PSVaG
Insolvenzsicherung
der Betriebsrenten

20

2020
Annual Report

Who we are

We are a self-help institution within the German economy providing statutory protection for occupational pension schemes in the event of employer insolvency.

Creating a secure future for this instrument of entrepreneurial responsibility and culture is a socio-political task of the utmost importance.

We operate as a mutual insurance association. We act on the basis of our statutory remit in the interests of our members and their beneficiaries.

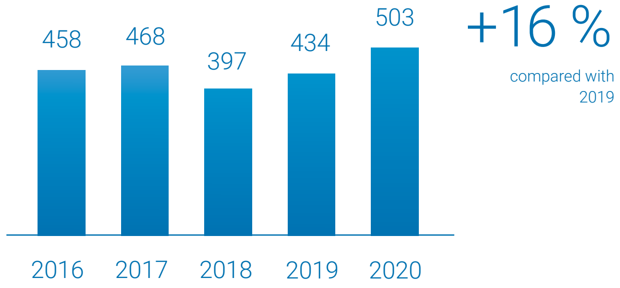
It is our role to intervene in the event of an employer becoming insolvent, and we currently secure the old-age occupational pensions of more than 11 million people.

By working in a focused manner and in a spirit of partnership, we achieve a high level of satisfaction among our members and those who are entitled to benefits.

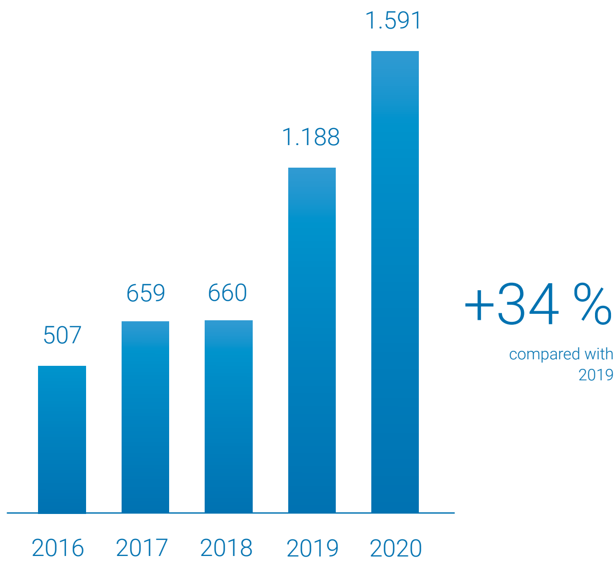
Figures for the 2020 financial year

	2020	2019
Membership	**95,000**	95,250
Contribution assessment base	**€ 354 billion**	€ 348 billion
Contribution rate	**4.2‰**	3.1‰
Total contributions	**€ 1,487 million**	€ 1,081 million
Insurable cases	**503**	434
Claim volume	**€ 1,591 million**	€ 1,188 million
Registered beneficiaries	**19,700**	4,300
Registered persons with entitlement to benefits	**28,400**	14,100
Compensation fund	**€ 3.2 billion**	€ 3.1 billion
Total assets	**€ 8.3 billion**	€ 7.5 billion
Employees	**260**	251

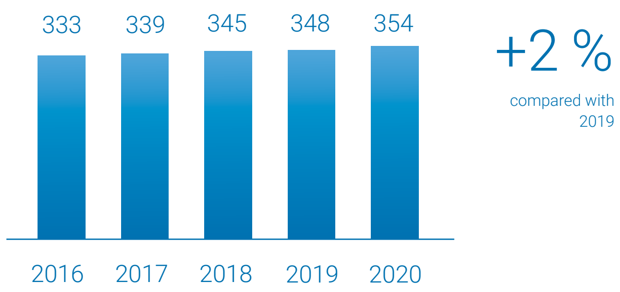
No. of insurable cases



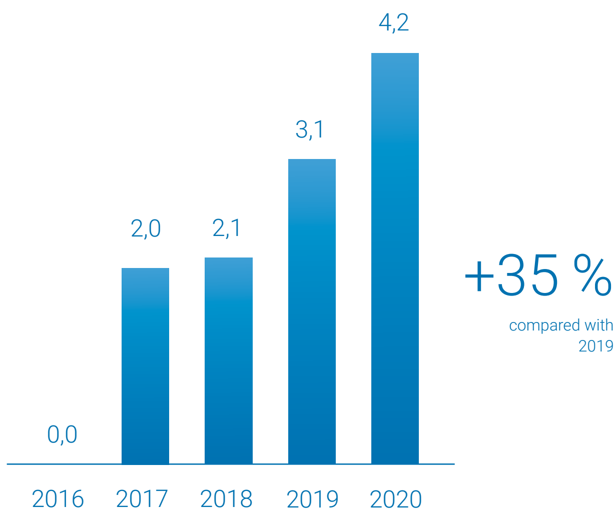
Claim volume in € millions



Contribution assessment base in € billions



Contribution rate in ‰



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Corporate management

Letter from the Board of Management

Ladies and gentlemen

The year 2020 presented new challenges for the German economy. Many companies have experienced and continue to suffer from a sharp fall in sales as a result of the pandemic. Despite financial support from the state and the suspension of the obligation to file for insolvency, losses due to insolvencies have risen sharply in Germany. This has also impacted on the PSVaG. The number of insolvencies increased by 16%, the total claim volume grew by 34% and the number of beneficiaries jumped by as much as 168%.

