

RATING REPORT

Gartenbau-Versicherung VVaG

Property/Casualty Insurer

Resolution in July 2020

Rating

Gartenbau-Versicherung VVaG
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The total result is derived from the following single results, which determine the result with different weighting:

Single criterion	Grade	Weighting
Safety	excellent	33.33 %
Success	very good	22.22 %
Customer orientation	excellent	33.33 %
Growth/Attractiveness in the market	excellent	11.11 %

Regardless of the date of the resolution, the present rating always takes into account the individual economic situation of the rated property. For this purpose Assekurata conducts continuous monitoring within the framework of a multi-layered monitoring process. Under the framework conditions of the COVID 19 pandemic, the frequency and scope of monitoring was intensified. If a rating threat is identified, the existing rating is adjusted during the year, also ad hoc.

Presentation of the result

Safety

Assekurata confirms the excellent assessment of the security situation of Gartenbau-Versicherung.

In the past financial year Gartenbau-Versicherung once again succeeded in expanding its security capital. The company was able to allocate € 0.4 million to the equalisation reserve and strengthen its equity capital by € 5.0 million. At around 52.6 %, the equity ratio should be slightly above the market average in 2019 and, like the underwriting special capital ratio (54.0 %), should remain above the market average. At 246.9 %, the solvency ratio also signals a high level of risk-adjusted security. Here the company's projections predict a slight increase in the coming years.

Gartenbau-Versicherung pursues a very systematic and an organizationally as well as technically profound risk policy. The company benefits in the management of actuarial risks from its sound technical understanding and the profound knowledge of the risks to be insured. The methodically sound and very differentiated reinsurance activities have to be underlined as well. At the same time, the company pursues a very risk-averse investment policy and focuses on fixed-income securities with a high rating.

The provision for outstanding insurance claims is, however, of minor importance at Gartenbau-Versicherung. Due to its focus on property insurance, the company settles most of its claims very quickly. Thus, the claims reserves often are already reversed before the balance sheet date.

Overall, the company could significantly reduce the pressure on its safety capital situation in recent years. Nonetheless, in Assekurata's view the accumulation of safety capital still has to be particularly focused on in the future in light of the actuarial volatilities and the continuing premium growth. Even against the background of the consequences of the COVID 19 pandemic, Assekurata does not expect a deterioration of the security capital for 2020.

Success

In the partial quality success, Gartenbau-Versicherung still achieves a very good assessment.

Due to the safety-oriented investment policy, the investment returns account only for a small share of the success of the company. Gartenbau-Versicherung, however, has due to its business model few interest-bearing investments, such that the investment result is of minor importance for the overall result of the company.

As a result of the continuous expansion of the equalisation reserve, the gross surplus ratio averages 5.4 % for the years 2014-2018, which is only below the market average. However, in the years 2016 and 2018 the high withdrawals from the equalization reserve will be reflected in the time series. In 2019 the gross surplus ratio is likely to be slightly below the market average at just under 8.0%.

Due to its business model Gartenbau-Versicherung is highly correlated with the development of claims events from natural hazards. This leads to high income volatility. The earnings ratio fluctuated between 7.8 % and 26.8 % in the 2014-2018 period, however with 14.8 % on average in this period it lies above the market average (4.5 %). The effectiveness of the reinsurance program was demonstrated, for example, in the 2016 financial year, in which the company was still able to achieve a ratio of 8.8 % despite a major loss event in the Netherlands and the Lower Rhine region.

A decisive factor for the stabilization of the actuarial income is the successful expansion of the business into other European markets. Gartenbau-Versicherung increasingly achieves a regional diversification in its existing business by this. At the same time, the deep knowledge of the underwritten risks has to be permanently ensured as well. The company ensures this by deploying in-house staff or close cooperation with partners, which are responsible for the effective implementation of the underwriting and assumption guidelines.

The lockdown triggered by the COVID 19 epidemic and its economic consequences also have a significant impact on the Company's short to medium-term earnings situation. On the basis of current projections, however, the claims burden and the associated effects on the earnings situation of Gartenbau-Versicherung in

the 2020 financial year are comparatively low. As things stand at present, therefore, there is no evidence of a situation that would worsen the rating or even threaten the existence of the company.

