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Statistics

Federal Financial Supervisory Authority

(Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin)

– Reinsurance undertakings –

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I Trends in reinsurance supervision

1 Solvency II: Reinsurance undertakings from third countries

The entry into force on 1 January 2016 of the Act to Modernise Financial Supervision of Insurance Undertakings (*Gesetz zur Modernisierung der Finanzaufsicht über Versicherungen*) of 1 April 2015, which amends the Insurance Supervision Act (*Versicherungsaufsichtsgesetz – VAG*), led to important changes with respect to the operation of reinsurance business in Germany.

Third-country insurance undertakings (primary insurers and reinsurers), i.e. countries that are not member states of the European Union or signatories to the Agreement on the European Economic Area, are subject to authorisation and must establish a German branch office if they wish to carry on primary insurance or reinsurance business in Germany. The requirements for the authorisation application and the branch office are based in particular on the provisions of sections 68 and 69 of the VAG.

Section 67 (1) sentence 2 first half-sentence of the VAG provides an exemption for primary insurance and reinsurance undertakings that wish to carry on solely reinsurance business

in Germany. According to this exemption, the requirement for authorisation and the establishment of a branch office does not apply if primary insurers or reinsurers from third countries carry on solely reinsurance business in Germany through provision of cross-border services and if the European Commission has decided in accordance with Article 172(2) or (4) of Directive 2009/138/EC that the solvency regimes for reinsurance activities carried out by undertakings in the relevant country are equivalent to the regime described in that Directive. Equivalence decisions pursuant to Article 172(2) or (4) of Directive 2009/138/EC are also based on the provisions laid down in Title I of Directive 2009/138/EC.

By 1 June 2016, equivalence decisions pursuant to Article 172(2) of Directive 2009/138/EC had been taken for the solvency regimes of Switzerland and Bermuda (except for captive insurers and special purpose insurance vehicles); an equivalence decision pursuant to Article 172(4) of Directive 2009/138/EC had been taken for the regime in Japan (temporary equivalence decision ending 31 December

2020). The equivalence decisions of the European Commission can be found on the website of the European Commission (http://ec.europa.eu/finance/insurance/solvency/international/index_en.htm) and on EIOPA's website (<https://eiopa.europa.eu/external-relations/equivalence>).

Insurance by correspondence (*Korrespondenzversicherung*), a tool that has been known for many years, may still be used in the future. Insurance by correspondence, which is not subject to authorisation, applies to reinsurance business if, at the instigation of an undertaking domiciled in Germany, a reinsurance contract

is concluded by correspondence with a primary insurer or reinsurer domiciled abroad without one of the parties being assisted by a professional intermediary in Germany or a professional intermediary domiciled abroad but acting as intermediary in Germany.

Whether risk mitigation techniques in the form of reinsurance contracts taken out with primary insurers or reinsurers from third countries are eligible for calculating the basic solvency capital requirement is determined in particular on the basis of Article 211(1) and (2) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014.

2 Reinsurance supervision in 2015

2.1 Authorised reinsurers

In 2015, one reinsurer in the process of winding up transferred its entire insurance portfolio to a competitor. After that, the reinsurer cancelled the authorisation to conduct reinsurance business. The purchaser is now continuing the winding-up of the acquired insurance portfolio. All in all, BaFin supervised a total of 39 reinsurance undertakings or branch offices of reinsurance undertakings at the end of the year under review (previous year: 40).

2.2 Economic trends in 2015

For reinsurers, 2015 was a very successful year – some undertakings even posted record results. The main reason for this was a low level of claims expenditures; the hurricane season in particular was very mild. It has been ten years now since the last major hurricane struck the US mainland (see Table 2 “Natural disasters in 2015 compared with the past ten years”, page 6).

Natural disasters caused overall economic losses of US\$90 billion worldwide. This is not only below the previous year's figure of US\$110 billion but also significantly lower than the average for the last ten years (US\$180 billion). US\$27 billion were insured losses, which is also below the previous year's figure (US\$31 billion) and the average for the last ten years (US\$56 billion).

Table 1 Number of reinsurers under legal supervision of BaFin

As at 31 December of the relevant year

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|------|------|------|------|------|
| Reinsurance undertakings with business activities | 27 | 27 | 27 | 29 | 33 |
| Reinsurance undertakings without business activities | 5 | 6 | 8 | 7 | 3 |
| EEA branches | 6 | 6 | 6 | 6 | 6 |
| Third-country branch | 1 | 1 | 1 | 1 | 1 |

Table 2 Natural disasters in 2015 compared with the past ten years

| Year | Number of events | Fatalities | Overall losses (US\$m) | Insured losses (US\$m) | Notable events |
|------|------------------|------------|------------------------|------------------------|---|
| 2015 | 1,060 | 23,000 | 90,000 | 27,000 | Earthquake in Nepal, winter weather damage in the USA and Canada, winter storm Niklas, floods in the United Kingdom |
| 2014 | 980 | 7,700 | 110,000 | 31,000 | Cyclone Hudhud, winter weather damage in Japan, the USA and Canada, floods in India and Pakistan, Whitsun storm Ela |
| 2013 | 920 | 21,000 | 140,000 | 39,000 | Floods in Central Europe and Canada, hailstorms in Germany, storms Christian and Xaver, tornadoes in the USA |
| 2012 | 920 | 10,000 | 173,000 | 65,000 | Hurricane Sandy, drought in the USA, earthquake in Italy, severe weather and tornadoes in the USA, Hurricane Isaac |
| 2011 | 820 | 27,000 | 380,000 | 105,000 | Earthquakes in Japan and New Zealand, floods in Thailand, tornadoes in the USA, Hurricane Irene |
| 2010 | 970 | 296,000 | 152,000 | 60,000 | Earthquakes in Haiti, Chile and China, heatwave in Russia, floods in Pakistan, volcanic eruption in Iceland |
| 2009 | 900 | 11,000 | 60,000 | 22,000 | Winter storm Klaus, tornadoes in the USA, hail storms in Central Europe |
| 2008 | 750 | 163,000 | 200,000 | 45,000 | Hurricanes in the USA and the Caribbean, winter storm Emma |
| 2007 | 1,025 | 16,000 | 83,000 | 26,000 | Winter storm Kyrill, floods in the UK |
| 2006 | 850 | 20,000 | 50,000 | 15,000 | Earthquake in Yogyakarta, Indonesia |
| 2005 | 670 | 101,300 | 227,000 | 101,000 | Hurricanes in the Atlantic, earthquake in Pakistan |

Source: Based on Munich Re NatCatSERVICE data

As in 2014, weather events dominated the year under review, accounting for approximately 94% of all natural disasters. The most loss-intensive single event for the insurance industry was the severe winter weather in the USA and Canada (see Table 3 “The five biggest natural disasters in 2015 measured by insured loss”, page 7). As in the previous year, the winter in the Northeast of the USA was exceptionally cold and snowy. In Boston, almost three metres of snow fell over the winter months – an absolute record. Economic losses amounted to US\$4.6 billion, of which approximately US\$3.4 billion was insured.

In Europe and Germany, winter storm “Niklas” was by far the most expensive natural event for the insurance industry. At the end of March, it swept across large areas of Central Europe, reaching high wind speeds

of up to 200 km/h. Overall losses amounted to US\$1.4 billion, of which approximately US\$1 billion was insured.

The most severe natural disaster in 2015 occurred in Nepal. Some 9,000 people lost their lives in the earthquake and over 500,000 were made homeless. While overall economic losses amounted to US\$4.8 billion, only a fraction of them (US\$210 million) was insured, as is often the case in developing countries. The losses accounted for approximately one quarter of Nepal’s annual gross domestic product.

Unusually cold winter weather in the USA also featured extensively in the figures for natural catastrophes in the first quarter of 2016. The winter storm which swept across the North-East of the USA from 21 to 24 January was rated as the fourth-largest winter storm in the history of

Table 3 The five biggest natural disasters in 2015 measured by insured loss

| Date | Region | Event | Overall losses (US\$m) | Insured losses (US\$m) |
|-------------------------|--------|---------------------|------------------------|------------------------|
| 16 Feb. – 25 Feb. 2015 | USA | Winter damage | 2,800 | 2,100 |
| 23 May – 28 May 2015 | USA | Severe weather | 2,500 | 1,400 |
| 7 April – 10 April 2015 | USA | Severe weather | 1,600 | 1,200 |
| 30 March – 1 April 2015 | Europe | Winter storm Niklas | 1,400 | 1,000 |
| 12 Sep. – 8 Oct. 2015 | USA | Forest fires | 1,300 | 960 |

Source: Munich Re NatCatSERVICE

weather recording. Disruption was reported in transport and manufacturing.¹

For the reinsurers, the low level of claims expenditures in 2015 resulted in good or even excellent profits for the year. Yet appearances are deceiving: the reinsurance industry is gripped in the vice of low rates on the one hand and low interest on the other. The reinsurance market is suffering from an oversupply of capacity owing to the low level of claims expenditures in recent years and the continuing inflow of alternative capital. At the same time, demand is rather subdued. Many cedants continue to increase their retentions. This is also boosted by improved risk management and high levels of capitalisation due to the absence of major losses.