There were already signs of this upwards development in the first half of 2020 with some major insolvencies, on the basis of which we informed our members in July 2020 that a contribution rate of 4 to 5 per thousand was likely. In the third quarter, the change in the insolvency situation was at the lower end of our expectations, which meant we were able to set the contribution rate at 4.2 per thousand. Overall, our members had to pay about € 1.5 billion in insolvency insurance for occupational pension schemes.

The pattern of insolvencies in the third quarter was maintained in the final quarter of 2020. Meanwhile, the capital markets also performed much more positively than anticipated. Additionally, with some insolvencies that were filed in the last quarter no longer being opened in 2020, € 359 million could be allocated to the provision for rebates. This will have a direct effect on the contribution rate in 2021, helping to keep the level down.

At a time when we are still unable to foresee the future course of the pandemic, and with the economic effects being as uncertain as the duration, volume and impact of the measures taken by the state to mitigate the effects of Covid-19, it is currently very difficult to forecast the claim situation in 2021. However, once the suspension of the obligation to file for insolvency expires and the state aid programmes come to an end, we are not expecting the insolvency situation relevant to the PSVaG to be any less challenging than in 2020.

Interest rates are an area of concern to us. For our members and for the PSVaG, low interest rates mean higher provisions and higher contributions to meet pension obligations. Despite the high level of new public borrowing, the current yield fell from -0.23% to -0.56% in 2020. This will also affect our investments in 2021, and we expect interest income to remain on a downward path from its already low level. In addition, the current situation forces us to hold sufficient liquidity for the settlement of any major claims. We now have no choice but to accept a negative interest rate for this liquidity reserve.

On 24 June 2020, the German legislator added compulsory insolvency insurance for employers with *Pensionskasse* commitments to the Occupational Pensions Act. The employers concerned will report their contribution assessment base to the PSVaG for the first time in 2021. The top-up financing of the compensation fund for these newly assumed risks will also begin in 2021. Implementation of the changes to the law will result in the PSVaG having to cover any benefit shortfall in the event that a *Pensionskasse* cuts the benefits that it pays or in the event of the insolvency of an employer covered by the new protection arrangements from 2022 onwards. In addition, an affected employee or pensioner who has had to accept a reduction in his or her pension fund benefit of more than 50% or who has fallen below the at-risk-of-poverty threshold determined by Eurostat for Germany as a result of the cut and whose employer is not liable to offset the reduction can apply to the PSVaG for benefits as of the date on which the new statutory provisions enter into force. The PSVaG will review the application and pay the amount to which the pensioner is entitled. Since no contributions were paid for these commitments, and thus no solidarity-based financing of the risk has been implemented, the resulting costs will be settled by the state.

By taking over the task of protecting benefits paid by *Pensionskassen*, the PSVaG now covers more than 80% of the commitments in Germany's occupational pension schemes. Unique in Europe, the PSVaG contributes to the social security safety net by protecting almost 14 million employees and pensioners in Germany and Luxembourg.

We are particularly alarmed by the increasing number of companies that attempt to avoid paying pension benefits by using the insolvency protection provided by the PSVaG as a restructuring tool. The PSVaG is not a restructuring tool. Its role is to protect occupational pension provision. For this reason, the law includes a so-called recovery clause that should be applied whenever a company has been successfully restructured. According to this clause, a company that continues to operate after being restructured must re-assume its obligations from the occupational pension scheme as far as economically possible. Advisers try to find ways of avoiding taking back this liability, so that the burden is permanently borne by the PSVaG and ultimately by you as its members. In the interests of its members, the PSVaG will oppose any such action, by referring the matter to the courts where necessary.

Once again in 2020, a large number of projects and measures were carried out with the aim of providing our members and beneficiaries with a good and professional service. In particular, we have continued with the digitalisation of our business processes. In this way, we are ensuring that our statutory mandate can be performed in a secure, efficient and customer-oriented way through digital data exchange and progressive standardisation and automation. In 2020, for example, more than 50% of our members' contribution assessment bases were already being processed in the new online format. We are currently working on a portal solution to enable direct, secure electronic communication with our members.

Our employees are pursuing these tasks for the PSVaG with a high degree of dedication. We would like to express our sincere thanks for their outstanding and successful commitment to their work.

