share grants one vote at the Annual General Meeting.

Based on the notifications in the possession of the company, the following shareholders held direct or indirect investments in the capital of the company surpassing 10% of the voting rights as at 31 December 2022: SK Beteiligungen GmbH (19.55%), Luca Pesarini (22.62%) and VPV Lebensversicherungs-AG (14.28%).

The appointment and dismissal of members of the Executive Board are governed in sections 84 and 85 of the AktG, sections 24 and 47 no. 1 of the VAG and article 7 of the Articles of Association. According to article 7, paragraph 1 of the Articles of Association, the Executive Board consists of at least two people; otherwise, the Supervisory Board determines the number of Executive Board members. Pursuant to section 84, paragraph 2 of the AktG and article 7, paragraph 2 of the Articles of Association, the Supervisory Board can appoint a Chairman and Deputy Chairman of the Executive Board. The members of the Executive Board are appointed by the Supervisory Board for a maximum term of office of five years; members can be re-appointed (article 5, paragraph 4 of the Articles of Association). The appointment of Executive Board members requires a simple majority of votes cast by the Supervisory Board; abstentions do not count as cast votes in this regard (article 14, paragraph 11 of the Articles of Association).

Amendments to the Articles of Association are made pursuant to section 179 of the AktG. Pursuant to section 179, paragraph 1 of the AktG, amendments to the Articles of Association require a resolution by the Annual General Meeting; unless the Articles of Association stipulate otherwise, this resolution requires a majority of three quarters of the share capital represented at the vote pursuant to section 179, paragraph 2 of the AktG. Pursuant to section 179, paragraph 1, sentence 2 of the AktG, the Supervisory Board is authorised to amend the wording of the Articles of Association after executing the Authorised Capital 2021 (article 4, paragraph 2 of the Articles of Association) or utilising the Contingent Capital 2021 (article 4, paragraph 3 of the Articles of Association). Under article 21, paragraph 2 of the Articles of Association, resolutions of the AGM are passed by a simple majority of the votes cast, unless mandatory statutory provisions or the articles of association prescribe a higher majority. If the law stipulates that resolutions of the Annual General Meeting require a capital majority in addition to a majority of votes, a simple majority of the share capital represented at the vote shall – where legally admissible – suffice.

By resolution of the Annual General Meeting on 19 May 2021 and with the consent of the Supervisory Board, the Executive Board is authorised to increase the share capital by up to € 14,587,780 by 18 May 2026, once or multiple times, by issuing new bearer shares in exchange for cash contributions and/or contributions in kind; the subscription rights of shareholders can be excluded (Authorised Capital 2021, see article 4, paragraph 2 of the Articles of Association).

By resolution of the Annual General Meeting on 19 May 2021 and with the consent of the Supervisory Board, the Executive Board is authorised to, once or multiple times until 18 May 2026, issue registered or bearer convertible, warrant and/or participating bonds and/or profit participation rights (or combinations of these instruments; also referred to collectively as 'bonds'), with or without limited terms, up to a total nominal value of € 150,000,000. In accordance with article 4, paragraph 3 of the Articles of Association, the share capital of the company can be increased on a contingent basis by up to € 14,587,780 through the issuance of up to 7,293,890 new bearer shares (Contingent Capital 2021) in order to grant shares to the holders or creditors of such bonds. The particularities (including the possibility of excluding the subscription rights of shareholders) are set out in agenda item 7 in the invitation to the Annual General Meeting of 2021.

By resolution of the Annual General Meeting on 19 May 2021 and pursuant to section 71, paragraph 1, no. 8 of the AktG, the Executive Board is authorised to, once or multiple times until 18 May 2026, purchase treasury shares of up to 10% of the share capital at the time of the resolution or, if this value is lower, the share capital at the time the right was exercised, and to utilise it for admissible purposes with the consent of the Supervisory Board. The subscription rights of shareholders can be excluded depending on the purpose of the purchased treasury shares. The particularities of the repurchase of treasury shares and their utilisation are set out in agenda item 8 in the invitation to the Annual General Meeting of 2021. As of 31 December 2022, the company did not hold any of its own shares.

As a rule, the company's reinsurance contracts contain a clause granting both parties a right of extraordinary termination if the other party merges or its ownership and control relationships change substantially. These or similar clauses are typical in the industry. 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.

9 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:	**Clause pursuant to BerVersV**
— Accident insurance	03
— Liability insurance	04
— Legal expenses 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

STATEMENT OF COMPREHENSIVE INCOME

In €	Notes	2022	2021
I. Income statement			
1. Written premiums			
a) Gross		183,506,961	155,215,423
b) Share of reinsurers		66,297,282	67,568,635
		117,209,678	**87,646,788**
2. Change in unearned premiums			
a) Gross		−284,631	−429,566
b) Share of reinsurers		124,785	214,227
		−159,846	**−215,339**
3. Net earned premiums	12.1	**117,049,832**	**87,431,449**
4. Income from capital investments	12.2	**2,146,653**	**10,836,710**
Of which: Income from associates		0	0
5. Other revenue	12.3	**557,871**	**950,888**
Total revenue		**119,754,356**	**99,219,047**
6. Insurance benefits			
a) Gross		124,355,527	96,779,374
b) Share of reinsurers		42,701,310	38,489,018
	12.4	**81,654,217**	**58,290,356**
7. Expenses for insurance operations			
a) Gross		50,314,698	63,521,272
b) Share of reinsurers		17,340,691	25,930,109
	12.6	**32,974,007**	**37,591,163**
8. Other expenses	12.7	**3,459,906**	**4,145,630**
Total expenses		**118,088,130**	**100,027,149**
9. Operating income		**1,666,226**	**−808,102**
10. Financing expenses for leases	13.8	**−799**	**16,508**
11. Annual result before income taxes		**1,667,025**	**−824,610**
12. Income taxes	12.8 and 12.9	**675,704**	**872,467**
13. Annual income		**991,321**	**−1,697,077**
Of which attributable to shareholders in the parent company		1,003,294	−1,697,077
Of which attributable to minority interests		−11,973	0
II. Other comprehensive income			
14. Unrealised gains and losses from capital investments		**−18,963,325**	**−4,059,747**
Total other comprehensive income		**−18,963,325**	**−4,059,747**
III. Total comprehensive income		**−17,972,004**	**−5,756,824**
Of which attributable to shareholders in the parent company		−17,960,031	−5,756,824
Of which attributable to minority interests		−11,973	0

In €	Notes	2022	2021
Earnings per share	12.10	**0.07**	**−0.12**

BALANCE SHEET AS OF 31 DECEMBER 2022

ASSETS

In €		Notes	31 December 2022	31 December 2021
A.	**Intangible assets**	10.1	**5,952,432**	**7,184,976**
B.	**Rights of use for property pursuant to IFRS 16**	10.2	**0**	**721,646**
C.	**Investments**			
I.	Financial investments held for sale		180,386,170	180,794,320
	Total C.	10.3	**180,386,170**	**180,794,320**
D.	Deposits to cedants from active reinsurance business	10.4	30,626,526	4,887,689
E.	Receivables			
I.	Receivables from direct insurance business			
1.	From policyholders		2,257,807	2,118,258
2.	From insurance brokers		194,554	94,565
			2,452,361	**2,212,823**
II.	Other receivables		4,252,109	5,994,127
	Total E.	10.5	**6,704,470**	**8,206,950**
F.	**Current bank balances**		**11,493,912**	**4,331,653**
G.	**Share of reinsurers in technical provisions**			
I.	Unearned premiums	10.6.1	1,216,800	1,092,015
II.	Actuarial provisions	10.6.2	76,821,397	61,111,859
III.	Provisions for outstanding claims	10.6.3	6,715,473	5,870,582
IV.	Other technical provisions		39,855	40,740
	Total G.	10.6	**84,793,525**	**68,115,196**
H.	**Tax receivables**			
I.	From current taxes		996,690	515,318
II.	From deferred taxes	10.7	16,094,577	7,716,886
	Total H.		**17,091,267**	**8,232,204**
I.	**Other assets**	10.8	**1,568,635**	**1,571,109**
Total assets			**338,616,936**	**284,045,744**

