Solvency and Financial Condition Report 2024

ERGO Insurance N.V.

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EXECUTIVE SUMMARY

ERGO Insurance NV/SA (hereafter “ERGO”) is part of the ERGO Group that in turn is part of the Munich Re Group. ERGO provides life insurance products with a focus on pension savings and long term savings.

This document is the Solvency and Financial Condition Report (“SFCR”) of ERGO. Munich Re prepares a consolidated SFCR at Group level. The published report for the 2024 financial year can be found at www.munichre.com/en/ir/result-center/index.html.

The purpose of this report is to assist policyholders and other stakeholders to understand the solvency and financial position of ERGO as at 31 December 2024 (i.e. reporting period is 1 January 2024 to 31 December 2024). Data contained in this report are subject to data quality monitoring performed in accordance with requirements expressed in ERGO’s Data Quality Policy.

A. Business and Performance

ERGO closed its book to new policies and chose to focus fully on serving existing customers as from July 1st, 2017. ERGO manages the existing ERGO Pro portfolio as a direct insurer, whilst the existing portfolio of ERGO Life is still being serviced by the network of independent brokers.

ERGO’s mission is to protect pension savings and financial health of existing customers for the full duration of their contracts.

During 2024, the following key developments occurred:

- **Gross Written Premium**: Overall, there was a 5% (10,1 Ml €) decline in the total Gross Written Premium 2024 (from 200,5 Ml € in 2023 to 190,4 Ml € in 2024).

- **Claims:** The overall claims incurred increased by 3% (+11 Ml €). This is mainly explained by the higher maturity payments (+10 Ml €).

- **Expenses:** Total expenses before cost allocation were 3,5 Ml € lower compared to 2023.

- **Net income from investments** (in BEGAAP values) increased from 77,3 Ml € to 81,8 Ml € in comparison to 2023, mainly driven by an increase in the extraordinary investment result from -1,5 Ml € in 2023 to +1,7 Ml € in 2024.

- **Solvency II capital position:** ERGO is strongly capitalised in terms of the level and quality of capital. The Solvency II ratio amounts to 208% at 31 December 2024.

B. System of Governance

The governing bodies in the system of governance include: the Board of Directors, the Audit and Risk Committee, the Nomination and Remuneration Committee, and the Management Committee.

During 2024, the Management Committee continued to reinforce the culture for sound risk management within ERGO. The management of Independent Control Functions remained largely unchanged, providing stability in actuarial controlling, risk and compliance controlling and audit oversight.

ERGO’s risk management system is built to identify, assess and measure, steer as well as monitor and report risks. Continued focus remained on ensuring effective governance and further embedding an appropriate risk culture across the company, in line with the risk appetite set by the Board of Directors.

C. Risk Profile

Like other insurance companies, ERGO is exposed to risks of various sorts:

- Market risk is the major risk contributor to ERGO’s risk profile. It is the risk of a loss that may be caused by fluctuations in the prices of the financial instruments in a portfolio. The main risk factors for ERGO are the interest rates, credit spreads and equity risk. The equity risk increased slightly, in line with the positive performance on the equity markets in 2024. Spread risk decreased slightly over 2024 following the lower market values of the exposed bonds. Interest rate risk remains limited and even decreased in 2024, reflecting the lower interest rate levels. The low interest rate risk position is the result of a good asset-liability matching.

- Underwriting risk represents the potential loss arising from entering into or underwriting insurance policies. Because of ERGO's business model and activities, its main underwriting risks are life risk and to a lesser extent health risk.
- Operational risk is defined as the risk of loss caused by failed internal processes, people, systems, or external drivers. The exposure to Operational Risk remains mostly controlled, following continued efforts to maintain and continuously improve control activities within the company.

The Risk Management Function maintains a comprehensive record of all risks on which it reports to the Management on a quarterly basis, pointing out new emerging risks, measuring progress on the mitigation actions and analysing behaviour of Key Risk Indicators to ensure the Management has at all times an accurate insight on its risk profile to enable corrective steering if needed. The Compliance Function reports as well regularly to the governing organs on its monitoring activities and its assessment on Compliance risks and linked operational controls in place.

Together with DKV Belgium NV/SA, ERGO has developed a local sustainability approach. The approach covers sustainability in terms of impact on the product portfolio, on the investments made, and on the working as a company.

D. Valuation for Solvency Purposes

ERGO's economic balance sheet, like that of other insurers, comprises assets, technical provisions and other liabilities. Technical provisions are reserves for claims and premiums plus a risk margin. Assets, technical provisions and other liabilities are valued on a 'fair value' basis according to Solvency II requirements, meaning that the company's financial strength is sensitive to market movements in terms of value.

The Solvency II technical provisions are defined as the sum of the Best Estimate Liabilities (BEL) and the Risk Margin. In 2024, the total technical provisions increased to 4,4 Bl € from 4,3 Bl € in 2023, due to the lower interest rates, the positive performance of the unit-linked funds and the annual update of the non-economic assumptions. The Risk Margin decreased slightly stemming from the lower capital requirements.

E. Capital management

The current capital management plan primarily aims to maintain the ERGO's financial bearing capacity by having a strong solvency position that aims to assure, at all times, that the company can respect minimum regulatory requirements and capital requirements.

Where possible, ERGO acts to further optimise its capital management. Relying on its strong financial bearing capacity and on a high Solvency II ratio, ERGO obtained the exemption to further accrue its 'flashing light reserves'[1] for 2024.

Solvency II ratio at 31 December 2024 is solid and amounted to 208%, it decreased compared to 2023 (253%).

Eligible own funds (EOF) decreased from 725,8 Ml € to 595,8 Ml € during the reporting period, mainly linked to the increase in bond spreads and the annual update of assumptions used in valuation of the technical provisions.

Solvency Capital Requirement (SCR) remained quite stable (287,1 Ml € in 2023 compared to 286,6 Ml € in 2024).

ERGO performs an annual extensive and in-depth analysis of its solvency position and capital management implications in its Own Risk and Solvency Assessment (ORSA) report.

[1] Flashing light reserves are additional provisions that can be required by the Belgian regulator to be set up, to cover the interest rate risk associated with insurance contracts with a guaranteed interest rate (NBB circular 2016/39).