Cologne, 26 February 2021

Dr. Marko Brambach **Dr. Benedikt Köster** **Hans H. Melchiors**

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(Member since 18 February 2021)

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Honorary President, North Rhine-Westphalian
Regional Association of Organisations of
Entrepreneurs, Düsseldorf
(Member until 5 November 2020)

Dr. Andreas Wimmer
Chairman of the Management Board,
Allianz Lebensversicherungs-AG, Stuttgart

Management Report

Basic principles of the PSVaG

Object of the insurance

The Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit (PSVaG) is the statutory agency providing insolvency protection for occupational pension schemes. Its sole purpose is to guarantee occupational pensions in the event of an employer becoming insolvent in the Federal Republic of Germany and in the Grand Duchy of Luxembourg. This guarantee function is fulfilled pursuant to the Fourth Section of the German Act for the Improvement of Occupational Old-age Pensions (BetrAVG).

The insolvency insurance covers all schemes where the fulfilment of acquired claims to an occupational pension is jeopardised by the employer becoming insolvent. Such schemes comprise:

1. direct pension commitments

2. indirect pension commitments through
   a) direct pension insurance plans – only in the case of revocable rights or irrevocable entitlements if these have been assigned, presented as security or pledged,
   b) pension relief funds,
   c) pension funds,
   d) *Pensionskassen*.

In 2020, the German legislator added insolvency protection for occupational pension claims acquired via *Pensionskassen* to the scope of the Occupational Pensions Act. *Pensionskassen* (*Pensionskasse* in the singular) under German law are life insurance undertakings that exclusively provide cover against loss of income.

Commitments in relation to *Pensionskassen* that are covered by another protection system, i.e. are members of Protektor, the statutory guarantee fund, are excluded. Also excluded are commitments via *Pensionskassen* that are organised as a joint institution of the collective bargaining parties or that are supplementary pension institutions for the public sector.

For insurable cases that occur with the employer from 2022 onwards, the PSVaG will provide insolvency protection in the amount of the employer's statutory commitment within the framework of the Occupational Pensions Act. The employers will pay contributions to insolvency insurance from 2021 onwards. Their first contribution in particular will be used to top up the compensation fund for the new risks being taken on by the PSVaG.

The PSVaG also handles cases in which the insurable case occurred at the employer with *Pensionskasse* commitments before the year 2022. The PSVaG is obliged to step in if a *Pensionskasse* reduces or has reduced the benefits paid to the pensioner by more than half, or if the former employee's income falls or has fallen below the at-risk-of-poverty threshold determined by Eurostat for Germany due to such a reduction. With these provisions, the legislator has extended the Occupational Pensions Act to include the minimum level of protection required by the European Court of Justice in the event of employer insolvency with commitments via a *Pensionskasse*. However, the PSVaG has not received any contributions from the employers concerned for this minimum level of protection. Consequently, the costs incurred by the PSVaG in this respect are borne by the Federal Government.

On the basis of a General Agreement (Section 8, para. 1 of BetrAVG in conjunction with Section 2, para. 2 of its Articles of Association), the PSVaG insurers old-age pension obligations assumed as a result of an employer becoming insolvent with a consortium currently numbering 49 life insurance undertakings. The executive insurer of the Consortium for the PSVaG is Allianz Lebensversicherungs-AG, Stuttgart.

Source of funds, financing procedure

The funds used to cover insolvency insurance claims are raised pursuant to Section 10 of BetrAVG in the form of statutory contributions from those employers who provide occupational old-age pensions through the schemes subject to compulsory insolvency insurance referred to above. The contributions must be sufficient to cover the following:

- the present value of claims to insolvency insurance benefits that arise during the current calendar year (base accounting interest rate pursuant to Section 235, para. 1 no. 4 of the Insurance Supervision Act - VAG),
- the difference between the present value of the entitlements to benefits forming the subject of claims due to insolvency cases at the end of the calendar year and the equivalent present value at the end of the previous year,
- administrative and other costs,
- payments made into a compensation fund designated by the German Federal Financial Supervisory Authority (BaFin), and
- payments into a loss reserve account pursuant to Section 193 of VAG.

The capitalised values of both the pensions to be paid and the insurable pension entitlements are financed in the year of insolvency from the contributions received by the PSVaG.

The required levels of contributions are calculated during the last quarter of the year and apportioned to all of the employers who are subject to compulsory contributions. A characteristic feature of this process is the fact that the contribution rates reflect differences in claim volumes from one year to the next.

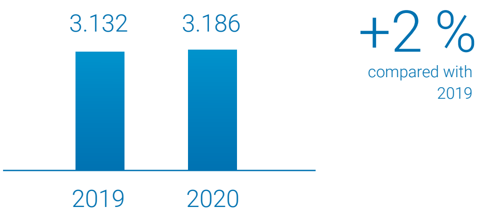
Dealing with contribution peaks

Contribution peaks may be alleviated by making use of the compensation fund and/or by applying a smoothing method. In the event of a high volume of claims, the compensation fund may be used with the consent of the German Federal Financial Supervisory Authority (BaFin) to reduce the contribution rate. The smoothing process may be used to distribute the annual contributions required over the current and up to four subsequent calendar years. This option has only been used once to date, in 2009, while the compensation fund has been used four times.