EQUITY AND LIABILITIES

In €		Notes	31 December 2022	31 December 2021
A.	**Equity**			
I.	Subscribed capital		29,175,560	29,175,560
II.	Capital reserve		72,737,638	72,737,638
III.	Loss carried forward		−14,686,248	−15,689,542
IV.	Reserve for unrealised gains and losses	11.1	−20,089,544	−1,126,219
V.	Non-controlling interests	7.1	88,026	0
	Total A.		**67,225,431**	**85,097,436**
B.	**Gross technical provisions**			
I.	Unearned premiums	11.2.1	4,052,498	3,767,866
II.	Actuarial provisions	11.2.2	148,184,965	95,917,734
III.	Provisions for outstanding claims	11.2.3	21,850,869	19,066,125
IV.	Other technical provisions	11.2.4	4,795,414	4,291,573
	Total B.	11.2	**178,883,746**	**123,043,298**
C.	**Other provisions**	11.3	**1,647,748**	**2,137,047**
D.	**Liabilities**			
I.	Liabilities from direct insurance business			
1.	To policyholders		656,021	544,577
2.	To insurance brokers		408,632	519,820
			1,064,654	**1,064,397**
II.	Deposits retained		82,128,418	66,352,765
III.	Liabilities from reinsurance business		3,075,963	1,714,574
IV.	Other liabilities		4,446,431	4,621,090
	Total D.	11.4	**90,715,466**	**73,752,827**
E.	**Tax liabilities**			
I.	From current taxes		144,545	15,135
	Total E.		**144,545**	**15,135**
Total equity and liabilities			**338,616,936**	**284,045,744**

DEVELOPMENT OF CONSOLIDATED EQUITY

In € thousand	Subscribed capital	Capital reserves	Loss carried forward	Reserve for unrealised gains and losses	Consolidated equity of DFV shareholders	Minority interests	Total consolidated equity
As at 31 December 2020	**29,175**	**72,738**	**–13,993**	**2,934**	**90,854**	**0**	**90,854**
Consolidated comprehensive income	0	0	–1,697	–4,060	–5,757	0	–5,757
As at 31 December 2021	**29,175**	**72,738**	**–15,690**	**–1,126**	**85,097**	**0**	**85,097**
Capital contributions	0	0	0	0	0	100	100
Consolidated comprehensive income	0	0	1,003	–18,963	–17,960	–12	–17,972
As at 31 December 2022	**29,175**	**72,738**	**–14,687**	**–20,089**	**67,137**	**88**	**67,225**

STATEMENT OF CASH FLOW

In €		2022	2021
1.	Income for the period	991,321	−1,697,077
2.	Change in net technical provisions	39,162,119	19,707,490
3.	Change in deposits to cedants and accounts receivable	−23,648,946	−8,081,057
4.	Change in deposits retained and accounts payable	17,798,983	9,676,916
5.	Change in other receivables	−197,464	−341,872
6.	Change in other liabilities	664,546	−788,102
7.	Change in other balance sheet items not attributable to investing or financing activities	−8,052,290	−1,938,078
8.	Depreciation, amortisation and write−downs of fixed assets/reversals of write-downs of fixed assets	2,363,273	3,226,965
9.	Gains and losses from the disposal of capital investments, property, plant and equipment and intangible assets	2,574,501	−8,781,065
10.	Income tax expense/income	675,704	872,467
11.	Income taxes paid	−522,389	−508,338
12.	Interest paid	−1,426,834	−1,155,231
13.	Interest received, dividends and other investment income	15,963,904	4,428,717
I.	**Cash flow from operating activities**	**46,346,428**	**14,621,735**
14.	Cash paid for investments in property, plant and equipment	−280,984	−29,482
15.	Cash paid for investments in intangible assets	−111,087	−576,739
16.	Net outgoing payments for the acquisition of capital investments	−38,705,314	−46,766,439
II.	**Cash flow from investing activities**	**−39,097,385**	**−47,372,660**
17.	Incoming payments from additions to equity from other shareholders	99,999	0
18.	Repayment of lease liabilities	−185,984	−687,027
19.	Interest paid	−799	−16,508
III.	**Cash flow from financing activities**	**−86,784**	**−703,535**
20.	Change in funds for financing purposes	7,162,259	−33,454,460
21.	Funds for financing purposes at the beginning of the period	4,331,653	37,786,113
22.	**Funds for financing purposes at the end of the period**	**11,493,912**	**4,331,653**

Funds for financing purposes contain current bank balances.

The total amount of interest paid consists of the amounts shown in items 12 and 19. As is standard for insurance companies, interest received, dividends and other investment income have been allocated to the cash flow from operating activities. Where admissible in the statement of cash flow, DFV has netted the 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. Only the net payments received from the acquisition of capital investments are recognised.

SEGMENT REPORTING

BALANCE SHEET – ASSETS	Supplementary health		Damage/accident		Active reinsurance		Total	
In €	2022	2021	2022	2021	2022	2021	2022	2021
A. Intangible assets	**5,353,571**	**6,528,270**	**598,861**	**656,706**	**0**	**0**	**5,952,432**	**7,184,976**
B. Rights of use for property pursuant to IFRS 16	**0**	**655,688**	**0**	**65,958**	**0**	**0**	**0**	**721,646**
C. Investments								
I. Financial investments held for sale	162,237,903	164,269,744	18,148,267	16,524,576	0	0	180,386,170	180,794,320
II. Financial investments measured at fair value through profit or loss	0	0	0	0	0	0	0	0
Total C.	**162,237,903**	**164,269,744**	**18,148,267**	**16,524,576**	**0**	**0**	**180,386,170**	**180,794,320**
D. Deposits to cedants from active reinsurance business	**0**	**0**	**0**	**0**	**30,626,526**	**4,887,689**	**30,626,526**	**4,887,689**
E. Receivables								
I. Receivables from direct insurance business								
1. From policyholders	2,030,654	1,924,650	227,153	193,608	0	0	2,257,807	2,118,258
2. From insurance brokers	174,981	85,922	19,574	8,643	0	0	194,554	94,565
	2,205,635	2,010,572	246,727	202,251	0	0	2,452,361	2,212,823
3. Other receivables	3,660,534	5,166,832	409,475	519,753	182,100	307,542	4,252,109	5,994,127
Total E	**5,866,168**	**7,177,404**	**656,202**	**722,004**	**182,100**	**307,542**	**6,704,470**	**8,206,950**
F. Share of reinsurers in technical provisions								
I. Unearned premiums	1,094,380	992,205	122,420	99,810	0	0	1,216,800	1,092,015
II. Actuarial provisions	76,821,397	61,111,859	0	0	0	0	76,821,397	61,111,859
III. Provisions for outstanding claims	6,039,844	5,334,012	675,629	536,570	0	0	6,715,473	5,870,582
IV. Other technical provisions	35,845	37,016	4,010	3,724	0	0	39,855	40,740
Total F.	**83,991,466**	**67,475,092**	**802,059**	**640,104**	**0**	**0**	**84,793,525**	**68,115,196**
G. Other segment assets	**27,120,103**	**12,843,033**	**3,033,711**	**1,291,934**	**0**	**0**	**30,153,813**	**14,134,967**
Total segment assets	**284,569,210**	**258,949,231**	**23,239,100**	**19,901,282**	**30,808,626**	**5,195,231**	**338,616,936**	**284,045,744**

