

A Introduction

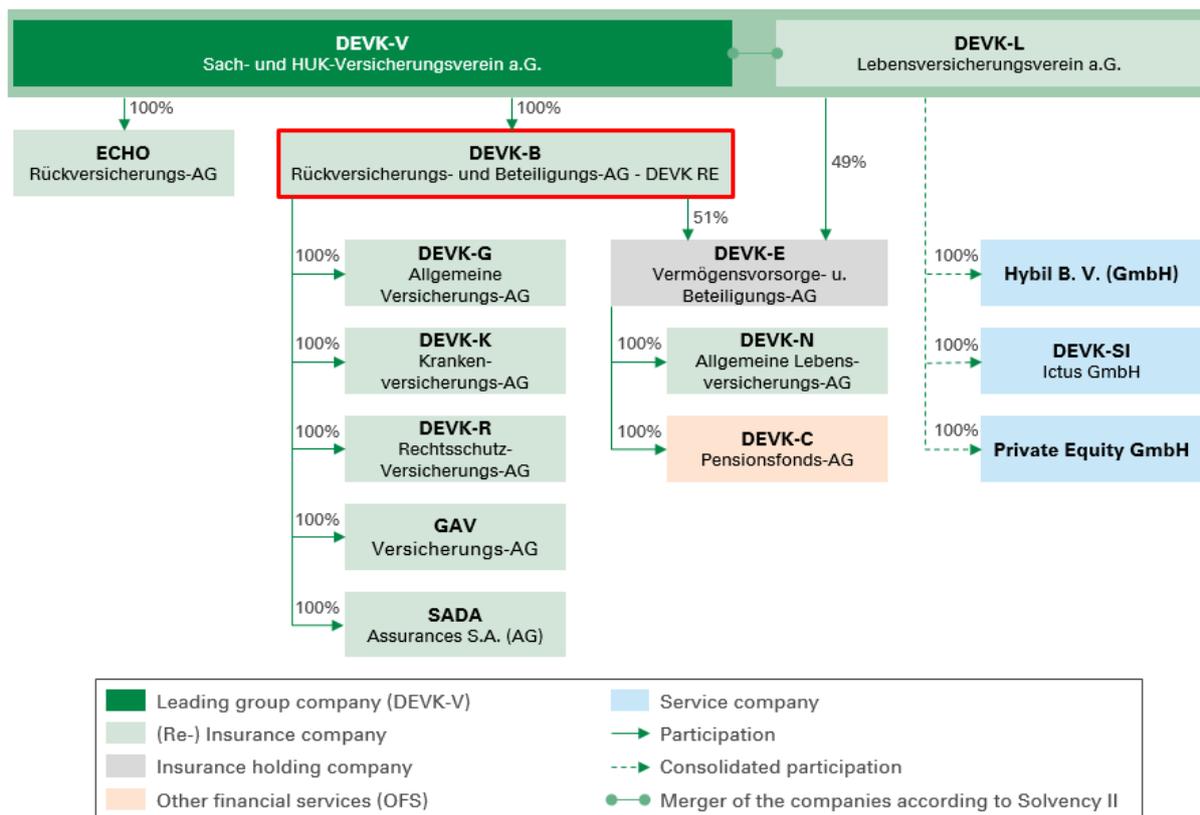
This excerpt from the Solvency and Financial Condition Report (SFCR) provides detailed insights into the capital resources, risk situation and the methods and processes used by “DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE”.

The reinsurer DEVK Rückversicherungs- und Beteiligungs-AG – DEVK RE is an active unlisted stock corporation. The registered office of the company is Cologne. The company is registered in the Commercial Register of the Cologne District Court.

The supervisory authority for DEVK Rückversicherungs- und Beteiligungs-AG – DEVK RE is the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), headquartered in 53117 Bonn, Graurheindorfer Str. 108.

KPMG in 50674 Cologne, Barbarossaplatz 1 a, is the appointed auditor for DEVK Rückversicherungs- und Beteiligungs-AG – DEVK RE both for local GAAP and Solvency II. Their audit did not reveal any irregularities.