With regard to the compensation fund, as required by the PSVaG's Articles of Association, BaFin stipulated in 2017 that allocations must be made to the fund at least until a target of 9‰ of the contribution assessment base has been reached pursuant to Section 10, para. 2 of BetrAVG. This allocation is carried out anti-cyclically in that the higher the claim expenses, the lower the allocation.

As at the 2020 year-end, the target level for the compensation fund was € 3,186 million, which was reached by allocating an amount of € 54 million.

Size of compensation fund in € millions



Supervision by BaFin

In its capacity as a mutual insurance association, the PSVaG is subject to supervision by the German Federal Financial Supervisory Authority (BaFin).

The 2020 financial year

Overview of the financial year

The number of company insolvencies in Germany continued to fall in 2020. In contrast, there was a rise of around 16% in insolvencies among PSVaG members. Despite this increase, the insolvency rate for our members, at 5.3‰ in 2020, is still relatively low. In July 2020 we informed our members that a contribution rate of between 4‰ and 5‰ was likely given the impact of the coronavirus pandemic. However, the claims situation developed more favourably than expected over the final months of the year. As a result, we were able to set the contribution rate at the lower end of our forecast.

In 2020, the PSVaG once again carried out a large number of projects such as technical digitalisation projects, other non-technical projects and measures needed to comply with regulatory requirements.

The PSVaG will be moving into new office premises in Gremberghoven, Cologne, in the second quarter of 2021.

Required contribution level

The required contribution level of € 1,487 million was based on the contribution assessment base as reported by members for 2020 in the amount of € 354 billion. This gives a contribution rate of 4.2‰, which is the highest rate since 2009. However, the weighted average rate for the last five years is 2.3‰ and thus only 0.1‰ points above the average for the last ten years (2.2‰). It is also 0.5‰ points lower than the average for all previous 46 financial years (2.8‰).

Annual Financial Statements

The Annual Financial Statements for the 2020 financial year have been prepared in accordance with the German Ordinance on Insurance Accounting (RechVersV). In line with the PSVaG's Articles of Association, € 20 million was allocated to the loss reserve.

The income statement automatically shows a negative technical result. However, this is offset by the non-technical positions.

Our largest income item was members' contributions. Pursuant to Section 10, para 2 of BetrAVG, the required contributions must cover gross expenses for insurance claims, the allocation to the compensation fund and the loss reserve, and administrative and other costs. Income as defined in Section 9 of BetrAVG, the dividends from the Consortium and capital income, which totalled € 426 million, helped to greatly reduce the required volume of contributions, down to € 1,487 million. The individual items are explained in further detail in the "Our services" and "Capital investments" sections.

The calculation of contributions carried out in October 2020 reflected anticipated developments for the full 2020 year based on the development up until that point. As is the case every year, it was necessary to include estimates and extrapolations for the final months to the year-end.

The 2020 financial statements show a better overall financial situation than was anticipated when the contributions were being calculated. Some major claims that had already been submitted in 2020 were not realised until 2021, and a considerably better investment result was also recorded. Consequently, € 359 million was allocated to the provision for contribution rebates. This amount will reduce the level of contributions for 2021. Overall, due to the system, the annual financial statements show a balanced result.

The allocation to the compensation fund was lower than mathematically possible, as the target of 9‰ of the contribution assessment base was achieved, as was also the case in the previous year. As required by the PSVaG's Articles of Association, 0.5% of the present value of the projected benefit obligation was allocated to the loss reserve. However, with this value increasingly significantly due to higher claims, the target level was not achieved in contrast to the situation in the previous year.

Members' meeting

At the members' meeting held on 30 November 2020 in Cologne and chaired by the Chairman of the Supervisory Board, the actions of the Board of Management and Supervisory Board were ratified, and amendments to the General Terms and Conditions of Insolvency Insurance for Corporate Old-Age Pensions and the Articles of Association of the PSVaG were adopted. These amendments are detailed on the PSVaG website. The meeting was held virtually as a result of the pandemic, and has also been scheduled as an online meeting for 2021.

Our services

Insolvencies

The overall level of insolvencies in the German economy actually rose significantly in 2020 contrary to the generally held expectation. While the number of insolvencies fell further to 16,300 corporate insolvencies, a decrease of 13.4% compared with the previous year, the number of employees affected by insolvencies grew by around 52% to 332,000. Creditreform also estimates that creditors will suffer losses of € 34 billion in 2020, up from € 24 billion in the previous year. Accordingly, the number of insolvency proceedings of relevance to the PSVaG rose by 16%, the number of persons with entitlement to a pension by 168% and claims expenses by 34% compared with 2019.

Higher pensions per claim

The high level of claim expenses can be explained by the strong increase in large-scale claims involving a high number of beneficiaries (entitled) and pensioners.

Overview of insolvencies

Year of insolvency	2020	2019[1]
Total insurable cases[2]	**503**	434
of which out-of-court settlements	**3**	2
Beneficiaries (entitled) and pensioners[3]	**48,100**	18,400

[1] The changes in the figures compared with the figures quoted in the 2019 Annual Report are due to the subsequent reporting of additional insolvencies identified in the 2020 financial year and to the ongoing updating of information based on the subsequent receipt of reports on individual insolvencies containing more precise data.