BALANCE SHEET – EQUITY AND LIABILITIES	Supplementary health		Damage/accident		Active reinsurance		Total	
In €	2022	2021	2022	2021	2022	2021	2022	2021
A. Gross technical provisions								
I. Unearned premiums	3,644,784	3,423,484	407,713	344,382	0	0	4,052,498	3,767,866
II. Actuarial provisions	117,558,439	91,030,045	0	0	30,626,526	4,887,689	148,184,965	95,917,734
III. Provisions for outstanding claims	19,652,500	17,323,484	2,198,369	1,742,641	0	0	21,850,869	19,066,125
IV. Other technical provisions	4,312,958	3,899,324	482,456	392,249	0	0	4,795,414	4,291,573
Total A.	**145,168,681**	**115,676,337**	**3,088,539**	**2,479,272**	**30,626,526**	**4,887,689**	**178,883,746**	**123,043,298**
B. Other provisions	**1,481,971**	**1,941,721**	**165,776**	**195,326**	**0**	**0**	**1,647,748**	**2,137,047**
C. Other segment liabilities	**90,845,468**	**73,090,214**	**14,542**	**677,748**	**0**	**0**	**90,860,011**	**73,767,962**
Total segment liabilities	**237,496,121**	**190,708,272**	**3,268,857**	**3,352,346**	**30,626,526**	**4,887,689**	**271,391,505**	**198,948,307**

INCOME STATEMENT	Supplementary health		Damage/accident		Active reinsurance		Total	
In €	2022	2021	2022	2021	2022	2021	2022	2021
1. Written premiums from insurance business	132,610,798	124,935,601	14,834,118	12,567,791	36,062,045	17,712,032	183,506,961	155,215,424
2. Net earned premiums	71,344,223	61,370,166	9,643,565	8,349,252	36,062,045	17,712,032	117,049,832	87,431,450
3. Income from capital investments	1,973,124	9,959,262	173,529	877,448	0	0	2,146,653	10,836,710
4. Other revenue	58,184	818,346	−105	−7	499,792	132,549	557,871	950,888
Total revenue	**73,375,531**	**72,147,774**	**9,816,988**	**9,226,693**	**36,561,837**	**17,844,581**	**119,754,356**	**99,219,048**
5. Claim payments to customers	51,927,344	50,201,944	3,848,842	3,182,511	25,878,030	4,905,901	81,654,217	58,290,356
6. Expenses for insurance operations	14,328,285	15,610,168	8,714,009	9,349,857	9,931,713	12,631,139	32,974,007	37,591,164
7. Other expenses	3,111,812	3,766,720	348,094	378,910	0	0	3,459,906	4,145,630
Total expenses	**69,367,442**	**69,578,832**	**12,910,945**	**12,911,278**	**35,809,743**	**17,537,040**	**118,088,130**	**100,027,150**
8. Operating income	**4,008,089**	**2,568,942**	**−3,093,957**	**−3,684,585**	**752,093**	**307,541**	**1,666,226**	**−808,102**
9. Financing expenses	−718	14,999	−80	1,509	0	0	−799	16,508
10. Annual profit before taxes	**4,008,808**	**2,553,943**	**−3,093,877**	**−3,686,094**	**752,093**	**307,541**	**1,667,025**	**−824,610**
11. Income taxes	1,624,912	−2,702,165	−1,254,058	3,900,022	304,850	−325,390	675,704	872,467
12. Annual income	**2,383,896**	**5,256,108**	**−1,839,819**	**−7,586,116**	**447,243**	**632,931**	**991,321**	**−1,697,077**

ADDITIONAL INFORMATION	Supplementary health		Damage/accident		Active reinsurance		Total	
In €	2022	2021	2022	2021	2022	2021	2022	2021
Interest revenue	4,634	4,660	518	469	319,482	43,989	324,635	49,118
Interest expenses	1,393,420	1,137,471	−80	1,509	0	0	1,393,340	1,138,980
Scheduled depreciation and amortisation	1,657,346	3,396,401	185,394	341,658	0	0	1,842,740	3,738,059
Significant non-cash revenue (+) and expenses (−)[1]	0	0	0	0	0	0	0	0
Loss ratio (in %)	72.8	77.3	39.9	38.1	71.8	27.7	69.8	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 DFV Deutsche Familienversicherung AG general information

The consolidated financial statements of the parent company, DFV Deutsche 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 2022 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 2022 but were not mandatory for the 2022 financial year were not applied early.

The central accounting system is the financial accounting software. It documents and posts all transactions that are of relevance to the financial statements. Transactions directly related to insurance contracts are taken from the central policy management system, which records, executes and documents all policy management. 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

- 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
01 January 2022	Amendments to IFRS 3 – Business Combinations
01 January 2022	Amendments to IFRS 16 – Property, Plant and Equipment
01 January 2022	Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets
01 January 2022	Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards
01 January 2022	Amendments to IFRS 9 – Financial Instruments
01 January 2022	Amendment to an Illustrative Example accompanying IFRS 16 – Leases
01 January 2022	Amendments to IAS 41 – Agriculture

Amendments to IFRS 3 – Business Combinations

The amendments to IFRS 3 generally do not have any material effects on accounting, as they are changes to the IFRS Conceptual Framework 2018. Furthermore, IFRS 3 was supplemented by a prohibition on the recognition of contingent assets acquired as part of a business combination. This has previously resulted from the Basis for Conclusions on IFRS 3.

The amendments are mandatory for financial years beginning on or after 1 January 2022.

Amendments to IFRS 16 – Property, Plant and Equipment
With its amendments, IAS 16 stipulates that income from the sale and manufacturing costs of goods that are produced while an item of property, plant and equipment is brought to the location or operational condition intended by management must be recognised in profit or loss.

The change to the standard effective as of 1 January 2022 has no effect on Deutsche Familienversicherung.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets
Effective as of 1 January 2022, the definition of costs for determining and measuring onerous contracts was finalised. Due to the technical accounting, this amendment has no effect on Deutsche Familienversicherung.

In addition to these amendments, improvements were made to IFRS 1, IFRS 9, IFRS 16 and IAS 41 as part of the Annual Improvements 2018–2020, which are also applicable from 1 January 2022. These also have no effect on the accounting of Deutsche Familienversicherung.

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 essentially 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, and a risk adjustment.

The provision for outstanding coverage periods is based on a three-block approach (General Measurement Model, GMM):

- 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 GMM. Contracts with a maximum term of one year can be valued using the simplified method (premium allocation approach, PAA). This also applies to contracts with a term of more than 12 months, where the application of the simplified method would lead to similar results to under the GMM. However, the simplified approach does not apply to contracts for which the PAA is not a reasonable estimate for the GMM. 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 GMM, 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 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 deemed to have direct participation features and therefore falls within the scope of the VFA 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.