Customer orientation

Assekurata evaluates the customer orientation of Gartenbau-Versicherung as excellent.

The company cultivates a partnership-based relationship with its members and focuses all activities strongly on the customer perspective. This is reflected in the customer survey conducted by Assekurata, in which Gartenbau-Versicherung achieved an excellent result. The particularly strong bond between customers and the company is to be emphasized here. For example, 88.9 % of those questioned agree with the statement that they would more likely or definitely only choose Gartenbau-Versicherung as an insurer. On average, only 74.5 % of the property/casualty insurers rated by Assekurata (Assekurata average) expressed this opinion.

Assekurata sees a strength of the company in being close to the insured business. A large part of the employees has insurance-specific as well as subject-specific and sector-specific knowledge. By this, a deep know-how regarding the requirements and the specific situation of the horticultural production companies is ensured in nearly all business divisions. For example, the sales representatives together with voluntary claims professionals often settle the claims directly on site, supported by the management board or external experts if necessary. This ensures on the one hand a high-quality claims settlement. On the other hand, the employees are aware of their customers' requirements and can directly identify needs for improvement in the product features.

The results of the Assekurata customer survey confirm this assessment. Thus 86.9 % of those questioned say they trust their personal advisor completely or very much (Assekurata average: 83.3%).

Growth/Attractiveness in the market

Assekurata continues to assess the growth and attractiveness in the market of Gartenbau-Versicherung as excellent.

Due to the high market share in Germany in conjunction with the declining number of horticultural businesses as a result of structural change, Gartenbau-Versicherung has only achieved low premium growth in its core market for years. In contrast, growth rates in other European countries are high. Overall, the company recorded extraordinarily high growth of 11.2 % in 2018, which is essentially due to a significant increase in premiums in the business assumed. Although growth decreased somewhat in 2019, at 4.73 % it was still well above the 2014-2018 average of 2.3 %.

Assekurata also assumes that Gartenbau-Versicherung will continue to achieve sustained premium growth in the rest of Europe, so that the growth situation should remain stable despite stagnating business in the domestic market. It is quite unlikely that the strong growth in acquired business will continue in the coming years. The extent to which the decline in sales suffered by customers in the COVID 19 pandemic will also have an impact on new business and lapse rates for Gartenbau-Versicherung in the medium term cannot yet be conclusively assessed and depends to a large extent on the course of the overall economic recovery. At present, however, there are no signs of a significant slowdown in growth.

From Assekurata's point of view, the special sales force with its professional know-how is a particularly attractive feature. While Gartenbau-Versicherung works with a permanently employed sales force in Germany and France, it cooperates with a local insurer in the Netherlands and relies on a combination of its own employees and cooperation with a broker company in Italy. In addition to the pure sales function, the employees cover a wide range of specific tasks, for example with regard to claims settlement, which has already been highlighted in the chapter on customer orientation. Furthermore, Gartenbau-Versicherung sales are characterized by the support of horticultural businesses in the area of active risk management.

In addition, the company offers product contents via the HORTISECUR product line which is tailored to the special needs of the horticultural businesses and can be quickly adapted to customer demand. In future, for example, Gartenbau-Versicherung will also offer insurance against cyber risks and drought damage.