[2] Including cases where insolvency is rejected due to a lack of assets and cases of complete termination of operations where bankruptcy proceedings are not considered due to an obvious lack of assets.

[3] Including retransfers in the context of an insolvency plan and rejected cases.

Insured entitlements and insured pensioners

The PSVaG insures benefits (entitlements) that are not yet due, makes capital payments and pays settlements to persons entitled to benefits, and insures pensions that have fallen due, thereby discharging the debt, with a consortium of 49 life insurers.

The number of insured beneficiaries (entitled) rose by 8% while the number of pensions remained at the previous year's level.

Beneficiaries

	Beneficiaries (entitled)	Pensioners
As at 31 Dec. 2019	203,100	476,900
New additions due to insolvencies in 2020	28,400	19,700
Other additions	2,300	9,900
Exits	14,900	28,300
As at 31 Dec. 2020	218,900	478,200
of which insured with the Consortium		470,000

"Other additions" of pensioners and "Exits" of beneficiaries (entitled) include 6,900 beneficiaries who were insured with the Consortium in 2020 due to them drawing a pension for the first time. "Exits" of beneficiaries (entitled) also include one-off payments, settlements, retransfers and rejected cases. Decreases in the number of pensioners are generally due to a pension no longer being drawn following the death of the beneficiary.

Number of processed and outstanding cases

During the financial year the PSVaG conclusively audited the basis for and amount of any benefit obligation for 31,100 beneficiaries (entitled) and pensioners, while also increasing the current pension already being paid due to an insolvency-protected adjustment clause or providing follow-up insurance for other reasons in a total of 12,800 cases. In 2020 there were 37,100 beneficiaries who received benefits directly from the PSVaG or who had new insurance cover taken out with the Consortium or their cover increased.

In order to minimise interruptions in benefit payments upon insolvency, highest priority is given to the timely processing of pension claims once the insolvency is reported. This means that the PSVaG frequently begins its process before the insolvency proceedings have officially begun.

The following table provides details of the number of outstanding cases and how these have progressed:

Outstanding cases

	Beneficiaries (entitled)	Pensioners[1]
As at 31 Dec. 2019	23,300	3,200
Additions	30,700	29,100
Exits due to processing	6,900	24,200
Exits due to other form of settlement	3,600	1,900
As at 31 Dec. 2020	43,500	6,200

[1] Pensioners on occurrence of claim and conversions; excluding dynamic increases

The number of outstanding beneficiaries (entitled) from the insolvency years up to and including 2018 declined from 11,300 as at 31 December 2019 to 7,200 as at 31 December 2020.

Benefits paid

In 2020 the PSVaG paid out direct benefits to beneficiaries totalling € 58 million. The Consortium paid out an additional € 915 million.

Claim volume

The total claim volume was € 1,591 million and corresponds to the expenditure for insurance benefits as reported in the Income Statement.

The year-on-year increase is mainly attributable to the significant rise in major claims, up from 17 to 39, automatically pushing up the average expenses per claim during the financial year.

The PSVaG's involvement in insolvency proceedings

The PSVaG is regularly one of the largest creditors in insolvency proceedings due to the statutory subrogation of claims from the occupational pension provision that it insures. Particularly in economically significant cases, it is therefore involved in the work of the creditor representation body established by law (General Creditor Assembly and, where applicable, the Creditor Committee). The resulting close cooperation with insolvency executors and trustees is also conducive to the fulfilment of the tasks for which the PSVaG is responsible.

In 2020, the PSVaG posted income of € 124 million from insolvency quota payments, transferred relief fund assets and other claims.

The PSVaG was able to agree on a transfer back to the employer in 29 insolvency plan proceedings on behalf of 3,700 beneficiaries in 2020. This avoided costs totalling € 83 million.

Dividends from the Consortium

With regard to insurance agreements concluded in the past, the Consortium transferred dividends of € 214 million including interest to the PSVaG in 2020 for the 2019 financial year. This was posted to income in 2020.

Pension expenses for future claims

In order to reduce contributions for 2021, € 359 million was allocated to the provision for rebates. € 54 million was transferred to the compensation fund with € 20 million allocated to the loss reserve.

Administrative and other costs

Administrative and other costs totalled € 32 million. As well as the costs relating to the processing of benefits, this figure also includes expenses in connection with membership administration, participation in insolvency proceedings and overall operations.

PSVaG's provisions

To cover its obligations arising up until 31 December 2020, the PSVaG allocated a total of € 4.5 billion to the provision for outstanding insurance claims and to contributions carried forward. This provision contains the present value of the projected benefit obligation pursuant to Section 10, para. 2 of BetrAVG, which is € 4.0 billion. The present value was calculated using the 2018 G Heubeck guide tables with the statutory base accounting interest rates.

The interest rate on which the calculation of entitlement is based depends on the year of insolvency.