As things stand, this definition of contracts with a direct equity component allows us to deduce the applicability of the VFA to direct insurance business with participation rights in Germany. Reinsurance contracts are not covered by the VFA, even if they relate to insurance contracts covered by the VFA.

In deviation from the GMM, 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 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. Differences between the actual and expected cash flows can increase the volatility of the results, some of which can be offset by changing the contractual service margin. 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.

IFRS 9 (Financial Instruments) (applicable to insurance companies along with IFRS 17 from 1 January 2023)

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)

Classification into the categories of IFRS 9 is based on the business model on the one hand and on the contractual terms of the financial asset on the other. With regard to the business model, the management of Deutsche Familienversicherung has opted for the 'hold' model for receivables, loans and bank balances, whereby the financial instruments are recognised at amortised cost. On the other hand, the 'hold and sell' business model is implemented for capital investment. This model is based on the collection of contractual cash flows as well as the sale of financial assets. Here, the financial instruments are recognised at fair value and measured at fair value through other comprehensive income (FVOCI). Excluded from this are expected credit losses (ECL), which are recognised directly in equity in the income statement or in the opening balance sheet. Deutsche Familienversicherung will measure the majority of its capital investments – bonds – in this category.

Furthermore, Deutsche Familienversicherung has based its decision on the contractual terms and conditions and the cash flow criterion (SPPI), 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. If the cash flow criterion for financial instruments is not met, the financial instrument is assigned to category 3 (or 4 for equity instruments). 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 currently hold any direct equity instruments, this category will not be used until further notice. The holdings in real estate funds and ETFs are recognised at fair value through profit or loss. This will 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.

The introduction of the expected credit loss (ECL) model mentioned above entails a material change in the recognition of impairment. Under the expiring standard IAS 39, 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. IFRS 9 addresses the criticism of the old standard, which became clear during the financial crisis of 2008/09, that such impairments are too late and too low. The ECL model recognises expected impairment losses at various stages for every financial instrument under 'At amortised cost' and 'FVOCI'. As a result, a forecast valuation allowance is recognised in profit or loss at the time of acquisition. With increasing risk in subsequent measurement, the valuation allowance is recognised with an adequate risk assessment. This change will affect the bonds held by Deutsche Familienversicherung in particular.

Expected effects from the first-time application of IFRS 9 and IFRS 17

The first-time adoption of IFRS 9 and IFRS 17 as of 1 January 2023 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.

To date, Deutsche Familienversicherung has carried out the following measures for the implementation of IFRS 17 and IFRS 9:

- Recruitment of one senior expert with extensive experience in the implementation of IFRS 17 or IFRS 9;
- Use of cloud-based and scalable IFRS 17 accounting software (RiskIntegrity™ for IFRS 17);
- Implementation of IFRS 9-compatible sub-ledger software for capital investments;
- Preparation of key methodical concepts and evaluation of potential accounting options;
- Creation of technical concepts (IFRS 9 and 17) and modifications to existing actuarial models.

In addition to initial quantitative impact analyses on the portfolio level, Deutsche Familienversicherung prepared the interim balance sheet as at 1 January 2022, which forms the basis for the further implementation of IFRS 17/9 in the DFV project. 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 three exceptions, and has already been used for the interim balance sheet.

Using the new IFRS 9 and IFRS 17, the opening balance sheet for the 2022 financial year, which forms the basis for the comparative periods of the previous year, in particular the consolidated semi-annual report for 2023 and the consolidated financial statements for 2023, shows equity capital likely to increase by 10–20%, although total assets are expected to change by less than 10% or remain almost unchanged. The increased equity results primarily from the capitalisation of conclusion costs (IFRS 17.28A). Valuations of insurance contracts in accordance with IFRS 17.29 et seq. (discounting future cash flows and introduction of the contractual service margin – CSM) and the recognition of deferred taxes in accordance with IAS 12.12 et seq. had the opposite effect. The first-time application of IFRS 9 is not expected to have any effect on the amount of Group equity.

At the time of writing this report, it is not possible to make a quantitative statement on the possible effects of the introduction of IFRS 9 and IFRS 17 on the assets and liabilities recognised as at 31 December 2022, as subordinate fine-tuning is still taking place within the IFRS 17/9 project. However, an approximate carry-over of the increased Group equity is expected.

2 ADJUSTMENT OF THE MEASUREMENT AND REPORTING

In the financial year, no changes were made to the methods used to calculate the technical provisions.

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 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.

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 8.3f. 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 at Deutsche Familienversicherung include non-payment of interest income, a downgrade to 'non-investment grade', 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 rises in a subsequent period and this increase can objectively be attributed to the elimination of the reasons for the impairment, the valuation allowance is reversed through profit or loss up to the original amount.

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.

6.2.2 Financial investments measured at fair value through profit or loss

The impairment model in IAS 39 does not apply to financial assets that are 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').

In the reporting year, Deutsche Familienversicherung reported all derivative items under this category.

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 eight (previous year: seven) consolidated companies. Besides the parent company and the five subsidiaries (four in the previous year), 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, and the wholly owned HI DFV Master II Fund which contains the capital investments that are not allocated to the business operated by type of life insurance.

Hyrance AG, Grünwald, is included in the consolidated financial statements and fully consolidated for the first time. It was founded in cooperation with STTech GmbH in Munich in 2022. Deutsche Familienversicherung holds 50% of the shares plus one, and appoints two of the three members of the management board.

There are no joint ventures or associated companies.

LIST OF SUBSIDIARIES		Investment carrying amount	Equity share	Subscribed capital	Equity	Last year's result
Company	Registered office	In € thousand	In %	In € thousand	In € thousand	In € thousand
DFVS Deutsche Familienversicherung Servicegesellschaft mbH	Frankfurt am Main	25.0	100.00	25.0	470.1	71.9
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	34.7	−4.2
DFV Deutsche Familienversicherung Krankenversicherung-Vermittlungs-AG	Frankfurt am Main	50.0	100.00	50.0	47.2	−1.6
Hyrance AG	Grünwald	100.0	50.00[1]	200.0	176.1	−23.9

[1] DFV Deutsche Familienversicherung AG holds 50% plus one share in Hyrance AG.

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 straight-line basis. The useful life is normally between three and 15 years. Depreciation and amortisation are allocated in accordance with the Regulation on the Accounting of Insurance Undertakings (RechVersV) and are essentially allocated to expenses for 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 2022 financial year. As of the reporting date, there were no rights of use pursuant to IFRS 16 because the rental contract expired at the end of the year. Due to extensive renovation work, no subsequent contract has yet been signed.

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 2022, 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 derivative items and 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), accounts receivable from active and passive reinsurance business and loans to executives, provided they cannot be allocated to any other line items. 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).

Deutsche Familienversicherung nets deferred tax assets against deferred tax liabilities for the same tax office and only recognises a positive or negative balance.

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 cumulative changes 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.

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

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.

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.

[2] Section 203, paragraph 2 of the German Insurance Contract Act (VVG), section 155, paragraphs 3 and 4 of the VAG, sections 15 to 17 of the German Calculation Regulation (KVAV).