As a result, the period of soft market conditions continues. Renewals at the beginning of 2016 continued to show a reduction in prices, in particular for natural catastrophe risk coverage. Although rate erosion appears to be slowing to single-digit levels, a stabilisation of prices across the board is not observable. The long period of soft market conditions also results from the persistent low interest rate environment, an aspect that distinguishes it from earlier soft market phases.

Owing to the low interest rates, the reinsurance market and especially the alternative reinsurance market (alternative risk transfer – ART) are increasingly in the

focus of investors who are attracted by the comparatively favourable returns. The relatively low correlation of insurance risk and market risk is another factor contributing to its popularity. Hedge funds and pension funds are increasingly investing in catastrophe bonds and collateralised reinsurance. In 2015, the market for catastrophe bonds (insurance-linked securities – ILS) remained at a high level with issue volumes of over US\$7.9 billion. At US\$26 billion, the aggregate value of catastrophe bonds currently outstanding also set a new record.² According to Aon Benfield, the ART market had a volume of approximately US\$69 billion in the third quarter of 2015 and made up around 12% of the entire reinsurance market.³ With approximately US\$33 billion, collateralised reinsurance accounted for the largest share, followed by ILS.

Although capital market investors increasingly also take into account other risks (such as longevity risk) when searching for returns, the ART market continues to be heavily dominated by natural catastrophe risk, especially US risk. The inflow of alternative capital fuelled by low interest rates intensifies competitive pressure particularly among reinsurers who, like the ART market, focus on natural catastrophe risk coverage.

The low interest rate environment results in a larger supply of capacity in the reinsurance market, intensifies competitive pressure and

1 AON Benfield: January 2016 Global Catastrophe Recap.

2 ARTEMIS: Artemis website: accessed 15 March 2016.

3 AON Benfield: Reinsurance Market Outlook January 2016.

thus puts pressure on rates, which heightens the risk that they may no longer be adequate. This applies in particular to new and renewed reinsurance contracts, but existing policies are affected by low interest rates as well: the level of adequacy of premiums received in the past decreases. The interest rates priced into premiums are proving too high for the low interest rate environment, causing an increasing problem for long-term classes of business such as liability insurance.

In earlier periods of soft market conditions, low rates and poor underwriting results could be offset by favourable investment results. In the current period of soft market conditions, however, this is no longer possible due to the persistently low interest rates. Underwriting and investments are thus putting pressure on the

profitability of reinsurers: the longer the period of low interest rates, the greater the pressure on profitability.

Reinsurers have so far reacted to these challenges in different ways, taking measures such as cost reductions, diversification and selective underwriting. Some reinsurers also hope for cost reductions and synergies from mergers. In the past year, this was observed in particular at Bermuda-based reinsurers, which are well-represented in the catastrophe business (e.g. Catlin and XL Re, Partner Re and Exor). Diversifications relate both to new products (such as cyber risks) and new markets (e.g. industrial insurance, emerging markets). And, last but not least, reinsurers simply hope for market-stimulating loss events and an end to the expansionary monetary policy.

I

II

Table Section 2014



II Statistical evaluation for 2014

The editorial deadline for the reporting year for reinsurance statistics is June of the second following year. Subsequent assessments, additional reports and corrections to figures may lead to ex post changes. Any changes to prior-year figures in the following tables are due to subsequent corrections.

The report on the statistics for financial year 2014 and 2013/2014 includes the annual financial statements of 31 reinsurers (previous year: 33), plus the annual financial statements of one third-country branch (Transatlantic Re). Most of them are stock corporations, one is a mutual insurance association

(*Versicherungsverein auf Gegenseitigkeit*) and two are insurance undertakings under public law.

The data in the tables below, as well as in the table section 2014, is based on what is known as "industry revenue". This figure, which is calculated for each insurance segment, is the total of the forms and statements submitted by the reinsurance undertakings. This not only allows all the values to be reconstructed at any time, but also enables additional (consistent) data to be retrieved from the data records if needed.

Table 4 Gross premiums in the reinsurance business

| Year | Gross premiums written (€m) | | |
|------|-----------------------------|---|----------|
| | Reinsurers | Primary insurers (inward reinsurance business) | Total |
| 2014 | 52,478.5 | 5,684.9 | 58,163.4 |
| 2013 | 51,153.7 | 5,572.0 | 56,725.7 |
| 2012 | 51,053.4 | 5,522.3 | 56,575.8 |
| 2011 | 46,718.8 | 4,967.1 | 51,686.0 |
| 2010 | 43,307.0 | 4,058.9 | 47,365.9 |

A disadvantage of this approach is that – depending on the forms and statements actually submitted – the number of reporting reinsurance undertakings may differ from table to table. As far as the industry data

is concerned, however, this does not have any significant impact, because it is only published after all the relevant undertakings have submitted correct data, thus ensuring completeness.

1 Premiums

Reinsurance coverage is offered not only by reinsurance undertakings, but also by primary insurers engaging in reinsurance business. The breakdown of the total gross inward reinsurance premiums between reinsurers and primary insurers in financial year 2014 is shown in Table 4 (“Gross premiums in the reinsurance business”, page 10).

In the year under review, gross premiums written by reinsurers rose for the sixth year in succession, growing by 2.6% (previous year: 0.2%). Overall, gross premiums written have risen by over one-third since 2008. Reinsurers last recorded higher premium volumes than in 2014 back in 2002; however, at 44, the number of reinsurers was considerably higher than in 2014 (32 undertakings). This indicates that the reinsurance industry is becoming more concentrated.

The continuing high level of contributions collected in 2014 is likely to have been driven by factors including the continued robust growth in demand on the primary insurance markets in the emerging economies, especially for property and casualty insurance. There was also sustained strong demand for reinsurance as a capital substitute, not least because of the persistently low levels of interest rates.

At approximately 2.0%, premium income for primary insurers grew at a marginally faster pace than for reinsurers. The proportion of the total inward reinsurance business accounted for by reinsurers remained at 90.2%. The number of primary insurers engaging in active reinsurance decreased slightly from 122 to 116 undertakings in the year under review, of which

25 were life insurers, 10 were health insurers and 81 were property/casualty insurers.

At 16.9%, reinsurance business accepted from domestic ceding insurers rose considerably in 2014. Gross premiums written accepted by reinsurers from domestic ceding insurers amounted to €14.3 billion in the year under review (previous year: €12.2 billion); the level of contributions was, however, significantly higher in 2002, at €21.7 billion.

The opposite was true of the trends in foreign insurance business in the year under review. The decrease in premiums recorded in the previous year for the first time since 2007 rose to 2.0% (previous year: 0.1%). Overall, the share of reinsurance business accepted from foreign ceding insurers declined from 76.1% in the previous year to 72.7% in the year under review. It is too early, however, to speak of a reversal of trends. After all, ten years ago, the share of reinsurance business accepted from domestic ceding insurers accounted for almost half of all insurance business.

Measured in terms of gross premiums written, insurance business accepted from abroad by all domestic insurance undertakings (primary insurers and reinsurers) in 2014 (€41.1 billion) again significantly exceeded insurance business ceded abroad (€12.2 billion). That means that, as in previous years, domestic insurers made available more capacity to the international reinsurance market than they used themselves. The positive contribution to Germany's balance of trade in services decreased from €30.0 billion in the previous year to €28.9 billion in the year under review.

Of the gross premiums written by reinsurers, €3.0 billion was attributable to facultative and €49.5 billion to obligatory reinsurance business. At 70.4% (previous year: 66.5%), proportional reinsurance in the form of quota share and surplus treaties continued to make up the largest proportion of gross premiums written. Proportional reinsurance thus regained the importance attached to it in 2010.

Table 5 ("Reinsurers' gross premiums written by class of business") gives a breakdown of the reinsurers' gross premiums written by class of business.

Premiums in the property/casualty insurance business continued their upward trend, amounting to €33.0 billion in the period under review (previous year: €29.5 billion). The principal beneficiaries of this were motor insurance and other property insurance. The proportion of total insurance business accounted for by property/casualty insurance rose to 62.9%, which equals the 2009 figure.

The share of personal insurance decreased accordingly to 37.1% (previous year: 42.2%), nevertheless remaining at a high level. Twelve years ago, life and health insurance only accounted for less than a quarter. Growing life expectancy and medical advances are driving flourishing life and health insurance markets, including and especially in emerging economies. Because of the persistently low interest rates, there is also continued high demand from personal insurance companies for reinsurance as a capital substitute.