Present value of the insured entitlements in € millions by year of insolvency

Year of insolvency	Base accounting interest rate	Present value
up to 2006	3.67%	640
2007 – 2011	3.00%	1,015
2012 – 2014	2.33%	598
2015 – 2016	1.67%	288
2017 – 2020	1.20%	1,440
Total		**3,982**

The average interest rate for the insured entitlements, weighted according to present value, is 2.26%.

A total of € 3.7 billion has been allocated to the provision for rebates, compensation fund and loss reserve.

Provisions of the Consortium

As at December 2020 the Consortium had created provisions in the anticipated amount of € 12.5 billion for the insurance agreements concluded by the PSVaG. We expect the insurers to continue to generate dividends on these provisions over the coming years, which will be paid out to the PSVaG and help to reduce the future level of membership contributions.

Our membership

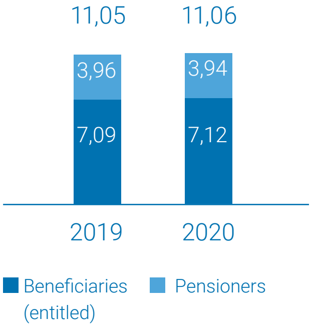
Number of members

The PSVaG had 95,000 members as at 31 December 2020, a decrease of 250 on the previous year. This fall is the net result of 2,650 new memberships and the termination of 2,900 memberships. New memberships arose as a result of pension entitlements that became vested, the payment of a pension for the first time, or as a result of a company split or spin-off. Memberships ended on account of mergers and insolvencies, and in cases in which all of the benefit obligations had been fulfilled or had expired.

Number of persons entitled to benefits covered by insolvency insurance

Our members reported 11.06 million persons with entitlement to benefits in 2020, 14,000 more than in 2019. Employees who received several pension commitments through various schemes or from several employers were possibly counted more than once.

Persons entitled to benefits and covered by insolvency insurance:



+14.000

persons entitled to benefits

compared to 2019

Breakdown of the contribution assessment bases

The breakdown of the total contribution assessment base by type of scheme for the years 2010 (totalling € 289 billion) and 2020 (totalling € 354 billion) shows a slight shift in favour of direct pension commitments and pension fund commitments, which have been subject to insolvency insurance since 2002.

Shares of the individual pension schemes in %

	2020	2010
Direct pension commitments	**87.9**	86.2
Pension relief fund commitments	**10.6**	12.7
Pension fund commitments	**1.4**	1.0
Revocable direct policies or direct policies presented as security	**0.1**	0.1

Stratification of contribution assessment bases

The membership of the PSVaG remains very heterogeneous. More than half of member companies report a contribution assessment base of less than € 100,000. Overall, this layer of the membership pays 0.4 % of total contributions. In contrast, the 5.6 % of our members with the highest reported contribution assessment bases pay more than 90 % of the total membership contributions.

Breakdown of membership by size category

Contribution assessment base in € millions	Percentage of employees	Percentage of total contribution assessment
up to 0.1	60.7	0.4
0.1 – 0.5	19.2	1.2
0.5 – 1.0	5.8	1.1
1.0 – 5.0	8.7	5.1
more than 5.0	5.6	92.2

Breakdown of contributions and benefits by size category

In view of the very high claims volume observed in certain years – such as most recently in 2009 and 2020 – which was also characterised by a number of large insolvencies, the question has arisen from time to time as to whether the distribution of claims according to size category corresponds to the distribution on the contributions side. This has been examined again, measured against the reported contribution assessment bases in terms of claim numbers and claim amounts.

The new investigation follows on from the seven previous studies (cf. Annual Reports 1983, 1993, 1999, 2002, 2006, 2010 and 2015). The period 1978 - 2020 and then the year 2020 were evaluated separately on the basis of the three size categories.

From 1978 until 2020				
Contribution assessment base	Percentage share		Percentage share of	
	Mem-bers	Insol-vencies	Total contri-butions	Claims
in € millions	%	%	%	%
up to 0.5	74.1	78.5	2.0	7.8
0.5 – 5	19.7	18.4	8.7	27.4
more than 5	6.2	3.1	89.3	64.8

2020				
Contribution assessment base	Percentage share		Percentage share of	
	Mem-bers	Insol-vencies	Total contri-butions	Claims
in € millions	%	%	%	%
up to 0.5	79.8	77.1	1.6	4.0
0.5 – 5	14.6	16.6	6.1	18.3
more than 5	5.6	6.3	92.3	77.7

According to these results, for both the period 1978 to 2020 and the year 2020 in isolation, those member companies with a high level of occupational pension provision subject to insolvency insurance contribute more to financing claims than to causing them.