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, all technical provisions are reviewed as part of an adequacy test 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, a provision for onerous contracts is recognized 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, where these have been generated.

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

The revenue from capital investments contains gains from the disposal of capital investments as well as interest and dividends, where these have been generated.

Investment expenses include expenses for the management of investments, depreciation of capital investments and losses from the disposal of capital investments, where these have been generated.

At Deutsche Familienversicherung, only revenue and expenses in connection with derivative items were of relevance in this line item in the reporting year.

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		2022			2021	
Gross carrying amount as of 01.01	**13,532**	**4,699**	**18,231**	**13,377**	**4,429**	**17,806**
Cumulative deprecation as of 01.01	7,082	3,963	11,045	6,223	2,736	8,959
Balance sheet value as of 01.01	**6,450**	**736**	**7,186**	**7,154**	**1,693**	**8,847**
Additions	101	0	101	307	270	577
Disposals of gross carrying amounts	0	0	0	−153	0	−153
Depreciation and amortisation	877	468	1,345	860	1,227	2,086
Disposals of depreciation and amortisation	0	0	0	0	0	0
Balance sheet value as of 31.12	**5,675**	**268**	**5,942**	**6,449**	**736**	**7,185**
Cumulative depreciation as of 31.12	7,958	4,430	12,388	7,082	3,963	11,045
Gross carrying amount as of 31.12	**13,633**	**4,698**	**18,330**	**13,531**	**4,699**	**18,230**

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	2022	2021
Gross carrying amount as of 01.01	**2,806**	**2,738**
Cumulative deprecation as of 01.01	2,085	1,370
Balance sheet value as of 01.01	**721**	**1,368**
Additions	0	68
Disposals of gross carrying amounts	2,806	0
Depreciation and amortisation	180	715
Disposals of depreciation and amortisation	2,265	0
Balance sheet value as of 31.12	**0**	**721**
Cumulative depreciation as of 31.12	0	2,085
Gross carrying amount as of 31.12	**0**	**2,806**

With the addition of rights of use as of 1 January 2019, other liabilities in the same amount were formed. As at 31 December 2022, other liabilities resulting from the application of IFRS 16 amounted to € 0 thousand (previous year: € 727 thousand).

10.3 Financial instruments

FINANCIAL INSTRUMENTS – AVAILABLE FOR SALE

In € thousand	31 December 2022	31 December 2021
Stocks	0	1,931
Investment shares	63,314	55,108
Bonds	117,072	123,755
	180,386	**180,794**
Fixed-term deposits	0	0
Total	**180,386**	**180,794**

FINANCIAL INSTRUMENTS – MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

In € thousand	31 December 2022	31 December 2021
Convertible bonds	0	0
Total	**0**	**0**

Securities lending and premium reserve stock

No securities were lent as of the reporting date. In accordance with the provisions of the German Insurance Supervision Act (VAG), capital investments of € 160 million (commercial carrying amount) and shares of reinsurers in technical provisions of € 8 million are reserved for policyholders as guarantee assets.

10.4 Deposits to cedants

Deposits to cedants from active reinsurance business amounted to € 30,627 thousand as at 31 December 2022 (previous year: € 4,888 thousand).

10.5 Receivables

RECEIVABLES

In € thousand	31 December 2022	31 December 2021
Receivables from direct insurance business		
Of which from policyholders	2,258	2,118
Of which from insurance brokers	194	95
Receivables from insurance business	**2,452**	**2,213**
Accounts receivable from reinsurance business	978	3,730
Receivables from long-term care insurance allowance	422	436
Other receivables	2,852	1,828
Other receivables from insurance business	**4,252**	**5,994**
Total	**6,704**	**8,207**

10.6 Share of reinsurers in technical provisions

SHARE OF REINSURERS IN TECHNICAL PROVISIONS

In € thousand	2022	2021
Unearned premiums	1,217	1,092
Actuarial provisions	76,822	61,112
Provision for outstanding claims	6,715	5,870
Other technical provisions	40	41
Total	**84,794**	**68,115**

10.6.1 Shares of reinsurers in the development of unearned premiums

SHARES OF REINSURERS IN THE DEVELOPMENT OF UNEARNED PREMIUMS

In € thousand	2022	2021
As of 01.01	**1,092**	**878**
Additions	1,217	1,092
Reversal/utilisation	1,092	878
As of 31.12	**1,217**	**1,092**

10.6.2 Shares of reinsurers in the development of actuarial provisions

SHARE OF REINSURERS IN THE DEVELOPMENT OF ACTUARIAL PROVISIONS

In € thousand	31 December 2022	31 December 2021
Actuarial provisions for previous year	**61,111**	**49,235**
Addition	18,012	18,818
Reversal	2,302	6,942
Actuarial provisions for financial year	**76,821**	**61,111**

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	2022	2021
As of 01.01	**5,871**	**5,725**
Claims expenses		
For the financial year	25,940	25,586
For previous years	963	–182
Total	**26,903**	**25,404**
Less payments		
For the financial year	19,768	20,547
For previous years	6,291	4,711
Total	**26,059**	**25,258**
As of 31.12	**6,715**	**5,871**

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 December 2022				31 December 2021			
Intangible assets	0	0	0	0	0	0	0	0
Investments								
Financial instruments	9,411	9,411	0	0	528	528	0	0
Derivative financial instruments	0	0	0	0	0	0	0	0
Technical provisions	449	0	449	0	323	0	323	0
Other	162	0	162	0	576	0	576	0
Income tax loss carried forward	8,591	0	7,734	857	9,337	0	8,480	857
	18,613	**9,411**	**8,345**	**857**	**10,764**	**528**	**9,379**	**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 December 2022				31 December 2021			
Intangible assets	492	0	492	0	569	0	569	0
Investments								
Financial instruments	1,513	0	1,513	0	2,021	0	2,021	0
Derivative financial instruments	0	0	0	0	0	0	0	0
Technical provisions	493	0	493	0	210	0	210	0
Other	20	0	20	0	247	0	247	0
	2,518	**0**	**2,518**	**0**	**3,047**	**0**	**3,047**	**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 December 2022	31 December 2021
Operating and office equipment	375	447
Accruals and deferrals	1,191	1,119
Tax prepayments	0	0
Other assets	2	5
Total	**1,568**	**1,571**

10.9 Development of operating and office equipment

DEVELOPMENT OF OPERATING AND OFFICE EQUIPMENT

In € thousand	2022	2021
Gross carrying amount as of 01.01	2,737	2,684
Cumulative deprecation as of 01.01	2,290	1,980
Balance sheet value as of 01.01	**447**	**704**
Additions	281	29
Disposals of gross carrying amounts	−759	−1
Depreciation and amortisation	318	286
Disposals of depreciation and amortisation	−724	−1
Balance sheet value as of 31.12	**375**	**447**
Cumulative depreciation as of 31.12	1,883	2,290
Gross carrying amount as of 31.12	**2,258**	**2,737**

11 NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

11.1 Equity

Reserve for unrealised gains and losses

RESERVE FOR UNREALISED GAINS AND LOSSES (2022)

In € thousand	01 January 2022	Change	31 December 2022
Investments	−1,655	−27,846	−29,501
Deferred taxes	529	8,883	9,411
	−1,126	**−18,963**	**−20,090**

RESERVE FOR UNREALISED GAINS AND LOSSES (2021)