DEVK Rückversicherungs- und Beteiligungs-AG – DEVK RE is part of the DEVK-Group with the parent company being DEVK Deutsche Eisenbahnversicherung Sach- und HUK-Versicherungsverein a.G.



The company’s exclusive insurance purpose is to provide reinsurance for the insurance operations undertaken in various segments and types of non-life, accident, health and life insurance. Reinsurance is provided for both affiliated and non-Group companies.

The company also acquires and holds participating interests. As the intermediary holding company within the DEVK Sach- und HUK-Versicherungskonzern, it manages the group’s other insurance companies as well as various participating interests.

B Capital Management

The Solvency ratio (SCR¹ ratio) is calculated from the eligible own funds divided by the solvency capital requirement (SCR). The Solvency ratio amounted to 319.2% as at December 31, 2020.

	2020	2019
Eligible own funds to cover SCR	2,893.1	2,985.2
SCR	906.3	833.7
SCR ratio	319.2%	358.1%
Eligible own funds to cover MCR	2,771.0	2,894.2
MCR (Minimum Capital Requirement)	226.6	208.4
MCR ratio	1,223.0%	1,388.6%

all figures in millions of euros

The SCR ratio decreased by 38.9 percentage points compared to the previous year. While own funds (- € 92.1 million) have decreased, the SCR (+ € 72.6 million) has increased. The decrease in own funds was mainly due to an increase in technical provisions (+ € 116.5 million) and pension provisions (+ € 95.5 million). Furthermore, the decrease was partly offset by an increase in mortgages and loans (+ € 177.7 million).

The largest risk of DEVK Rückversicherungs- und Beteiligungs-AG - DEVK RE is the market risk. Within the market risk, equity risk is with € 601.0 million the largest single risk. Compared to last year, the underwriting risk (non-life) increased significantly by € 61.1 million. The largest single risk here was the catastrophe risk with € 293.0 million, which increased by € 31.3 million due to business growth.

The SCR ratio was reduced at an uncritical level.

According to tier classes, the eligible own funds were as follows:

	2020	2019
Tier 1	2,771.0	2,894.2
Tier 2	-	-
Tier 3	122.1	91.0

all figures in millions of euros

This resulted in the following eligible own funds to cover the SCR and MCR:

	2020	2019
Eligible own funds to cover the SCR	2,893.1	2,985.2
Eligible own funds to cover the MCR	2,771.0	2,894.2

all figures in millions of euros

To cover the solvency capital requirement, Tier 1 and Tier 3 own funds were established. Only Tier 1 capital was used to cover the minimum capital requirement (MCR).

¹ Solvency Capital Requirement

The balance sheet of DEVK Rückversicherungs- und Beteiligungs-AG – DEVK RE as at December 31, 2020 was prepared as a fair value balance sheet according to the principles of Solvency II.

According to Solvency II, the balance sheet is as follows:

Assets	Solvency II 2020	Solvency II 2019	Difference
Intangible assets	-	-	-
Deferred tax assets	122.1	91.0	31.1
Property, plant and equipment held for own use	0.3	0.3	-
Investments	4,086.0	4,078.9	7.1
Property (other than own use)	-	-	-
Participations	2,292.2	2,347.3	-54.9
Equities	76.9	134.0	-57.1
Bonds	1,304.7	1,224.5	80.2
Investment funds	378.9	335.4	43.5
Derivates	3.6	-	3.6
Deposits	-	5.5	-5.5
Other investments	29.5	32.2	-2.7
Assets held for unit-linked funds	-	-	-
Mortgages and loans	269.4	91.7	177.7
Reinsurance recoverables	26.2	28.2	-2.0
Cash deposits to cedants	66.7	62.6	4.1
Intermediaries and insurance recoverables	-	-	-
Other Receivables	-	-	-
Receivables (trade, not insurance)	164.3	240.9	-76.6
Cash and cash equivalents	5.0	3.2	1.8
Other assets	0.7	0.7	-
Total assets	4,740.8	4,597.4	143.4