Key figures Gartenbau-Versicherung VVaG

Absolute numbers/EUR mn	2015	2016	2017	2018	2019
Number of contracts of min. one-year term (ex other motor)	135.282	139.743	146.828	149.957	152.508
Hail insurance	33.509	34.675	36.545	37.193	37.778
Windstorm insurance	39.917	40.691	41.996	42.648	43.269
Fire insurance	37.509	37.915	38.722	38.806	38.570
Engineering insurance	17.920	20.358	23.750	25.643	27.326
Plate glass insurance	2.343	2.240	2.138	2.041	1.956
Other insurance	4.084	3.864	3.677	3.626	3.609
Gross premiums written	76,9	75,9	76,2	84,7	88,7
Hail insurance	21,8	21,4	22,7	23,4	24,1
Windstorm insurance	18,8	19,3	19,4	20,7	22,4
Fire insurance	7,9	7,9	8,0	8,3	8,6
Engineering insurance	9,5	9,7	8,8	9,5	10,1
Plate glass insurance	0,4	0,4	0,3	0,3	0,3
Other insurance	0,6	0,6	0,6	0,6	0,6
Premiums written FOA	66,8	63,7	66,1	73,8	77,0
Premiums earned FOA	66,6	63,8	66,3	73,5	79,8
Gross claims expenses	40,5	70,9	44,0	48,4	56,0
Claims expenses FOA	39,0	40,1	37,0	47,6	50,6
Expenses for premium refunds	0,4	0,0	0,5	0,5	0,5
Gross administrative expenses	15,6	16,4	16,4	18,5	19,0
Gross acquisition costs	0,6	0,6	0,7	0,9	0,9
Operating expenses FOA	15,8	16,6	16,7	18,9	19,4
Underwriting result FOA before CEP	11,0	6,7	11,7	6,1	8,9
Net investment income	0,5	0,5	0,2	0,7	1,5
Gross profit	1,4	6,5	1,9	7,7	7,3
Profits transferred (+) / Loss assumption (-)	0,0	0,0	0,0	0,0	0,0
Annual profit/loss	0,5	4,5	2,5	5,4	5,0
Dividends to shareholders	0,0	0,0	0,0	0,0	0,0
Equity	23,1	27,6	30,1	35,4	40,5
Participation certificates and subordinated debt	0,0	0,0	0,0	0,0	0,0
Claims equalization provision	39,4	38,4	44,4	41,2	41,6
Provision for anticipated losses	0,0	0,0	0,0	0,0	0,0
Gross claims reserve	11,3	11,9	12,6	12,0	19,1
Gross claims reserve MTPLI	0,0	0,0	0,0	0,0	0,0
Closing balance of financial investments at book values	78,1	73,4	79,9	99,5	104,8
Hidden reserves/losses total	12,3	13,6	16,2	14,6	17,5
SCR	-	37,1	32,8	33,7	36,0
Total eligible own funds to meet the SCR	-	78,4	83,8	82,4	88,9

Allocation of business* in %	2015	2016	2017	2018	2019
Direct business	77,0	78,1	78,6	74,1	74,6
Indirect business	23,0	21,9	21,4	25,9	25,4

*by gross premiums written

Allocation* by type of insurance in %	2015	2016	2017	2018	2019
Hail insurance	36,8	36,0	37,8	37,2	36,4
Windstorm insurance	31,9	32,6	32,5	32,9	33,8
Fire insurance	13,4	13,4	13,3	13,3	13,0
Engineering insurance	16,1	16,3	14,8	15,1	15,3
Plate glass insurance	0,7	0,6	0,6	0,5	0,5
Other insurance	1,1	1,1	1,0	1,0	1,0
Residual direct business	0,0	0,0	0,1	0,0	0,0