In € thousand	01 January 2021	Change	31 December 2021
Investments	5,935	−7,590	−1,655
Deferred taxes	−3,001	3,530	529
	2,934	**−4,060**	**−1,126**

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

11.2 Technical provisions (gross)

TECHNICAL PROVISIONS (GROSS)

In € thousand	31 December 2022	31 December 2021
Unearned premiums	4,052	3,768
Actuarial provisions	148,185	95,918
Provision for outstanding claims	21,851	19,066
Provision for premium refunds	4,647	4,133
Other technical provisions	149	158
Total	**178,884**	**123,043**

11.2.1 Development of unearned premiums

DEVELOPMENT OF UNEARNED PREMIUMS

In € thousand	31 December 2022	31 December 2021
Unearned premiums in previous year	**3,768**	**3,338**
Additions	4,052	3,768
Reversal/utilisation	3,768	3,338
Unearned premiums in financial year	**4,052**	**3,768**

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 December 2022	31 December 2021
Actuarial provisions for previous year	**95,918**	**70,674**
Addition	53,438	33,689
Reversal	3,257	10,106
Interest portion	2,086	1,661
Actuarial provisions for financial year	**148,185**	**95,918**

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	2022	2021
As of 01.01	**19,066**	**14,801**
Claims expenses		
For the financial year	71,871	68,477
For previous years	–338	263
Total	**71,533**	**68,740**
Less payments		
For the financial year	52,379	52,032
For previous years	16,369	12,443
Total	**68,748**	**64,475**
As of 31.12	**21,851**	**19,066**

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	2022	2021
As of 31.12 of the previous year/01.01 of the financial year	4,133	1,642
Additions	1,233	3,252
Utilisation	719	761
As of 31.12 of the financial year/previous year	**4,647**	**4,133**

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 December 2022	31 December 2021
Cancellation provision	103	112
Other technical provisions	46	46
Total	**149**	**158**

11.3 Other provisions

DEVELOPMENT OF OTHER PROVISIONS

In € thousand	2022	2021
As of 31.12 of the previous year	**2,137**	**3,448**
Utilisation	2,137	3,448
Reversal	0	0
Addition	1,648	2,137
As of 31.12 of the financial year	**1,648**	**2,137**

The remaining term of other provisions is at most twelve months. Essentially, the provisions contain bonuses of € 360 thousand (previous year: € 703 thousand), outstanding invoices of € 462 thousand (previous year: € 578 thousand), € 323 thousand (previous year: € 238 thousand) for the preparation and audit of the annual financial statements and provisions for holiday leave of € 311 thousand (previous year: € 256 thousand).

11.4 Liabilities

LIABILITIES

In € thousand	31 December 2022	31 December 2021
Liabilities from direct insurance business	1,065	1,064
Of which to policyholders	656	544
Of which to insurance brokers	409	520
Deposits retained on ceded reinsurance business	82,128	66,353
Accounts payable from reinsurance business	3,076	1,715
Other liabilities	4,446	4,621
Total	**90,715**	**73,753**

OTHER LIABILITIES

In € thousand	31 December 2022	31 December 2021
Taxes	195	353
Payroll tax	13	5
Trade liabilities	3,385	2,854
Liabilities from the application of IFRS 16	0	727
Other	853	682
Total	**4,446**	**4,621**

LIABILITIES

		Remaining terms			
In € thousand	31 December 2022	up to 1 year	1 to 5 years	more than 5 years	31 December 2021
Liabilities from direct insurance business	1,065	1,065	0	0	1,076
Of which to policyholders	656	656	0	0	545
Of which to insurance brokers	409	409	0	0	531
Deposits retained on ceded reinsurance business	82,128	82,128	0	0	66,353
Accounts payable from reinsurance business	3,076	3,076	0	0	1,715
Other liabilities	4,446	4,371	75	0	4,621
Total	**90,715**	**90,640**	**75**	**0**	**73,765**

OTHER LIABILITIES

		Remaining terms			
In € thousand	31 December 2022	up to 1 year	1 to 5 years	more than 5 years	31 December 2021
Taxes	195	195	0	0	353
Payroll tax	13	13	0	0	5
Trade liabilities	3,385	3,385	0	0	2,854
Liabilities from the application of IFRS 16	0	0	0	0	727
Other	853	853	0	0	682
Total	**4,446**	**4,446**	**0**	**0**	**4,621**

MATURITIES OF LEASE LIABILITIES

In € thousand	2022 Future minimum lease rates	2022 Interest	2022 Present value of minimum lease rates	2021 Future minimum lease rates	2021 Interest	2021 Present value of minimum lease rates
Less than 1 year	0	0	0	741	14	727
Between 1 and 5 years	0	0	0	0	0	0
More than 5 years	0	0	0	0	0	0
Total	**0**	**0**	**0**	**741**	**14**	**727**

12 NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

12.1 Earned premiums

NET EARNED PREMIUMS

In €	2022	2021
Written premiums		
Gross	183,507	155,215
Share of reinsurers	66,297	67,569
Net	**117,210**	**87,647**
Change in unearned premiums		
Gross	–285	–430
Share of reinsurers	125	214
Net	**–160**	**–215**
Net earned premiums	**117,050**	**87,431**

12.2 Income from capital investments

INCOME FROM CAPITAL INVESTMENTS

In € thousand	2022	2021
Revenue from capital investments		
Current revenue from capital investments	5,339	2,888
Gains from changes in fair value	0	0
Gains from the disposal of capital investments	17,968	10,875
Foreign currency gains	390	133
Total	**23,697**	**13,896**
Expenses for capital investments		
Expenses for the management of capital investments, other expenses	909	891
Losses from changes in fair value	0	0
Losses from the disposal of capital investments	20,566	2,094
Foreign currency losses	75	74
Total	**21,550**	**3,059**
Income from capital investments	**2,147**	**10,837**

12.3 Other revenue

OTHER REVENUE

In € thousand	2022	2021
Other underwriting revenue	551	894
Other non–underwriting revenue	7	57
Total	**558**	**951**

12.4 Insurance benefits

INSURANCE BENEFITS

In € thousand	2022	2021
Payments for insurance claims		
Gross amount	68,748	64,475
Share of reinsurers	26,058	25,257
Net amount	42,690	39,218
Change in the provision for outstanding claims		
Gross amount	2,785	4,265
Share of reinsurers	934	1,327
Net amount	1,851	2,938
Change in actuarial provisions		
Gross amount	52,267	25,244
Share of reinsurers	15,709	11,877
Net amount	36,558	13,367
Change in other technical provisions		
Gross amount	−10	−456
Share of reinsurers	−1	29
Net amount	−9	−485
Expenses for premium refunds		
Gross amount	564	3,252
Share of reinsurers	0	0
Net amount	564	3,252
Total	**81,654**	**58,290**

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 2022

GROSS in €	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	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	7,465,272
2	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	4,712,184	
3	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	2,821,086		
4	1,920,747	2,522,659	6,355,112	12,431,976	14,777,473	11,279,378	8,735,920	1,993,364	1,771,114			
5	2,119,935	2,678,135	6,278,786	12,431,363	14,736,006	11,170,985	8,484,246	1,973,726				
6	2,386,331	2,678,718	6,279,341	12,473,441	14,733,879	11,024,375	8,357,065					
7	2,379,763	2,675,674	6,307,965	12,482,093	14,666,192	10,982,242						
8	2,440,052	2,678,021	6,290,219	12,492,962	14,716,093							
9	2,449,307	2,692,520	6,290,386	12,467,230								
10	2,448,122	2,701,673	6,292,136									
11	2,453,535	2,693,380										
12	2,457,191											
Settlement result	**−390,908**	**541,460**	**−231,399**	**−708,944**	**−303,608**	**742,332**	**865,703**	**432,552**	**1,184,781**	**953,407**	**1,182,324**	**0**