Reinsurers ceded €7.4 billion (previous year: €7.7 billion) of their total gross premiums written of €52.5 billion (previous year: €51.2 billion) to retrocessionaires. As a result, the retrocession ratio amounted to 14.0% (previous year: 15.1%), which was accompanied by an increase of approximately 1.3% in reinsurers' retentions.

Table 641 of the Table Section (page 26) provides details of reinsurers' gross and net premiums earned by class of business in the year under review.

Table 5 Reinsurers' gross premiums written by class of business

| Class of business | Gross premiums written | | | | | |
|---------------------------------|------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2014 | 2014 | 2013 | 2012 | 2011 | 2010 |
| | €m | % | | | | |
| General accident | 1,253.1 | 2.4 | 2.2 | 2.3 | 2.5 | 3.0 |
| Liability | 4,816.7 | 9.2 | 8.5 | 8.5 | 8.6 | 8.7 |
| Motor | 7,675.3 | 14.6 | 11.3 | 10.8 | 12.4 | 11.9 |
| Aerospace/aviation | 339.5 | 0.6 | 0.8 | 0.9 | 0.9 | 0.9 |
| Fire | 6,718.9 | 12.8 | 13.8 | 14.3 | 13.6 | 13.4 |
| Transport | 1,292.8 | 2.5 | 2.3 | 2.5 | 2.2 | 3.6 |
| Credit and surety | 1,598.9 | 3.0 | 3.4 | 3.4 | 3.6 | 3.8 |
| Aerospace/aviation liability | 514.3 | 1.0 | 1.1 | 1.3 | 1.3 | 1.7 |
| Other property insurance | 6,922.6 | 13.2 | 12.0 | 11.1 | 11.7 | 11.9 |
| Other indemnity insurance | 1,858.4 | 3.5 | 2.3 | 2.2 | 2.2 | 2.5 |
| Property/casualty insurance | 32,990.6 | 62.9 | 57.7 | 57.3 | 59.0 | 61.5 |
| Life | 15,221.9 | 29.0 | 31.6 | 32.6 | 31.3 | 29.9 |
| Health | 4,266.1 | 8.1 | 10.6 | 10.1 | 9.7 | 8.6 |
| Total insurance business | 52,478.5 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

2 Gross loss ratio

In 2014, overall economic losses were both down on the previous year and below the long-term average. The hurricane season, in particular, was mild. In total, natural disasters caused overall economic losses of approximately US\$110 billion worldwide (US\$140 billion). This is significantly below the average for the last ten years (US\$190 billion) and indeed the last thirty years (US\$130 billion). This is also true for insured losses, which declined from US\$39 billion in the prior year to US\$31 billion in the year under review (ten-year average: US\$58 billion; thirty-year average: US\$33 billion).

The global decline in claims expenditures in 2014 was felt in particular in Europe. This is because in Europe, reinsurers were confronted with an unusual string of loss-intensive events in 2013. Almost 30% of insured losses worldwide were attributable to Europe then, nearly double the long-term average. In 2014, the distribution was back in line with the long-term average. It is therefore likely that the decline in claims expenditures in 2014

benefitted in particular those reinsurers with a high proportion of business in the parts of Europe and in the classes of business that were particularly affected by natural events (especially residential building insurance).

As a result, the reinsurers' gross loss ratio before settlement decreased from 62.9% of gross premiums earned in the previous year to 61.0% in the year under review. Similarly, total claims expenditures – including settlement results – decreased from 71.0% to 69.1%.

The gross expense ratio also declined slightly in the year under review and amounted to 25.9% (previous year: 26.8%).

Overall, the reinsurers' combined loss-expense ratio after settlement decreased from 97.8% in the previous year to 95.0% in the year under review. On a net basis, the combined ratio improved slightly to 97.4% (previous year: 97.7%).

3 Technical provisions

Gross technical provisions increased for the sixth year in succession, rising by €14.2 billion to €150.0 billion (+10.4%). In terms of gross premiums earned, this translated into a higher provision rate of 287.8% for the business as a whole (previous year: 266.0%). The notable increase in the provision rate is attributable to considerable allocations to the premium reserve as well as allocations to the equalisation provision and the provisions for claims outstanding.

As in previous years, provisions for claims outstanding were by far the most significant single item, accounting for €80.9 billion. These provisions increased by 6.2% (€4.7 billion) year-on-year, accompanied by a provision rate of 155.2% (previous year: 149.3%). Although

claims expenditures were lower compared to 2013, the provision increased due to the settlement of prior-year losses.

As in the previous year, the largest share of gross technical provisions for claims outstanding was attributable to the following classes of business: liability insurance at €27.1 billion (34.3% of reinsurers' total gross provisions for claims outstanding), motor insurance at €17.5 billion (22.1%) and fire insurance at €9.4 billion (11.9%). All in all, gross provisions remained unchanged, amounting to approximately €16.4 billion in the financial year.

Alongside the provision for claims outstanding, the premium reserve is the most significant technical provision for reinsurers. It increased

significantly by 18.5% in the year under review to €43.5 billion (previous year: €36.7 billion) owing to one reinsurer expanding its business in life reinsurance.

Trends in the equalisation provision (including similar provisions) were fairly consistent in the year under review. Reinsurers had to withdraw single-digit million euro amounts from the equalisation provision in only three classes of business, such as aerospace/aviation liability insurance (€157.4 billion). This is clearly attributable to the low level of claims expenditures in the year under review.

Appropriations, in some cases in considerable amounts, had to be made in other classes of business, for example in fire insurance (€1.1 billion). This class had recorded particularly high claims expenditures in 2011.

As a consequence, the considerably lower levels of claims expenditures in 2012, 2013 and 2014 led to significant allocations to the equalisation provision. This provision increased from €2.2 billion in 2011 to €6.4 billion in 2014 in fire insurance.

These high allocations to the equalisation provision for fire insurance also affected the overall equalisation provision. In total, the provision rose significantly by 14.0% as a result of the allocations and amounted to €17.3 billion at the end of the year under review (previous year: €15.2 billion). This corresponds to 38.7% of net premiums earned (previous year: 34.9%) or 11.5% of total gross technical provisions (previous year: 11.4%).

Further details can be found in Tables 630 and 631 of the Table Section (pages 23-24).

4 Overall underwriting result

The reinsurers' underwriting result is shown in Table 6 ("Underwriting result by class of business", page 15), broken down by class of business.

In the year under review, gross underwriting profit rose sharply, increasing by 132.6% year-on-year to €2.8 billion. Most likely this was primarily due to the lower levels of claims expenditures. The previous year saw high natural catastrophe losses in Central Europe (floods, hail, storms). In relation to the gross premiums earned, the reinsurers generated a return on sales of 5.4% (previous year: 2.4%).

In 2013, natural catastrophe losses were significant in other property insurance, which also includes comprehensive residential building insurance. This segment reported a gross underwriting profit of €469.6 million in the year under review, compared with a gross loss of €355.2 million in the previous year.

Aerospace/aviation insurance recorded a negative trend, with underwriting results dropping from €145.1 million in 2013 to -€58.2 million in the year under review. This was likely due to a series of plane crashes, in particular of Asian airlines.

Overall, a quarter of the reinsurers (8 of 32) posted a gross underwriting loss. By contrast, half of the reinsurers (17 of 34) recorded gross underwriting losses in the previous year.

In 2014, primary insurers also posted a significant rise in earnings from insurance business accepted. Their gross profit rose from €0.6 billion in the previous year to €0.7 billion in the year under review, representing 12.3% of gross premiums earned (previous year: 11.0%).

A look at the business accepted from domestic ceding insurers reveals the extent of the relief brought about by the significantly lower amount of natural catastrophe losses in Germany. The gross underwriting results recovered in the

Table 6 Underwriting result by class of business

| Class of business | 2014 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|-----------------|-------------------------|-------------|------------|-------------|------------|
| | €m | as % of premiums earned | | | | |
| General accident | 207.5 | 16.6 | 14.6 | 19.3 | 21.8 | 10.2 |
| Liability | -87.9 | -1.9 | -17.9 | -16.1 | 0.0 | -21.3 |
| Motor | -71.3 | -0.9 | -11.0 | -7.6 | -2.2 | -3.5 |
| Aerospace/aviation | -58.2 | -16.7 | 37.1 | 31.1 | 39.4 | 21.2 |
| Fire | 1,234.4 | 18.3 | 26.2 | 26.5 | -72.7 | 3.3 |
| Transport | 231.4 | 18.1 | 19.5 | 4.9 | 7.2 | 0.5 |
| Credit and surety | 17.9 | 1.1 | -7.0 | 1.3 | 37.8 | 7.3 |
| Aerospace/aviation liability | 35.6 | 6.6 | 27.1 | 45.4 | 28.9 | 16.0 |
| Other property insurance | 469.6 | 6.9 | -5.8 | 5.8 | 3.6 | 10.3 |
| Other indemnity insurance | 169.7 | 9.9 | -14.7 | 10.6 | -7.3 | 9.6 |
| Property/casualty insurance | 2,148.7 | 6.6 | 1.7 | 6.8 | -12.0 | 1.2 |
| Life | 679.5 | 4.5 | 4.2 | 3.9 | 5.6 | 6.3 |
| Health | -4.1 | -0.1 | 0.5 | 2.2 | 1.3 | 0.6 |
| Total insurance business, gross result | 2,824.1 | 5.4 | 2.4 | 5.4 | -5.2 | 2.7 |
| Retrocession result | -1,734.7 | -23.3 | -2.9 | -20.7 | 12.3 | -11.0 |
| Net result 1 | 1,089.4 | 2.4 | 2.3 | 2.9 | -4.1 | 1.2 |
| Change in provision for unexpired risks | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in equalisation reserve ¹ | -2,111.1 | -4.7 | -3.0 | -2.7 | 3.4 | -0.2 |
| Net result 2 | -1,021.7 | -2.3 | -0.7 | 0.2 | -0.6 | 1.0 |