Safety indicators in %	2014	2015	2016	2017	2018	Average 2014 - 2018
Equity ratio						
Gartenbau	34,6	34,5	43,4	45,5	48,0	38,1
Market	51,6	50,1	47,0	46,5	45,4	49,1
Actuarial special capital ratio						
Gartenbau	48,1	59,0	60,3	67,2	55,8	52,0
Market	25,4	25,0	24,1	24,4	23,0	24,5
Solvency ratio						
Gartenbau	-	-	211,1	255,6	246,9	-
Market	-	-	271,4	277,7	269,1	-
Gross claims reserve ratio						
Gartenbau	16,0	19,2	20,0	21,1	19,1	20,3
Market	140,8	137,4	129,7	131,2	131,2	136,2
Performance indicators in %						
UW result ratio FOA before CEP total (before perf-rel. PR)						
Gartenbau	26,8	14,9	8,8	16,0	7,8	14,8
Market	4,5	4,5	4,2	4,5	4,5	4,5
UW result ratio FOA before CEP total (after perf-rel. PR)						
Gartenbau	25,9	14,3	8,8	15,3	7,2	14,3
Hail insurance	32,5	25,4	-15,4	27,5	20,6	18,1
Windstorm insurance	24,2	-14,1	36,0	15,3	-16,9	8,9
Fire insurance	38,0	7,0	11,9	19,1	33,2	21,8
Engineering insurance	30,7	37,5	30,9	25,2	26,6	30,2
Plate glass insurance	61,5	61,5	62,8	60,6	65,0	62,3
Other insurance	22,0	21,2	24,6	31,4	36,6	27,2
Market	4,3	4,3	4,0	4,3	4,3	4,2
Gross claims ratio						
Gartenbau	38,6	52,7	93,2	57,6	57,4	59,9
Market	67,6	69,6	68,2	67,6	68,2	68,2
Claims ratio FOA						
Gartenbau	44,2	58,5	62,9	55,8	64,7	57,2
Market	68,9	69,7	70,0	69,5	69,7	69,6
Gross administrative expense ratio						
Gartenbau	20,7	20,4	21,6	21,5	21,9	21,2
Market	14,2	14,7	14,4	14,3	14,2	14,4
Gross acquisition cost ratio						
Gartenbau	1,0	0,8	0,7	0,9	1,1	0,9
Market	11,0	10,5	11,3	11,3	11,4	11,1
Operating expense ratio FOA						
Gartenbau	24,3	23,8	25,9	25,1	25,7	25,0
Market	25,7	25,1	26,0	25,0	25,0	25,4
Gross combined ratio						
Gartenbau	60,2	73,9	115,5	80,0	80,3	82,0
Market	92,8	94,8	94,0	93,2	93,8	93,7
Gross combined ratio FOA						
Gartenbau	68,5	82,3	88,9	81,0	90,4	82,2
Market	94,6	94,8	95,2	94,5	94,6	94,7
Net investment return						
Gartenbau	1,6	0,7	0,6	0,3	0,8	0,8
Market	4,1	3,7	3,0	3,4	2,9	3,4
Performance						
Gartenbau	1,7	3,1	2,0	3,1	-0,8	1,8
Market	8,0	1,8	3,6	2,8	1,0	3,4
Gross surplus ratio						
Gartenbau	4,8	1,8	8,6	2,5	9,1	5,4
Market	8,1	7,8	7,3	7,6	7,9	7,8

Growth indicators in %	2014	2015	2016	2017	2018	Average 2014 - 2018
Growth ratio gross premiums written						
Gartenbau	-1,2	2,6	-1,3	0,3	0,3	1,1
Hail insurance	-1,7	3,4	-2,1	6,0	6,0	2,9
Windstorm insurance	8,0	3,1	2,4	0,7	0,7	2,5
Fire insurance	8,7	4,0	0,3	0,2	0,2	2,9
Engineering insurance	6,2	3,6	1,3	-8,6	-8,6	0,7
Plate glass insurance	-22,1	-23,3	-16,1	-1,4	-1,4	-12,7
Other insurance	1,3	-6,7	-1,3	-4,8	-4,8	-3,4
Market	4,4	2,7	3,1	3,5	3,5	3,6
Growth ratio number of contracts (excl. other motor and transport insurance)						
Gartenbau	2,9	0,5	3,3	5,1	2,1	2,7
Hail insurance	2,2	-0,2	3,5	5,4	1,8	4,0
Windstorm insurance	2,5	-0,2	1,9	3,2	1,6	0,6
Fire insurance	2,7	0,0	1,1	2,1	0,2	1,4
Engineering insurance	7,8	6,9	13,6	16,7	8,0	10,1
Plate glass insurance	-4,1	-4,6	-4,4	-4,6	-4,8	-4,4
Other insurance	-1,0	-4,9	-5,4	-4,8	-1,4	-3,9
Market	1,0	1,6	1,6	1,1	1,1	1,1

The average values are calculated from the single values for each year with several digits precision.