PROPERTY 2022

NET in €	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	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	5,198,986
2	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	3,292,414	
3	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	1,944,636		
4	691,645	1,960,761	5,028,103	9,107,952	7,432,170	5,116,768	3,616,169	1,875,455	1,655,771			
5	739,013	1,998,989	5,000,262	9,103,791	7,413,313	5,053,189	3,472,044	1,855,817				
6	750,264	1,996,341	5,000,558	9,145,869	7,411,097	4,956,819	3,394,312					
7	745,441	1,994,679	5,029,182	9,114,928	7,346,316	4,914,686						
8	752,480	1,997,025	5,011,436	9,099,363	7,392,630							
9	761,735	2,011,525	5,011,634	9,085,036								
10	760,549	2,020,677	5,013,384									
11	765,962	2,012,385										
12	761,486											
Settlement result	**−267,325**	**246,760**	**−201,869**	**−407,157**	**−303,831**	**193,642**	**209,774**	**398,628**	**1,114,974**	**886,312**	**973,086**	**0**

HEALTH INSURANCE 2022

GROSS in €	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	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	64,266,865
2	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	63,011,110	
3	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	49,733,755		
4	3,761,255	5,114,898	6,466,153	10,222,046	12,618,126	16,282,013	19,420,767	24,762,559	37,455,821			
5	3,765,725	5,121,749	6,500,050	10,254,318	12,625,336	16,301,862	19,440,011	24,774,318				
6	3,765,332	5,122,511	6,503,766	10,259,529	12,627,767	16,327,434	19,439,509					
7	3,768,528	5,122,800	6,503,462	10,260,380	12,630,304	16,335,376						
8	3,768,475	5,122,549	6,505,226	10,260,504	12,630,418							
9	3,768,475	5,122,609	6,505,221	10,260,495								
10	3,768,739	5,122,606	6,505,217									
11	3,768,725	5,122,606										
12	3,768,725											
Settlement result	**–503,711**	**–674,489**	**–355,926**	**–971,039**	**119,591**	**–341,125**	**–1,061,673**	**–973,611**	**–2,438,472**	**–2,265,792**	**–446,888**	**0**

HEALTH INSURANCE 2022

NET in €	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1	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	39,473,649
2	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	38,026,425	
3	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	29,756,458		
4	2,140,595	2,887,822	3,502,338	6,906,740	7,874,304	9,401,668	11,579,974	15,750,335	26,988,421			
5	2,143,280	2,891,591	3,516,162	6,925,319	7,880,231	9,417,131	11,595,544	15,757,090				
6	2,143,029	2,892,036	3,518,670	6,928,461	7,882,517	9,430,450	11,595,718					
7	2,144,872	2,892,205	3,518,486	6,929,002	7,885,057	9,433,643						
8	2,144,819	2,892,074	3,520,102	6,928,990	7,885,128							
9	2,144,819	2,892,109	3,520,106	6,928,981								
10	2,145,077	2,892,107	3,520,102									
11	2,145,069	2,892,107										
12	2,145,069											
Settlement result	**–317,505**	**–579,431**	**–230,000**	**–749,124**	**–36,321**	**–282,216**	**–831,506**	**–1,866,816**	**–1,404,713**	**–1,842,973**	**–599,606**	**0**

12.6 Expenses for insurance operations (net)

EXPENSES FOR INSURANCE OPERATIONS (NET)

In € thousand	2022	2021
Acquisition expenses	28,734	46,952
Administrative expenses	21,581	16,569
Share of reinsurers	–17,341	–25,930
Total	**32,974**	**37,591**

The decline in acquisition expenses is the result of a reorganisation of sales activities and a reduction in new business. As a result, sales commission decreased by € 6.5 million and internal acquisition costs by € 3.0 million compared to the 2021 financial year.

In addition, sales commission for active reinsurance business decreased by € 8.3 million compared to the previous year, for which, however, administrative expenses increased by € 5.6 million.

12.7 Other expenses

OTHER EXPENSES

In € thousand	2022	2021
Other underwriting expenses		
Deposit interest for reinsurance	1,394	1,122
Fire protection tax	20	19
	1,414	**1,141**
Other non–underwriting expenses	2,046	3,004
Total	**3,460**	**4,145**

12.8 Main components of income tax expense and income

MAIN COMPONENTS OF INCOME TAX EXPENSE AND INCOME

In € thousand	2022	2021
Current taxes		
Reporting year	202	29
Previous year	–32	3
	170	**32**
Deferred taxes		
Deferred taxes from losses carried forward	746	–2,508
Deferred taxes on the formation or reversal of temporary differences	–240	2,240
Reclassification of deferred taxes from the reserve for unrealised gains and losses	0	1,108
	506	**840**
	676	**872**

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 increases its gross premiums significantly every 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. 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 for 2023. The tax loss carryforward will likely be able to be fully used during the five-year planning period.

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	2022	2021
Consolidated income	991	–1,697
Income taxes	676	872
Results before income taxes	1,667	–825
Group tax rate in %	32.00	32.00
Expected income taxes	533	–264
Adjusted for tax effects from		
Reclassification of deferred taxes from the reserve for unrealised gains and losses	0	1,108
Non–deductible expenses	59	24
Income taxes for other accounting periods	84	3
	143	**1,135**
Reported income taxes	676	872
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 40.6%, compared to –105.6% in the previous year.		
Effective group income tax rate in %	40.6%	–105.7%

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 €	2022	2021
Net result for the period	**991,321**	**–1,697,077**

	Number of shares	Number of shares
Weighted average number of ordinary shares in circulation during the period		
Existing shareholders	14,587,780	14,587,780
Weighting		
Number of days	360	360
Weighted number	**14,587,780**	**14,587,780**
New shareholders	0	0
Weighting		
Number of days	0	0
Weighted number	**0**	**0**
Total	**14,587,780**	**14,587,780**
EPS in €	0.07	–0.12

13 OTHER INFORMATION

13.1 Capital management under IFRS 4

Capital structure

As at 31 December 2022, the DFV Group had total equity of € 67.2 million (previous year: € 85.1 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 € 14.7 million (previous year: € 15.7 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 € –20.1 million over the course of the reporting year due to capital market factors and the realisation of hidden reserves (previous year: € –1.1 million).

The equity ratio, defined as the ratio of total equity in the amount of € 67.2 million (previous year: € 85.1 million) to the earned premiums (net) in the amount of € 117.0 million (previous year: € 87.4 million), decreased to 57.4% due to the growth in premiums (previous year: 97.3%). The adjusted return on equity before taxes rose to 1.9% (previous year: –1.0%). It is calculated as the ratio of earnings before income taxes of € 1.7 million (previous year: € –0.8 million) to equity adjusted for the reserve for unrealised gains and losses in the amount of € 87.3 million (previous year: € 86.2 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), until September 30, 2023 fulfils the responsibility. As of October 1, 2023, this AF was filled internally.