1 Including similar provisions.

year under review, rising from -€1.6 billion in the previous year to €0.9 billion. The return on sales amounted to 6.5% (previous year: -13.0% of gross domestic premiums earned). As in the previous year, insurance business accepted from foreign ceding insurers made a positive contribution to earnings. Gross underwriting profit, however, decreased from €2.8 billion in the previous year to €1.9 billion in the year under review.

In 2014, retrocessionaires again accounted for a disproportionately small share of the losses of ceding insurers. For the reinsurers, this resulted in a negative balance of €1.7 billion to the advantage of the retrocessionaires, corresponding to 23.3% of the amounts

attributable to retrocessionaires (previous year: -€0.2 billion; -2.9%). As a consequence, the reinsurers' gross underwriting profit declined to approximately €1.1 billion (net result 1), which corresponds to 2.4% of net premiums earned (previous year: €1.0 billion; 2.3%).

In the year under review, reinsurers allocated €2.1 billion (4.7% of net premiums earned) to the equalisation provision and similar provisions that enable risks to be balanced over time. The provision for unexpired risks was virtually unchanged.

The net result 2 – which includes contributions from retrocessionaires and changes due to allocations to and withdrawals from the

equalisation provision and the provision for unexpired risks – declined from -€0.3 billion in the previous year to -€1.0 billion in the year under review (-2.3% of net premiums earned).

5 Net result

The breakdown of reinsurers' net results in relation to net premiums earned is shown in Table 7 ("Breakdown of net result", page 17).

Reinsurers' investment volume (including deposits retained) increased by approximately 6.9% to €273.7 billion (previous year: €256.0 billion). Current investment income⁴ rose even more significantly by 25.9% to €13.4 billion (29.9% of net premiums earned). As a result, the current yield, as a proportion of the average investment portfolio (including deposits retained), increased to 5.0% (previous year: 4.1%).

The sharp rise in current investment income resulted from income from affiliates, which increased by 61.2% to €8.5 billion (previous year: €5.3 billion). One reinsurer received significantly higher dividends from one of its subsidiaries. 67.2% of the total investment income (previous year: 52.3%) was attributable to income from affiliates and equity investments, i.e. to interest on loans and profit distributions. This type of income played such a major role mainly because some reinsurers also exercise a holding company function parallel to their reinsurance activities.

Another 9.9% of current investment income was attributable to interest received on deposits retained. Income from bearer bonds and other fixed-income securities was also significant and accounted for 13.0%. By contrast, income from shares, investment units and other variable-rate

Table 641 of the Table Section (page 26) shows the net underwriting results by class of business in the year under review – in each case before and after the change in the equalisation provision and similar provisions.

securities plummeted and accounted for 5.8% in 2014, down from 15.7% in the previous year. This sharp decline was caused by investment income, which decreased by 58.2% to €0.6 billion (previous year: €1.5 billion) due to the dissolution of special funds at a larger reinsurer.

Current investment expense, i.e. depreciation/amortisation and administrative expenses, increased by 10.9% to €2.0 billion (previous year: €1.8 billion), mainly due to higher administrative costs.

Overall, reinsurers generated current net investment income⁵ of €11.4 billion (25.4% of net premiums earned) in 2014, corresponding to a year-on-year increase of 29.0%. The current return in relation to the average investment portfolio, including deposits retained, was 4.3% (previous year: 3.4%).

The reinsurers' investment result amounted to €11.8 billion (previous year: €9.7 billion). This figure includes both other investment income, such as disposal gains, write-ups and income from the reversal of the special tax-allowable reserves totalling €2.8 billion (previous year: €3.9 billion), as well as other expenses such as disposal losses, write-downs and loss absorption amounting to a total of €2.4 billion (previous year: €3.0 billion).

The considerable improvement in investment income is attributable in particular to the dividends received by a reinsurer as mentioned above. This shows that the reinsurance

4 Including the technical interest to be recognised in the underwriting account, but excluding gains on the disposal of investments as well as write-ups and reversals of the special tax-allowable reserves.

5 Current investment income less current investment expenses including technical interest.

Table 7 Breakdown of net result

| Item | 2014 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|----------------|-----------------------------|-------------|-------------|-------------|-------------|
| | €m | as % of net premiums earned | | | | |
| Net underwriting result 1 | 1,088.8 | 2.4 | 2.3 | 2.9 | -4.1 | 1.2 |
| Special allocation to claims provision | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in equalisation provision, etc. | -2,111.1 | -4.7 | -3.0 | -2.7 | 3.4 | -0.2 |
| Net underwriting result 1a | -1,022.2 | -2.3 | -0.7 | 0.2 | -0.6 | 1.0 |
| Current investment income ¹ | 11,923.9 | 26.7 | 21.7 | 21.0 | 25.6 | 25.8 |
| Current investment expenses | -2,001.0 | -4.5 | -4.1 | -4.5 | -5.3 | -4.9 |
| Current net investment income ¹ | 9,922.9 | 22.2 | 17.5 | 16.5 | 20.3 | 20.9 |
| Other result from ordinary activities | -2,548.9 | -5.7 | -3.1 | -2.9 | -3.7 | -4.5 |
| Operating result | 6,351.7 | 14.2 | 13.7 | 13.8 | 16.1 | 17.4 |
| Non-periodic result (incl. provisions for unexpired risks) | -52.3 | -0.1 | 1.6 | 2.8 | -2.7 | 1.0 |
| Profit for the year before tax | 6,299.4 | 14.1 | 15.3 | 16.7 | 13.3 | 18.3 |
| Taxes | 35.3 | 0.1 | -2.1 | -2.1 | -1.7 | -3.0 |
| Profit for the year after tax | 6,334.6 | 14.2 | 13.2 | 14.6 | 11.6 | 15.3 |
| Profit/loss brought forward | 868.0 | 1.9 | 1.1 | 0.5 | 0.5 | 0.3 |
| Change in reserves | -913.9 | -2.0 | -1.2 | -3.2 | -0.8 | -2.2 |
| Net result | 6,288.8 | 14.1 | 13.2 | 11.8 | 11.4 | 13.4 |

1 Excluding investment return allocated from the non-technical account (2014: €1.4 billion).

statistics are clearly dominated by a few large reinsurance undertakings. Overall, the net return – measured as a proportion of the average portfolio of investments, including deposits retained – rose to 4.4% (previous year: 3.8%).

Table 610 of the Table Section (page 21) provides a summary of the performance of each investment type.

The other result from ordinary activities in the general section of the profit and loss account decreased to -€2.5 billion (-5.7% of net premiums earned) in the year under review. The balance of exchange rate gains and losses contained in this figure amounted to -€0.9 billion (previous year: €0.4 billion).

The operating result⁶ increased year-on-year by 6.7% to €6.4 billion (14.2% of net premiums earned; previous year: €6.0 billion; 13.7%). This increase is attributable to the improvement in investment income, which more than offset the underwriting loss and the negative other result from ordinary activities. Ultimately responsible for this development were therefore once again the higher dividends received by the reinsurer.

The non-periodic result⁷ deteriorated further in the year under review, decreasing from €0.7 billion (1.6% of net premiums earned) to -€52.3

6 Total of current net investment income, other result from ordinary activities and net underwriting result 1a (after special allocation to provisions for claims outstanding, after equalisation provisions, but before provisions for unexpired risks).

7 Essentially: change in provisions for unexpired risks, balance from the disposal of investments, write-downs and write-ups of investments, and changes in special tax-allowable reserves.

billion (-0.1% of net premiums earned). This was due to the sharp decline in gains on the disposal of investments by €1.2 billion (-37.9%). Together with the operating result, this led to a 5.4% year-on-year decrease in profit for the year before tax to €6.3 billion (14.1% of net premiums earned; previous year: €6.7 billion; 15.3% of net premiums earned).

The profit for the year after tax amounted to €6.3 billion (previous year: €5.8 billion). This corresponds to 14.2% of net premiums earned.