Capital investments

Retroactive financing of "old claims" through one-off contributions

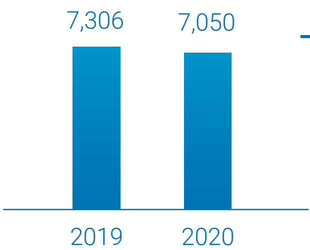
Beginning in 2007, "old claims" of € 2.2 billion were financed retroactively through a one-off contribution. These claims relate to non-forfeitable entitlements from insolvencies up to and including 2005 that were insured but had not yet been financed. The one-off contribution, set at a rate of 8.66‰, is generally payable in 15 equal annual payments with instalments due on 31 March of each year from 2007 to 2021. Alternatively, members could voluntarily opt to pay future instalments in advance in one lump sum, in which case interest was deducted from all future payments at an accounting interest rate set one third higher than the rate applicable at the time of payment in accordance with Section 235, para. 1 no. 4 of VAG (since 2017: 1.2%)

The 14th instalment due on 31 March 2020 amounted to € 64.7 million. In 2020, a further 220 instalment payers took advantage of the option of voluntarily paying the full amount early, paying a total of € 0.5 million after deduction of the statutory discount. Some 10,000 employers remain who still owe instalments totalling € 63.9 million in 2021.

Market and portfolio performance

Conditions on the capital market were exceptionally challenging in 2020. Covid-19 created a high level of uncertainty, although this switched to confidence at an impressive pace, driven not least by the sectors that were positively impacted by the pandemic. Accompanied by strong fluctuations, a positive return was recorded despite the poor economic situation in many markets. The PSVaG implemented hedging measures in its portfolio at an early stage to good effect, ensuring a significantly more stable performance. In this context, the time-weighted performance of investments was +2.5%, with a net return of +1.11%.[1]

Book value of capital investments in € millions



−3.5 %

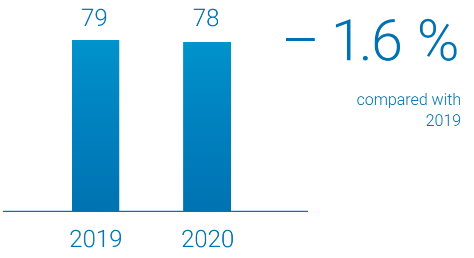
compared with 2019

The book value of capital investments dipped by € 256.3 million to total € 7,050.0 million (previous year: € 7,306.3 million). The main reason for the decrease was the first-time use of a Bundesbank account for contribution income. Call deposit accounts are not allocated to investments. All capital investments measured at amortised cost were valued according to the strict principle of the lower of cost or market. Registered bonds, promissory notes and bank deposits were reported at their nominal value in the balance sheet. The alleviated principle of valuation at the lower of cost or market,

[1] 1.11 % calculated on the basis of monthly averages; Value of 1.1% based on GDV formula.

which may be used as a discretionary practice, was not applied.

Income from capital investments in € millions



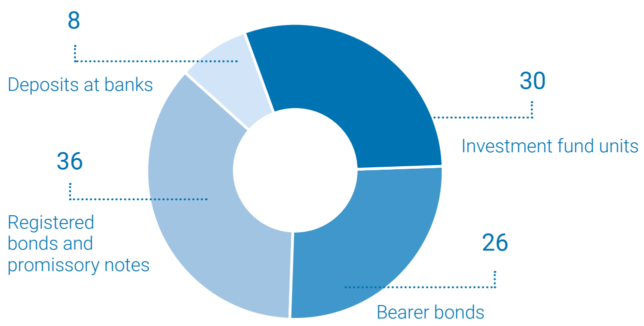
The net income from investments totalled € 78.1 million (previous year: € 79.3 million). This includes value readjustments of € 0.5 million and the dividend of € 24.4 million from the master fund, which more or less corresponds to the ordinary income for the year in the fund. The slight fall in the result was mainly due to significantly lower write-ups and write-downs than in the previous year, set against a higher balance from the disposal of securities.

Capital investment structure

The PSVaG continues to pursue a conservative capital investment policy. Particularly with regard to the direct portfolio, and therefore in the case of bearer and registered bonds and promissory notes, issuers and issues with a high credit rating are always prioritised during investment decision-making. Investments in investment certificates relate predominantly to special funds (special alternative investment funds with fixed investment conditions), in which the PSVaG is the sole investor. Deposits at banks (mainly time deposits) are largely required for the settlement of claims in future years and have corresponding maturity dates.

Due to the higher uncertainty regarding future insolvency events, repeated and significant investments were made in time deposits, securities and promissory note loans with short maturities despite the low and negative interest rate environment, particularly with regard to short-term investments. Money market funds were also acquired for the direct portfolio. In addition, medium and long-term investments continued to be made in the direct portfolio and in the investment funds.

Structure of capital investments in %



In total, € 1,235.4 million (book value) was invested in bonds for the direct portfolio during the reporting year. Short-term investments of up to three years were the main focus, accounting for more than two thirds. The rest of the portfolio was split between medium and long-term investments on a 1:2 basis. Securities and fixed-term deposits totalling € 1,331.3 million were redeemed by the issuers as planned, with a further € 8.7 million being called by the issuers. Investments worth a further € 121.0 million were sold early for risk-related reasons, primarily in relation to the impact of coronavirus. € 50.0 million net (excluding reinvested dividends) was invested in the master fund, with € 100.0 million being taken out of institutional retail money market funds over the course of the year.