Glossary

Indicator	Definition
Actuarial special capital ratio	Actuarial special capital in % premiums written FOA
Claims ratio FOA	Claims expenses FOA in % premiums earned FOA
Combined ratio FOA	Claims expenses FOA + Operating expenses FOA in % premiums earned FOA
Equity ratio	Equity in % gross premiums written FOA
Gross acquisition cost ratio	Gross acquisition costs in % gross premiums earned
Gross administrative expense ratio	Gross administrative expenses in % gross premiums earned
Gross claims ratio	Gross claims expenses in % gross premiums earned
Gross claims reserve ratio	Gross claims reserve in % gross premiums written (direct business)
Gross claims reserve ratio MTPLI	Gross claims provision MTPLI in % gross premiums written of MTPLI (direct business)
Gross combined ratio	Gross claims expenses + Gross administrative expenses + Gross acquisition costs in % gross premiums earned
Gross surplus ratio	Gross surplus in % gross premiums earned
Net investment return	Total net investment income in % of average financial investment at book values
Solvabilitätsdeckungsgrad nach Solvency II aufsichtsrechtlich	Bedeckungsgrad der aufsichtsrechtlichen Kapitalanforderungen nach Solvency II (ggf. incl. beantragter Übergangsmaßnahmen und Volatility Adjustment)
Solvabilitätsdeckungsgrad nach Solvency II im Basisszenario	Bedeckungsgrad der Kapitalanforderungen nach Solvency II im Basisszenario (ohne Übergangsmaßnahmen und Volatility Adjustment)
Operating expense ratio FOA	Operating expenses for own account in % gross premiums earned FOA
Performance	Total investment return and change of total hidden reserves in % of average financial investments at market values
UW result ratio FOA before CEP (after performance-related PR)	UW result FOA before changes of claims equalization provision and similar reserves (after changes of performance-related premium refunds) in % gross premiums earned
UW result ratio FOA before CEP total (before performance-related PR)	UW result FOA before changes of claims equalization provision and similar reserves (before changes of performance-related PR) in % gross premiums earned

Term	Explanation
Actuarial special capital	Claims equalization provision + Provision for anticipated losses
CEP	Claims equalization provision
Equity	Balance sheet equity (without outstanding contributions, not requested) - Dividends announced, but not paid + Profit-sharing capital + Subordinated debt
FOA	For own account
Gross surplus	Annual profit/loss + Surplus participation of policyholder + Profit transferred - Loss assumption + Taxes
MTPLI	Motor third-party liability insurance
PR	Premium refund
SCR	Solvency Capital Requirement
UW	Underwriting

The market aggregate reflected in the tables comprises all property/casualty insurance companies doing business on the German market with premiums of minimum EUR 50mn.

Rating methodology and assignment

Methodology

The Assekurata rating is an assessment, in which insurance companies participate on a voluntary basis. The rating is based to a large extent on confidential company information and not only on public data. The overall rating results from summarizing the results of four single criteria, which represent key quality requirements regarding an insurer from a customer's perspective. For property/casualty insurers these are as follows:

- **Safety of the corporation**
How certain is the existence of the insurer?
- **Success**
How successfully does the insurer operate with the customers' premiums?
- **Customer orientation**
Which service level does the insurer offer?
- **Growth/Attractiveness in the market**
How attractive is the insurer from a customer's perspective?

These criteria are assessed on the basis of a comprehensive information base. This comprises a systematic and detailed indicator analysis based on internal and external accounting. The rating process includes additionally comprehensive interviews with the members of the executive board of the company and an empiric customer survey to measure the customer satisfaction and the customer retention. For this purpose a random sample is taken, from which 800 customers are surveyed by phone by a professional market research company.

The customer satisfaction is measured at different levels of detail. On the one hand Assekurata interviews the customers on their overall satisfaction with the company, on the other hand the rating analysts capture the satisfaction with regard to specific areas. The customer satisfaction as well as the customer retention run in the form of indices into the overall result of the customer survey.