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 lower than the equity under commercial law. The valuation differences are mainly due to the market price development of capital investments, 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 2022 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 high credit ratings.

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 damage 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. Financial instruments and 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. At Deutsche Familienversicherung, these are – especially at Level 3 – traditional valuation methods such as the gross rental method, the discounted cash flow method (utilising EBIT, cash flows, risk-free interest rates, beta factors or spreads) and even the net asset value method for subordinate financial investments. Overnight deposits are recognised at their acquisition costs.

ASSETS AND LIABILITIES BY LEVEL (2022)

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)	180,386	0	0	180,386
Financial instruments available for sale (measured at acquisition costs)	0	0	0	0
Financial instruments measured at fair value through profit or loss	0	0	0	0
Total positive market values	**180,386**	**0**	**0**	**180,386**
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 (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**

RECONCILIATION OF FINANCIAL ASSETS CLASSIFIED IN LEVEL 3

In € thousand	Financial instruments available for sale	Total
Carrying amount (fair value) as at 1 January 2021	**2,250**	**0**
Reclassification (net) to (+)/ from (-) level 3	−2,250	0
Carrying amount (fair value) as at 1 January 2022	**0**	**0**
Reclassification (net) to (+)/ from (-) level 3	0	0
Carrying amount (fair value) as at 31 December 2022	**0**	**0**
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 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%	−8,553
Fixed-interest securities	Interest decrease of 1%	+9,710
Shares and investment shares	Price increase of 10%	+1,281
Shares and investment shares	Price decrease of 10%	−1,281

13.4.1 Credit quality of the portfolio

CREDIT QUALITY OF THE PORTFOLIO

In € thousand	2022	Share in %	2021	Share in %
Rating categories of interest-bearing financial instruments available for sale				
AAA	32,846	28.1	6,726	5.4
AA	13,623	11.6	13,454	10.9
A	1,693	1.4	5,294	4.3
BBB	66,622	56.9	89,921	72.7
BB and lower	473	0.4	5,211	4.2
No rating	1,815	1.6	3,150	2.5
Total	**117,072**	**100.0**	**123,756**	**100.0**

13.4.2 Credit risk

CREDIT RISK (2022)

In € thousand	Balance sheet value as at 31.12.2022	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	180,386.2	180,386.2							
Financial instruments measured at fair value through profit or loss	0.0	0.0							
Receivables from direct insurance business	2,452.4	1,272.3	1,180.1						
Accounts receivable from passive reinsurance business	977.8	977.8							
Other receivables, especially accrued interest	2,474.3	2,474.3							
Total	**186,290.7**	**182,636.3**	**1,180.1**						

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 reinsurance business	3,729.6	3,729.6							
Other receivables, especially accrued interest	2,264.5	2,264.5							
Total	**189,001.2**	**187,776.1**	**1,225.1**						

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. These include, in particular, shares in investment funds that, due to their nature, are unable to meet the payment flow criterion set out in 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 2022	31 December 2021
Financial instruments which meet the SPPI criterion		
Financial investments available for sale		
Fixed-interest securities	117,072	123,756
Financial assets measured at acquisition cost		
Receivables	5,904	8,207
Cash and cash equivalents	11,494	4,332
All other financial instruments		
Financial investments available for sale		
Variable-interest securities	63,314	57,039
Financial instruments measured at fair value through profit or loss		
Financial instruments classified as measured at fair value through profit or loss	0	0
	197,784	**193,333**

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	2022	2021	2022	2021	2022	2021
Gains from changes in fair value	0	0	0	0	0	0
Gains from the disposal of financial instruments	15,602	0	2,366	10,875	0	0
Foreign currency gains	69	0	321	133	0	0
Expenses for the management of capital investments, other expenses	182	9	727	882	0	0
Impairments	0	0	0	0	415	150
Losses from changes in fair value	0	0	0	0	0	0
Losses from the disposal of financial instruments	10,397	225	10,169	1,869	0	0
Foreign currency losses	50	0	25	74	0	0
Total (through profit or loss)	**5,042**	**–234**	**–8,234**	**8,183**	**–415**	**–150**
Changes in fair value	0	0	–27,846	–7,590	0	0
Total (directly in equity)	**0**	**0**	**–27,846**	**–7,590**	**0**	**0**

The gains and losses from the disposal of financial instruments from the financial investments measured at fair value through profit or loss are solely attributable to derivative items that were closed and reached final maturity in the reporting year.

Besides pension futures, pension options and pension future options on German, Italian, French and Spanish government bonds, the derivatives encompassed stock index options on the Euro Stoxx 50 and S&P 500.

Essentially, the gains from the disposal of the derivative items are attributable to futures on German government bonds in the amount of € 9,634 thousand and the aforementioned index options in the amount of € 2,579 thousand.

Essentially, the losses from the disposal of the derivative items are attributable to futures on German government bonds in the amount of € 5,338 thousand and the aforementioned index options in the amount of € 2,333 thousand.

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

INTEREST INCOME AND EXPENSES AND CURRENT INCOME (2022)

In € thousand	Interest income	Current income	Interest expenses
Financial instruments available for sale	1,872	3,464	0
Loans and receivables	0	0	33

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

13.8 Disclosures on leases

DISCLOSURES ON LEASES – DEUTSCHE FAMILIENVERSICHERUNG AS LESSEE

In € thousand	2022	2021
Depreciation amount	180	715
Interest expenses	−1	17
Lease payments	**179**	**732**
Non-capitalised assets	393	564
Outgoing payments from leases	**572**	**1,296**

In the reporting year, lease payments for rights of use recognised pursuant to IFRS 16 amounted to € 179 thousand (previous year: € 732 thousand).

Additionally, other lease expenses in the amount of € 393 thousand (previous year: € 564 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 € 774 thousand (previous year: € 1,807 thousand) due to various IT outsourcing contracts. Of this, € 774 thousand (previous year: € 1,702 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 2022), 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.

In the financial year, the Chairman of the Executive Board, Dr Stefan Knoll, was granted a loan of € 800,000 at market conditions in coordination with the Supervisory Board. Interest is 2.5% p.a. and is payable in advance. The loan will be granted until 31 March 2026. Repayments can be made at any time. An application has been filed to create a land charge in the amount of the loan.

Beyond that, there were no economic relationships with this group of people.

The total remuneration of the appointed members of the Executive Board (fixed remuneration, fringe benefits and short-term variable remuneration) amounted to € 2,221 thousand in the financial year (previous year: € 1,816 thousand). This also includes € 667 thousand in compensation for a former member of the Executive Board. The remuneration of the Supervisory Board (fixed remuneration and ancillary costs) amounted to € 245 thousand (previous year: € 214 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/German/2000/publikationen.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 € 278 thousand (previous year: € 210 thousand). It is attributable to audit services exclusively.

13.13 Number of employees

An average of 184 people (previous year: 178) were employed in the reporting year. Of these, 84 are employed by DFV Deutsche Familienversicherung AG, 45 by DFVV, 52 by DFVS and three by 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 13 March 2023. 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/German/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

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

Frankfurt am Main, 13 March 2023

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)

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, 13 March 2023

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 2023

18 May	Quarterly report for Q1 as of 31 March 2023
24 May	Annual General Meeting 2023 in Frankfurt am Main
14 Sep	Quarterly report for Q2 as of 30 June 2023
30 Nov	Quarterly report for Q3 as of 30 September 2023

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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.