all figures in millions of euros

Liabilities	Solvency II 2020	Solvency II 2019	Difference
Gross technical provisions	538.5	431.7	106.8
Other technical provisions	-	-	-
Provisions other than technical provisions	56.3	105.5	-49.2
Pension benefit obligations	1,100.7	1,005.2	95.5
Cash deposits from reinsurers	-	-	-
Deferred tax liabilities	-	-	0.0
Derivates	0.1	2.4	-2.3
Amounts owed to credit institutions	34.3	51.0	-16.7
Intermediaries and insurance liabilities	-	-	-
Reinsurance liabilities	-	-	-
Liabilities (trade, not insurance)	0.1	0.0	0.1
Subordinated liabilities	-	-	-
Any other liabilities	107.7	6.4	101.3
Total liabilities	1,837.7	1,602.2	235.5
Assets less liabilities	2,903.1	2,995.2	-92.1
Total	4,740.8	4,597.4	143.4

all figures in millions of euros

The accounting and valuation of the local GAAP balance sheet is carried out in accordance with the principles of the German Commercial Code. The assessment principles of the delegated regulation 2015/35 are the basis for the determination of the Solvency II balance sheet.

Information regarding the individual balance sheet items is provided in euro. Investments denominated in foreign currencies are included in the fair value calculation at the exchange rate at year-end.

The stated fair values of investments include the respective market value and any accrued interest on the shares (dirty price).

SCR per risk module

The composition of the total SCRs is shown in the following table in the individual categories:

Risk category	SCR 2020	SCR 2019
Life underwriting risk	2.5	3.0
Mortality risk	1.6	2.1
Longevity risk	0.0	0.0
Disability morbidity risk	0.4	0.5
Lapse risk	0.3	0.3
Revision risk	0.0	0.0
Expense risk	0.0	0.0
Catastrophe risk	1.3	1.3
Diversification life underwriting risk	-1.1	-1.2
Health underwriting risk	48.9	39.4
Mortality risk	-	-
Longevity risk	0.7	0.5
Disability morbidity risk	-	-
Lapse risk	-	-
Revision risk	-	-
Expense risk	0.0	0.0
Premium risk	9.8	9.0
Reserve risk	9.5	9.9
Lapse risk	-	-
Catastrophe risk	41.7	31.8
Diversification health underwriting risk	-12.8	-11.8
Non-life underwriting risk	402.5	341.4
Premium risk	118.4	98.1
Reserve risk	125.8	89.8
Lapse risk	19.9	16.1
Catastrophe risk	293.0	261.7
Diversification non-life underwriting risk	-154.6	-124.3
Market risk	787.7	809.6
Interest rate risk	-	34.1
Spread risk	141.0	119.8
Equity risk	601.0	643.4
Concentration risk	12.0	10.8
Property risk	83.3	59.7
Currency risk	40.6	30.1
Diversification market risk	-90.2	-88.3
Counterparty default risk	10.0	18.0
Type 1 counterparties	10.0	18.0
Type 2 counterparties	-	-
Diversification counterparty default risk	-	-
Diversification Basic risk	-265.7	-240.3
Basic risk	985.9	971.2
Loss absorbing capacity of deferred taxes	-99.5	-154.9
Operational risk	19.8	17.4
Solvency Capital Requirement (SCR)	906.3	833.7

all figures in millions of euros

For DEVK Rückversicherungs- und Beteiligungs-AG, the largest single risk was market risk and within this category the equity risk, which is dominated by the risk arising from investments in other DEVK companies (volume: approximately € 2,292 million). The unequal distribution of the risk types led to a relatively low diversification effect of € 90.2 million. The catastrophe risk (€ 293.0 million) was the largest single risk within the underwriting risk, mainly as a result of the acquired catastrophe exposure.

No simplifications have been used in accordance with the implementing regulation Solvency II. The company does not apply the volatility adjustment, nor the transitional deduction referred to in article 308b of Directive 2009/138/EC. The company has not certified any undertaking specific parameters (USP) for the calculations.

There are no discernible developments that could lead to a significant impairment of the company's net assets, financial position and results of operations and thus jeopardise its continuing existence.