Ultimately, after allocations to reserves of €0.9 billion (2.0% of net premiums earned) and profits brought forward of €0.9 billion, net retained profits for all reinsurers rose by 9.9% year-on-year to €6.3 billion, or 14.1% of net premiums earned (previous year: €5.7 billion; 13.2% of net premiums earned).

Of all reinsurers examined, one undertaking reported a net loss for the year under review (previous year: three) and three reported net accumulated losses (previous year: four).

6 Fair values of investments

Under section 54 of the Regulation on Insurance Accounting (*Verordnung über die Rechnungslegung von Versicherungsunternehmen – RechVersV*), insurers are required to disclose in the notes to the annual financial statements the fair values of investments recognised at cost or nominal value. The fair values of investments by primary insurers are reported in Tables 14 to 18 of the narrative section of the BaFin statistics “Primary insurance undertakings and pension funds”. The figures for reinsurers are now also available for that financial year. The picture for reinsurers is as follows:

Reinsurers’ investment volume rose by 6.9% to €273.7 billion in 2014 (previous year: €256.0 billion, see Table 8 “Fair values of reinsurers”, page 19). This benefited bearer bonds and other fixed-income securities in particular, which increased by 14.2%. By contrast, the share portfolio declined by around one fifth to €2.6 billion (previous year: €3.2 billion), corresponding to approximately 1.0% of total investments.

About 80.1% of the valuation reserves as at 31 December 2014 amounting to €40.8 billion (previous year: €36.3 billion) were attributable to land, land rights and buildings, as well as to

investments in affiliates and equity investments. These investments are either not marketable at all or very restricted in their marketability, because most of them are commercial land used for the companies’ own purposes or intra-group equity investments. The hidden reserves in shares and investment units (about 9.3%) are heavily dependent on the performance of the capital markets. Bearer bonds and other fixed-income securities accounted for 8.5% of hidden reserves in the year under review (previous year: 3.9%).

The time lag between the year under review and the publication of BaFin’s reinsurance statistics limits the informative value of this snapshot analysis and does not permit any conclusions to be drawn about the current situation. Given the vulnerability of insurance undertakings to unforeseeable (extreme) developments on the capital markets – particularly declines in the prices of shares and investment units accompanied simultaneously by low interest-rate levels – BaFin is keeping a particularly close watch on the trend in insurance undertakings’ hidden reserves, the impact on their results of operations as well as their economic situation overall.

Table 8 Fair values of reinsurers

As at 31 December 2014

| | Carrying amounts | | Fair values | | Hidden reserves | |
|--|------------------|---------------|----------------|---------------|-----------------|--|
| | Absolute €m | Share in % | Absolute €m | Share in % | Absolute €m | Share as % of carrying amount |
| Land, land rights and buildings | 1,473 | 0.5 | 3,774 | 1.2 | 2,301 | 156.2 |
| Investments in affiliates and equity investments | 113,901 | 41.6 | 144,277 | 45.9 | 30,377 | 26.7 |
| Shares | 2,601 | 1.0 | 3,709 | 1.2 | 1,108 | 42.6 |
| Investment units | 26,997 | 9.9 | 29,687 | 9.4 | 2,690 | 10.0 |
| Bearer bonds and other fixed-income securities | 69,365 | 25.3 | 72,845 | 23.2 | 3,480 | 5.0 |
| Other investments | 59,398 | 21.7 | 60,262 | 19.2 | 864 | 1.5 |
| Total investments | 273,734 | 100.0 | 314,554 | 100.0 | 40,819 | 14.9 |

7 Equity and own funds

Reinsurers' available equity, excluding outstanding contributions to subscribed capital, declined slightly by €230 million (0.3%) to €75.3 billion. By contrast, the decline in the ratio of equity to gross and net premiums written was considerably larger. It decreased from 147.6% of gross premiums written in the previous year to 143.4% in the year under review; on a net basis, it fell to 166.8% (previous year: 173.8% of net premiums written).

At the end of 2014, the reinsurers supervised in Germany had own funds amounting to €72.9 billion (previous year: €73.3 billion). The solvency margin as at the same date was €8.4 billion (previous year: €7.7 billion). As a result, the solvency margin ratio declined further to 866% (previous year: 954%). Five years ago, this figure was 1,146%.

As before, the reason for the high level of own funds is the unusual feature of the German insurance industry that certain large German reinsurers also assume the function of holding company for an insurance group or financial conglomerate. A considerable proportion of these undertakings' own funds is required to finance their holding company function, rather than backing their reinsurance activities with capital.

Once adjusted for the figures relating to the holding company function, the average solvency margin ratio was still 247% (previous year: 260%) for reinsurers supervised in Germany in financial year 2014, which is well above the required target ratio.

Table Section 2014

To provide a better understanding of the tables, BaFin would like to point out the following: “-” in a table means that the value is zero. A “0” indicates that the value is smaller than the unit specified, while “***” means that the value is outside the displayable range.

Table 600 Aggregated balance sheets of reinsurance undertakings for direct business in 2014

| Balance sheet items | 2014 | | 2013 | | 2012 | |
|---|-------------|-------------------|-------------|-------------------|-------------|-------------------|
| | in € 000's | in % ¹ | in € 000's | in % ¹ | in € 000's | in % ¹ |
| Assets | | | | | | |
| 1. Outstanding contributions to subscribed capital | 7,043 | 0.0 | 7,070 | 0.0 | 7,110 | 0.0 |
| 2. Intangible assets | 159,785 | 0.1 | 147,774 | 0.1 | 383,160 | 0.1 |
| 3. Investments, if not reported under no. 4 | 227,467,016 | 77.9 | 216,465,988 | 79.0 | 214,324,958 | 78.7 |
| 4. Deposits retained from the reinsurance business accepted | 46,270,647 | 15.8 | 39,522,323 | 14.4 | 41,780,295 | 15.3 |
| 5. Receivables (direct business) from policyholders | - | - | - | - | - | - |
| 6. Receivables (direct business) from intermediaries | - | - | - | - | - | - |
| 7. Accrued interest and rent | 1,113,049 | 0.4 | 1,144,952 | 0.4 | 1,209,479 | 0.4 |
| 8. Other assets | 17,114,610 | 5.9 | 16,705,574 | 6.1 | 14,751,132 | 5.4 |
| Equity and liabilities | | | | | | |
| 1. Equity | 75,260,808 | 25.8 | 75,490,891 | 27.6 | 74,491,804 | 27.3 |
| 2. Profit-sharing capital and subordinated liabilities | 18,077,044 | 6.2 | 17,888,172 | 6.5 | 18,991,603 | 7.0 |
| 3. Special tax-allowable reserves | - | - | - | - | - | - |
| 4. Net technical provisions | 130,440,936 | 44.7 | 118,788,383 | 43.4 | 118,963,557 | 43.7 |
| 5. Deposits received from reinsurers | 10,299,454 | 3.5 | 7,434,311 | 2.7 | 7,612,143 | 2.8 |
| 6. Liabilities (direct business) to policyholders | 17,449 | 0.0 | 7 | 0.0 | 8 | 0.0 |
| 7. Other liabilities | 58,036,460 | 19.9 | 54,391,918 | 19.9 | 52,397,019 | 19.2 |
| Total assets | 292,132,151 | 100.0 | 273,993,681 | 100.0 | 272,456,134 | 100.0 |
| Number of undertakings | 32 | | 34 | | 35 | |

¹ as % of total assets.

Table 610 Changes in investments (excluding deposits retained) 2014
Reinsurance undertakings