Overall result

The individually assessed single criteria are finally consolidated to an overall result according to the Assekurata rating process. Different weights are applied in this context (see page 2). The rating team summarizes the results of the single criteria in a rating report and presents the document to the rating committee as rating proposal.

Independent of the weightings, the results of the single criteria customer orientation and safety experience particular importance. If any of these criteria is lower than satisfactory, the overall rating is downgraded to this value (so-called breakthrough effect).

Rating committee

The Assekurata rating is an expert opinion. The rating is assigned by the rating committee. It consists of the leading rating analyst, one division manager for analysis and at least two external experts. The rating committee verifies and discusses the proposal. The final rating needs to be assigned unanimously.

Rating assignment

The unanimously assigned rating based on the Assekurata rating process leads to a ranking of the insurance company within the Assekurata rating scale. The scale is subdivided into eleven quality grades reaching from A++ (excellent) to D (insufficient). Assekurata does not compile a ranked list by assigning a rating.

Rating	Definition
A++	excellent
A+	very good
A	good
A-	largely good
B+	completely satisfactory
B	satisfactory
B-	still satisfactory
C+	weak
C	very weak
C-	extremely weak

D | insufficient

The individual quality classes can comprise one, several or no company. In this context, the insurance companies can have different positions within the range of the quality class. For example, an insurer might have a very good (A+) rating and be positioned at the border to excellent (AA+), while another insurer with A+ rating might be positioned at the border to good (A). This applies for the assessment of the single criteria as well.

Important notes – Disclaimer

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The Assekurata rating committee is responsible for the approval of the rating. The committee for the rating of Gartenbau-Versicherung VVaG comprised the following persons:

Internal members of the rating committee:

- **Lead Rating Analyst Dennis Wittkamp (represented by Gerald Brinkmann)**
- **Assekurata Division Manager Abdulkadir Cebi**

External members of the rating committee:

- **Marlies Hirschberg-Tafel**, former Member of the Executive Board of an insurance company
- **Rolf-Peter Hoenen**, former CEO of an insurance company and former president of German Insurance Association (GDV)
- **Dipl.-Physiker Thomas Krüger**, former Member of the Executive Board of an insurance company
- **Prof. Dr. Heinrich R. Schradin**, Managing Director of the Institute of Insurance Science at the University of Cologne

The data used in the rating process is checked automatically for inconsistencies and data-entry errors through import routines. The content check of the data comprises a comparison and plausibility check of information from different sources, e.g. the annual report, internal accounting and auditors' reports.

Furthermore, all information collected in the course of the rating process undergoes a detailed visual check performed by the rating analysts. *ASSEKURATA* Assekuranz Rating-Agentur GmbH is in close contact with the company throughout the whole rating process. From the company's side the operative contact person (rating coordinator) has the task to ensure a seamless and timely information exchange.

The data provided in the course of the 2020 rating for Gartenbau-Versicherung VVaG didn't have qualitative shortcomings.

Assekurata ensures according to EU regulation 1060/2009 for rating agencies from 16/09/2009 and on the guideline "Nebendienstleistungen (Ancillary services)" of *ASSEKURATA* Assekuranz Rating-Agentur GmbH based on the EU regulation that the provision of ancillary services doesn't impose a conflict of interest with its rating activities and discloses in the final report of a rating, which ancillary services were provided for the rated company or related third parties of the company.

No ancillary services were provided.

This publication is not to be understood as solicitation, offer or recommendation neither for a contract signing with the assessed company nor for a purchase or sale of financial assets or execution of other financial transactions in relation to the rated company. The rating reflects the opinion and assessment of *ASSEKURATA* Assekuranz Rating-Agentur GmbH. If assessments of the future development have been made, these are based on our today's view on the current company and market situation. These can change at any time. That

is why the rating statement is non-binding and with limited reliance.

The rating is in general based on data, which was provided to *ASSEKURATA* Assekuranz Rating-Agentur GmbH from third parties. Although the information provided by third parties was checked for correctness, if possible, *ASSEKURATA* Assekuranz Rating-Agentur GmbH doesn't take responsibility for the correctness, reliability and completeness of the information.