| Type of investment | Balance at beginning of period ¹ | | Additions | | Write-ups | Reclassifications | Disposals | Write-downs | Balance at end of period | | |
|--|---|-------------------|---------------|-------------------|-------------|-------------------|---------------|--------------|--------------------------|-------------------|------------|
| | in €m | in % ² | in €m | in % ² | | | | | in €m | in % ² | in €m |
| Land, land rights and buildings | 1,507 | 0.7 | 42 | 0.0 | 2.8 | | 5 | 72 | 1,473 | 0.6 | -2.2 |
| Interests in affiliated companies | 102,008 | 46.8 | 4,156 | 4.9 | 4.1 | 6 | 1,415 | 688 | 104,454 | 45.9 | 2.4 |
| Loans to affiliated companies | 7,794 | 3.6 | 1,035 | 1.2 | 13.3 | 0 | 973 | 4 | 7,928 | 3.5 | 1.7 |
| Equity investments | 1,284 | 0.6 | 235 | 0.3 | 18.3 | -6 | 42 | 20 | 1,459 | 0.6 | 13.6 |
| Loans to other long-term investees and investors | 142 | 0.1 | 5 | 0.0 | 3.5 | 0 | 86 | - | 60 | 0.0 | -57.4 |
| Shares | 3,281 | 1.5 | 465 | 0.6 | 14.2 | - | 1,077 | 76 | 2,601 | 1.1 | -20.7 |
| Investment units | 26,018 | 11.9 | 10,244 | 12.1 | 39.4 | - | 9,359 | 19 | 26,997 | 11.9 | 3.8 |
| Other variable-rate securities | 17 | 0.0 | 17 | 0.0 | 103.4 | - | 15 | 5 | 14 | 0.0 | -17.7 |
| Bearer notes and other fixed-income securities | 61,424 | 28.8 | 56,177 | 66.5 | 91.5 | - | 48,305 | 204 | 69,365 | 30.5 | 12.9 |
| Loans secured by mortgages, land charges and annuity charges | 94 | 0.0 | 95 | 0.1 | 101.2 | - | 42 | - | 146 | 0.1 | 56.6 |
| Registered bonds | 4,857 | 2.2 | 2,023 | 2.4 | 41.7 | 0 | 1,842 | 0 | 5,038 | 2.2 | 3.7 |
| Notes and loans receivable | 5,459 | 2.5 | 978 | 1.2 | 17.9 | - | 2,039 | 2 | 4,403 | 1.9 | -19.3 |
| Loans and advances against policies | - | - | - | - | - | - | - | - | - | - | - |
| Other loans | 112 | 0.1 | 0 | 0.0 | 0.4 | - | 16 | - | 96 | 0.0 | -13.6 |
| Deposits with credit institutions | 2,555 | 1.2 | 3,548 | 4.2 | 138.9 | - | 3,379 | - | 2,725 | 1.2 | 6.6 |
| Other investments | 1,222 | 0.6 | 5,408 | 6.4 | 442.7 | 0 | 5,924 | 0 | 705 | 0.3 | -42.3 |
| Total investments | 217,772 | 100.0 | 84,428 | 100.0 | 38.8 | 0 | 74,518 | 1,091 | 227,464 | 100.0 | 4.5 |
| Number of undertakings | 31 | | | | | | | | | | |

1 At the exchange rate value at the end of the financial year.

2 As % of total investments.

3 As % of balance at beginning of period.

4 Change (balance at end of period less balance at beginning of period) as % of balance at beginning of period.

Table 620 Equity, profit-sharing capital and subordinated liabilities of reinsurance undertakings (figures in € 000's)

| Balance sheet items | Total 2014 | Total 2013 |
|--|-------------------|-------------------|
| 1. Subscribed capital ¹ | 4,354,124 | 4,346,558 |
| 2. Capital reserves | 43,462,046 | 43,879,557 |
| of which pursuant to section 5 (5) no. 3 of the VAG | - | - |
| 3. Revenue reserves: | | |
| a) Legal reserves ² | 18,928 | 18,477 |
| b) Reserve for shares in a controlling undertaking or one with a majority interest | 15,045 | 6,251 |
| c) Reserves provided for by the articles of association | 297,793 | 283,409 |
| d) Reserve pursuant to section 58 (2a) of the AktG | - | - |
| e) Other revenue reserves | 20,849,680 | 21,160,585 |
| 4. Retained earnings brought forward ³ | 7,507 | 2,257 |
| Accumulated losses brought forward ³ | 19,785 | 2,361 |
| 5. Profit for the year after tax ³ | 7,890 | 439,460 |
| Loss for the year after tax ³ | - | 18,116 |
| 6. Net retained profits ³ | 6,279,333 | 5,386,179 |
| Net accumulated losses ³ | 4,710 | 4,296 |
| Total equity ⁴ | 75,267,852 | 75,497,961 |
| less outstanding contributions | 7,043 | 7,070 |
| Available equity | 75,260,808 | 75,490,891 |
| Equity as % of gross premiums written | 143.4 | 147.6 |
| Equity as % of net premiums written | 166.8 | 173.8 |
| Profit-sharing capital | 20,000 | 20,000 |
| Subordinated liabilities | 18,057,044 | 17,868,172 |
| Number of undertakings | 32 | 34 |

1 Initial fund for mutual insurance associations.

2 Loss reserve pursuant to section 37 of the VAG for mutual insurance associations.

3 Pursuant to section 268 (1) of the HGB, items 4 and 5 are replaced by item 6 if the principle of *teilweise Verwendung des Jahresergebnisses* (partial appropriation of profit/loss for the year) is applied.

4 Excl. aggregate equalisation item.

Table 630 Technical provisions
Reinsurance undertakings

| Balance sheet items | 2014 | | 2013 | | 2012 | |
|---|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| | Gross in € 000's | Net in € 000's | Gross in € 000's | Net in € 000's | Gross in € 000's | Net in € 000's |
| 1. Unearned premiums | 7,693,029 | 6,567,713 | 6,982,381 | 5,851,508 | 7,276,817 | 6,220,957 |
| 2. Premium reserve | 43,494,214 | 34,891,305 | 36,715,393 | 31,086,105 | 37,061,769 | 31,834,895 |
| 3. Provision for claims outstanding, surrenders, refunds and sums granted upon withdrawal | 80,920,924 | 71,116,645 | 76,231,530 | 65,981,686 | 76,083,418 | 66,249,818 |
| 4. Provision for bonuses and rebates | 36,441 | 35,741 | 32,548 | 30,158 | 131,755 | 129,996 |
| 5. Equalisation provision and similar provisions | 17,310,320 | 17,310,320 | 15,197,343 | 15,197,343 | 13,909,893 | 13,909,893 |
| 6. Other technical provisions | 581,362 | 519,217 | 697,051 | 641,589 | 670,237 | 618,004 |
| Total | 150,036,291 | 130,440,943 | 135,856,246 | 118,788,389 | 135,133,889 | 118,963,563 |
| Number of undertakings | 32 | | 34 | | 35 | |

Table 631 Technical provisions by class of business
Reinsurance undertakings 2014

| Class of business | No. | Gross provisions for unearned premiums | | Gross provision for claims outstanding ¹ | | | | Equalisation provision and similar provisions | |
|------------------------------|-----------|--|-------------------|---|-------------------|-----------------|-------------------|---|-------------------|
| | | | | FY | | PY | | | |
| | | in €m | in % ² | in €m | in % ² | in €m | in % ² | in €m | in % ³ |
| Life | 16 | 1,270.5 | 8.3 | 1,665.7 | 10.9 | 2,527.8 | 16.6 | 12.8 | 0.1 |
| Health | 14 | 375.2 | 8.7 | 378.1 | 8.8 | 255.9 | 6.0 | 7.1 | 0.2 |
| General accident | 18 | 151.1 | 12.1 | 505.6 | 40.5 | 3,109.3 | 249.1 | 612.6 | 56.0 |
| Liability | 25 | 895.5 | 19.0 | 3,017.7 | 64.0 | 24,086.9 | 511.1 | 2,164.6 | 53.3 |
| Motor | 16 | 1,129.5 | 15.0 | 3,359.5 | 44.5 | 14,105.5 | 186.8 | 2,250.0 | 32.3 |
| Aerospace/aviation | 10 | 102.7 | 29.5 | 267.4 | 76.7 | 626.6 | 179.8 | 36.0 | 12.8 |
| Fire | 23 | 1,088.2 | 16.2 | 3,089.7 | 45.9 | 6,279.0 | 93.2 | 6,372.9 | 118.5 |
| Transport | 21 | 130.5 | 10.2 | 499.9 | 39.0 | 2,164.4 | 169.0 | 1,002.3 | 97.4 |
| Credit and surety | 17 | 356.5 | 21.3 | 708.8 | 42.4 | 1,861.7 | 111.5 | 1,963.8 | 129.7 |
| Aerospace/aviation liability | 10 | 209.1 | 38.9 | 271.9 | 50.6 | 1,793.5 | 334.0 | 976.6 | 217.8 |
| Other property insurance | 25 | 1,292.2 | 19.0 | 2,047.9 | 30.0 | 4,489.9 | 65.9 | 1,207.6 | 22.1 |
| Other indemnity insurance | 27 | 493.3 | 28.8 | 575.9 | 33.6 | 1,294.1 | 75.5 | 692.3 | 50.0 |
| Total | 32 | 7,494.4 | 14.4 | 16,388.1 | 31.4 | 62,594.6 | 120.1 | 17,298.6 | 38.7 |

1 Including premium reserve for annuities and gross provision for surrenders, refunds and withdrawals outstanding.

2 As % of gross premiums earned.

3 As % of net premiums earned.

Table 640 Selected items in the profit and loss account
Reinsurance undertakings

| Item | 2014 | | 2013 | | 2012 | |
|--|------------|-------------------|------------|-------------------|------------|-------------------|
| | in € 000's | in % ¹ | in € 000's | in % ¹ | in € 000's | in % ¹ |
| 1. Gross premiums written | 52,478,529 | | 51,153,659 | | 51,053,434 | |
| of which accepted from foreign ceding insurers | 38,169,407 | 73.2 | 38,913,518 | 76.2 | 38,970,841 | 76.2 |
| 2. Gross premiums earned | 52,139,905 | 100.0 | 51,069,428 | 100.0 | 51,164,723 | 100.0 |
| 3. Net premiums earned | 44,697,278 | 85.7 | 43,489,941 | 85.2 | 43,943,765 | 85.9 |
| 4. a) Gross expenses for claims of the financial year | 31,784,486 | 61.0 | 32,116,749 | 62.9 | 30,308,264 | 59.2 |
| b) Net expenses for claims of the financial year | 28,348,781 | 63.4 | 27,045,626 | 62.2 | 26,910,258 | 61.2 |
| 5. a) Gross expenses for claims during the financial year ² | 36,045,607 | 69.1 | 36,242,098 | 71.0 | 34,586,161 | 67.6 |
| b) Net expenses for claims during the financial year ² | 31,566,345 | 70.6 | 30,369,754 | 69.8 | 30,475,350 | 69.4 |
| 6. a) Gross operating expenses | 13,482,955 | 25.9 | 13,670,777 | 26.8 | 13,313,081 | 26.0 |
| b) Net operating expenses | 11,996,087 | 26.8 | 12,111,989 | 27.9 | 11,717,113 | 26.7 |
| 7. a) Gross underwriting result ³ | 2,824,067 | 5.4 | 1,218,017 | 2.4 | 2,781,514 | 5.4 |
| b) Net underwriting result ⁴ | 1,088,831 | 2.4 | 1,001,137 | 2.3 | 1,289,401 | 2.9 |
| 8. Investment income | 16,211,682 | 36.3 | 14,488,235 | 33.3 | 14,535,008 | 33.1 |
| of which: current income ⁵ | 13,372,619 | 29.9 | 10,620,245 | 24.4 | 10,533,841 | 24.0 |
| 9. Investment expense | 4,441,073 | 9.9 | 4,811,378 | 11.1 | 4,310,904 | 9.8 |
| of which: current expense ⁵ | 2,000,977 | 4.5 | 1,804,678 | 4.1 | 1,962,714 | 4.5 |
| 10. Profit/loss for the year after tax ⁶ | 6,334,641 | 14.2 | 5,766,028 | 13.3 | 6,398,230 | 14.6 |
| Number of undertakings | 32 | | 34 | | 35 | |

1 As % of gross premiums earned; of which item 1. a) and 1. b) as % of total gross premiums written; items 4. b), 5. b), 6. b), 7. b), 8, 9 and 10 as % of net premiums earned.

2 Including result from gross claims provisions (CP) carried forward from previous year and used for settlement of insurance claims outstanding.

3 Before gross expenses for bonuses.

4 Before change in the equalisation provision and similar provisions; corresponds to item I. 9 Form 2 of the RechVersV.

5 In accordance with allocation in NW 201 of the BerVersV.

6 Corresponds to item II. 14 Form 2 of the RechVersV.

**Table 641 Summary of individual classes of business
Reinsurance undertakings 2014**

| Class of business | No. | Gross premiums earned | | Net premiums earned | | Claims expenses | | | | Operating expenses | | Underwriting result | | |
|------------------------------|-----------|-----------------------|-------------------|---------------------|-------------------|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| | | in € 000's | | in € 000's | | FY | | | | in FY ¹ | | | | |
| | | in € 000's | in % ² | in € 000's | in % ³ | Gross in % ³ | Net in % ⁴ | Gross in % ³ | Net in % ⁴ | Gross in % ³ | Net in % ⁴ | Gross in % ³ | Net in % ⁴ | Gross in % ³ |
| Life | 16 | 15,225,121 | 29.2 | 13,027,640 | 85.6 | 47.6 | 55.6 | 74.5 | 73.0 | 23.3 | 25.1 | 4.5 | 1.9 | 1.9 |
| Health | 14 | 4,299,699 | 8.2 | 4,048,613 | 94.2 | 71.3 | 75.7 | 79.9 | 81.1 | 20.2 | 19.1 | -0.1 | -0.2 | -0.2 |
| General accident | 18 | 1,248,011 | 2.4 | 1,093,131 | 87.6 | 53.5 | 61.1 | 46.2 | 47.4 | 37.1 | 38.8 | 16.6 | 15.5 | 18.7 |
| Liability | 25 | 4,712,692 | 9.0 | 4,061,435 | 86.2 | 70.5 | 81.8 | 72.9 | 75.6 | 28.9 | 29.3 | -1.9 | -5.0 | -15.7 |
| Motor | 16 | 7,550,862 | 14.5 | 6,973,659 | 92.4 | 79.6 | 86.2 | 72.9 | 75.6 | 27.8 | 27.6 | -0.9 | -2.6 | -7.7 |
| Aerospace/aviation | 10 | 348,553 | 0.7 | 281,091 | 80.6 | 95.8 | 118.8 | 97.0 | 96.5 | 19.7 | 20.6 | -16.7 | -17.1 | 0.0 |
| Fire | 23 | 6,735,454 | 12.9 | 5,376,596 | 79.8 | 62.4 | 78.2 | 58.2 | 57.5 | 22.9 | 25.8 | 18.3 | 16.1 | -5.0 |
| Transport | 21 | 1,280,696 | 2.5 | 1,028,605 | 80.3 | 48.7 | 60.6 | 51.8 | 52.5 | 29.7 | 31.9 | 18.1 | 15.0 | -3.7 |
| Credit and surety | 17 | 1,670,374 | 3.2 | 1,514,329 | 90.7 | 57.4 | 63.3 | 59.4 | 61.5 | 39.1 | 37.6 | 1.1 | 0.5 | -7.4 |
| Aerospace/aviation liability | 10 | 537,027 | 1.0 | 448,304 | 83.5 | 59.2 | 70.9 | 65.3 | 67.7 | 24.1 | 25.8 | 6.6 | 1.6 | 36.8 |
| Other property insurance | 25 | 6,816,812 | 13.1 | 5,458,302 | 80.1 | 60.4 | 75.4 | 67.3 | 72.3 | 25.2 | 26.8 | 6.9 | 0.3 | -0.3 |
| Other indemnity insurance | 27 | 1,714,604 | 3.3 | 1,385,571 | 80.8 | 54.2 | 67.1 | 52.1 | 59.8 | 37.6 | 35.1 | 9.9 | 4.7 | -1.4 |
| Total | 32 | 52,139,905 | 100.0 | 44,697,278 | 85.7 | 61.0 | 71.1 | 69.1 | 70.6 | 25.9 | 26.8 | 5.4 | 2.4 | -2.3 |

1 Including result from gross claims provisions (CP) carried forward from previous year and used for settlement of insurance claims outstanding.

2 As % of total gross premiums earned.

3 As % of gross premiums earned.

4 As % of net premiums earned.

5 Before change in the equalisation provision and similar provisions; corresponds to item I. 9 Form 2 of the RechVersV.

6 After change in the equalisation provision and similar provisions; corresponds to item I. 11 Form 2 of the RechVersV.

Table 660 Selected financial ratios of reinsurance undertakings 2014¹
ranked by gross premiums earned

| Rank | R. no. | Name of insurance undertaking | Gross pre-miums earned | | Net pre-miums earned | Loss ratio ² | | CP ratio ³ | | Expense ratio ⁴ | Net underwriting result | | Investments ⁷ | | Net result FY ¹⁰ | |
|------|--------|-------------------------------|------------------------|---------------|----------------------|--------------------------|------------------------|--------------------------|------------------------|----------------------------|--|---|----------------------------|-----------------------------------|-----------------------------|-------------------------------|
| | | | in €m | in €m | | Gross in % ¹¹ | Net in % ¹² | Gross in % ¹¹ | Net in % ¹² | | before eq. prov. ⁵ in % ¹² | after eq. prov. ⁶ in % ¹² | Balance at end of FY in €m | Current re-turn ⁸ in % | | Net re-turn ⁹ in % |
| | | Industry | 52,140 | 44,697 | 70.7 | 72.2 | 155.2 | 159.1 | 25.9 | 26.8 | 2.4 | -2.3 | 273,734 | 5 | 4.4 | 14.2 |
| 1 | 6921 | MÜNCHEN. RÜCK | 22,721 | 20,980 | 69.9 | 70.5 | 152.0 | 155.5 | 25.2 | 25.8 | 2.9 | -3.9 | 75,151 | 4.3 | 4.3 | 9.6 |
| 2 | 6941 | HANNOVER RÜCK SE | 10,815 | 8,481 | 81.1 | 80.2 | 173.2 | 179.5 | 24.5 | 27.1 | -0.2 | -3.5 | 41,912 | 4.2 | 4.2 | 5.0 |
| 3 | 6949 | ALLIANZ SE | 6,683 | 5,685 | 58.3 | 67.1 | 100.1 | 100.7 | 30.5 | 28.8 | 4.3 | 1.7 | 100,957 | 6.2 | 4.7 | 54.9 |
| 4 | 6918 | GENERAL REINSURANCE | 2,439 | 2,402 | 70.3 | 70.5 | 226.1 | 226.6 | 28.7 | 28.8 | 4.1 | 0.8 | 10,614 | 2.5 | 2.9 | 7.0 |
| 5 | 6908 | E+S RÜCK | 1,973 | 1,819 | 77.1 | 79.4 | 282.2 | 267.5 | 18.2 | 23.5 | 8.1 | 1.7 | 9,375 | 2.4 | 2.4 | 6.9 |
| 6 | 6971 | GENERALI DEUTSCHL. | 1,733 | 1,503 | 66.7 | 66.3 | 68.4 | 64.2 | 27.5 | 28.6 | 2.6 | 7.3 | 11,706 | 5.5 | 4.3 | - |
| 7 | 6960 | R+V VERS. | 1,732 | 1,691 | 75.3 | 76.2 | 140.7 | 140.8 | 25.0 | 25.2 | -1.5 | -7.7 | 5,392 | 5.5 | 5.5 | - |
| 8 | 6907 | DT. RÜCKVERSICHERUNG | 813 | 430 | 69.6 | 74.4 | 111.0 | 145.9 | 31.6 | 30.4 | -7.6 | -5.9 | 1,109 | 4.2 | 3.3 | 0.7 |
| 9 | 6988 | HDI GLOBAL | 719 | 0 | 58.3 | -44.0 | 137.5 | *** | 11.6 | *** | *** | *** | 246 | 4.2 | 6.5 | 995.1 |
| 10 | 6970 | VERSK. BAYERN K.-RÜCK | 568 | 348 | 64.0 | 64.3 | 138.2 | 98.4 | 25.1 | 28.3 | 5.7 | 4.0 | 656 | 3.1 | 3.0 | 5.4 |
| 11 | 6973 | DEVK RÜCKVERSICHER. | 377 | 257 | 65.5 | 68.6 | 69.4 | 72.4 | 26.1 | 27.0 | 4.9 | -2.9 | 1,901 | 7.8 | 7.5 | 17.9 |
| 12 | 6930 | VERBAND ÖFFENTL. VERS. | 359 | 283 | 54.9 | 61.8 | 412.2 | 452.2 | 50.5 | 51.3 | -12.1 | -14.5 | 1,449 | 3.5 | 3.6 | 0.6 |
| 13 | 6958 | WÜSTENROT & WÜRTEMB. | 309 | 235 | 66.1 | 68.0 | 158.1 | 155.4 | 28.5 | 31.1 | 1.1 | -1.3 | 3,095 | 4.7 | 4.9 | 23.8 |
| 14 | 6985 | PROV.NORDWEST HOLD. | 306 | 111 | 82.9 | 75.2 | 72.4 | 69.1 | 27.8 | 33.8 | -11.3 | 3.6 | 2,058 | 6.5 | 6.8 | 74.1 |
| 15 | 6946 | RISICOM RÜCK | 192 | 184 | 90.7 | 97.5 | 213.4 | 201.6 | 2.7 | 2.8 | -0.3 | 0.2 | 452 | 1.7 | 1.7 | 0.6 |
| 16 | 6807 | AEIDIUS RÜCK | 127 | 121 | 58.0 | 51.8 | 4.4 | 4.6 | 33.5 | 34.9 | 13.3 | 13.3 | 73 | 3.9 | 1.8 | 8.8 |
| 17 | 6806 | TRANSATLANTIC RE (US) | 61 | 60 | 64.4 | 65.7 | 195.4 | 199.3 | 28.1 | 28.6 | 5.2 | 2.8 | 160 | 1.4 | 4.6 | 9.0 |
| 18 | 6964 | SV SPARKASSENVERSICH. | 61 | 35 | 48.9 | 32.6 | 48.9 | 74.5 | 43.2 | 53.0 | 11.6 | 6.7 | 1,401 | 3.7 | 3.7 | 5.0 |
| 19 | 6986 | PROV.RHEINL.HOLDING | 53 | 7 | 31.3 | 22.4 | 47.2 | 32.3 | 63.3 | 60.6 | 17.1 | 17.1 | 776 | 12.8 | 12.8 | 601.8 |
| 20 | 6925 | KIELER RÜCK | 30 | 7 | 41.5 | 47.9 | 29.0 | 9.0 | 34.6 | 32.2 | 19.9 | 11.8 | 11 | 3.2 | 2.8 | 8.4 |
| 21 | 6950 | DELVAG RÜCK | 27 | 25 | 79.9 | 73.2 | 134.2 | 117.0 | 20.3 | 20.8 | 4.2 | 3.4 | 156 | 2.9 | 2.7 | 0.0 |
| 22 | 6993 | INCURA AG | 15 | 15 | 49.0 | 49.0 | 50.8 | 50.8 | 16.6 | 16.6 | 34.5 | -10.1 | 127 | 2.1 | 1.6 | 1.4 |

| Rank | R. no. | Name of insurance undertaking | Gross pre-miums earned | | Net pre-miums earned | | Loss ratio ² | | CP ratio ³ | | Expense ratio ⁴ | | Net underwriting result | | Investments ⁷ | | Net result FY ¹⁰ | |
|------|--------|-------------------------------|------------------------|-------|---|---|---|---|----------------------------|-----------------------|----------------------------|---|---|--|---|----------------------------|-------------------------------------|---------------------------------|
| | | | in €m | in €m | Gross in % ¹¹ in % ¹² | Net in % ¹¹ in % ¹² | Gross in % ¹¹ in % ¹² | Net in % ¹¹ in % ¹² | Expense ratio ⁴ | CP ratio ³ | Loss ratio ² | Net in % ¹¹ in % ¹² | Net in % ¹¹ in % ¹² | before eq. prov. ⁵ in % ¹² | after eq. prov. ⁶ in % ¹² | Balance at end of FY in €m | Current re- turn. ⁸ in % | Net re- turn. ⁹ in % |
| 23 | 6982 | HUK-COBURG HOLDING | 7 | 5 | 206.4 | 57.9 | 181.1 | 22.2 | 31.6 | 43.6 | -1.6 | -1.6 | 2,739 | 7.3 | 8.2 | *** | *** | *** |
| 24 | 6984 | FREUDENBERG RÜCKVERS. | 6 | 6 | 24.2 | 24.2 | 6.9 | 9.6 | 66.2 | 30.0 | 1.0 | 0.0 | 16 | 1.0 | 0.0 | 19.7 | 19.7 | 19.7 |
| 25 | 6998 | REVIUM | 4 | 4 | 11.9 | 11.9 | 168.2 | 168.2 | 7.7 | 80.4 | 63.3 | 63.3 | 21 | 1.4 | 0.8 | 45.2 | 45.2 | 45.2 |
| 26 | 6978 | DIEHL ASSEKUR. RÜCK. | 3 | 2 | 134.5 | 57.4 | 262.7 | 50.3 | 19.6 | 19.1 | 19.7 | 19.7 | 2 | 1.7 | 1.5 | 0.0 | 0.0 | 0.0 |
| 27 | 6992 | HOCHRHEIN INTERNAT. | 0 | 0 | *** | *** | *** | *** | *** | 27.1 | 27.1 | 27.1 | 108 | 2.0 | 1.7 | 338.0 | 338.0 | 338.0 |
| 28 | 6917 | HAMB.INTERNATION.RÜCK | 0 | 0 | *** | *** | *** | *** | *** | *** | *** | *** | 42 | 2.7 | 1.7 | 514.4 | 514.4 | 514.4 |
| 29 | 6935 | HANSEATICA RÜCK | 0 | 0 | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** | *** |

1 Includes annual financial statements as at the September and December balance sheet dates of the year under review and as at the June balance sheet date of the subsequent year.

2 Includes expenses for surrenders, refunds and sums granted upon withdrawal (claims ratio in the financial year including result from gross claims provisions (CP) carried forward from previous year and used for settlement of insurance claims outstanding).

3 Provisions for claims outstanding, including surrenders, refunds and sums granted upon withdrawal (item E. III under liabilities of Form 1 of the RechVersV).

4 Total operating expenses.

5 Before changes in the equalisation provision and similar provisions (item I. 9 under liabilities of Form 2 of the RechVersV).

6 After changes in the equalisation provision and similar provisions (item I. 11 under liabilities of Form 2 of the RechVersV).

7 Includes deposits retained from the reinsurance business accepted.

8 Items II. 1. a), b) and e) of Form 2 of the RechVersV as % of the arithmetic mean of the investments at the beginning and end of the year under review.

9 Item II. 1. less item II. 2. of Form 2 of the RechVersV as % of the arithmetic mean of the investments at the beginning and end of the year under review.

10 Profit/loss for the year after tax (item II. 14 of Form 2 of the RechVersV).

11 As % of gross premiums earned.

12 As % of net premiums earned.



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