Investment strategy

Strategic asset allocation (SAA) forms the basis of investment management, and is regularly reviewed and updated. The emphasis is placed on a conservative risk/reward ratio. Capital investments are allocated on the basis of the time horizon for the corresponding obligations. Most investments are made in relation to the direct portfolio, with an investment horizon of between 1 and 15 years. The vast majority of fund investments have a medium or long-term investment horizon, serving to diversify the capital investment portfolio and also to increase the return potential.

The specific maturities of the fixed-income securities acquired for the direct portfolio are obtained from the asset/liability management (ALM) calculations, which are based on the expected conversion dates for the entitlements (cash flow matching). The securities in question are generally held until they mature (buy and hold strategy). This minimises the need for premature selling and thus avoids the transaction costs and risks created by potential price losses if securities have to be sold off early. A limit system is in place to limit the potential default risks. The direct portfolio exclusively comprises issues with an investment grade rating (average rating of AA-), with the aim of diversification across different regions and issuers.

Sustainability

In order to reconcile the challenge of the sustainable transformation of the real economy with the interests of the PSVaG members in the best possible way, sustainability risks are a key priority when investing. Sustainability risks are defined as "environmental, social or governance events or conditions, which if they occur have or may potentially have significant negative impacts on the assets, financial and earnings situation, or reputation of a supervised entity" (definition from the Guidance Notice on Dealing with Sustainability Risks published by BaFin In December 2019).

Consequently, the PSVaG's sustainability approach to investment was further developed in the reporting year, and the resulting measures are being successively implemented.

Since 2019, ESG (environmental, social and governance) factors have been increasingly integrated into investment decision-making and risk management when selecting issuers and issues for the direct portfolio. The main aim is to identify and avoid sustainability-related risks at an early stage and to take advantage of opportunities as they arise. The corresponding tools are being expanded and refined for this purpose.

In the case of indirect investments, we continue to focus on the meaningful integration of sustainability criteria in the respective active investment strategy. All asset managers used by the PSVaG are signatories to the UN Principles for Responsible Investment (UNPRI) and report the relevant ESG and greenhouse gas information for their mandates.

Employees

There was a slight increase in the number of PSVaG staff in 2020. Taking on the task of insolvency insurance for *Pensionskasse* commitments will also mean a considerable rise in the number of employees in 2021.

Number of employees

	2020	2019
Full-time	**172**	169
Part-time	**71**	70
Suspended employment[1]	**17**	12
Total	**260**	251
Effective no. of employees	**218.5**	215.6

[1] Employees in the passive phase of semi-retirement, on parental leave or long-term sick leave.

Risk report

Fundamentals of risk management

The PSVaG follows an integrated approach to risk management. This is founded on the legal provisions of Sections 23 and 26 of the Insurance Supervision Act (VAG) and on supervisory rules, particularly Circular 01/2020 of the Federal Financial Supervisory Authority (BaFin) entitled “Minimum Requirements under Supervisory Law on the System of Governance of Small Insurance Undertakings pursuant to Section 211 of VAG”. Pursuant to Section 91, para. 2 of the Joint Stock Companies Act (AktG), the Board of Management is also obliged to “implement appropriate measures, particularly a monitoring system, to ensure than any developments that could endanger the company’s continued existence are detected at an early stage”. By presenting this report, the PSVaG is meeting its obligation to report on the essential risks associated with its anticipated development (Section 289, para. 1 of the German Commercial Code, HGB).

Risk management system

The PSVaG has provided detailed descriptions of its commercial and risk strategy, its structures and workflows, and its risk management system in the form of a risk manual. It is the heads of department who are responsible for identifying and assessing risk, with each individual risk that is identified being documented in a separate risk description. The risk manual, as the central pillar of risk management, is updated at least once per year. The heads of department are also responsible for proposing ways of minimising risk and for implementing appropriate risk control measures. Those risks that have been identified and evaluated in advance by the risk managers are discussed and assessed by the Board of Management and heads of department at regular meetings. Additionally, a risk inventory is drawn up quarterly in order to record and assess all of the risks that could impact on the PSVaG. It is therefore the Board of Management that holds responsibility for overall risk management and that ultimately must define the PSVaG's commercial and risk strategy.

The PSVaG has a compliance coordinator who provides support with proper business organisation, thereby guaranteeing compliance with statutory and regulatory requirements. Potential compliance risks or risks of legal change in relation to compliance with or the implementation of laws, legal provisions, regulatory requirements or ethical and moral standards, as well as internal rules and regulations, are monitored on an ongoing basis.

In order to achieve its security goals in terms of information risk management, the PSVaG maintains an information security management system and has its own information security officer. The PSVaG has also set up an internal control system (ICS) for the systematic identification of operational risks and incorporation of control measures.

The PSVaG has a modern and effective investment risk management system in place with which the risks of future development can be detected early and managed. With regard to risk management the PSVaG complies with both the regulatory requirements and its own more restrictive internal rules.

The investments are used to fulfil pension obligations and to cover the compensation fund with the aim of securing in good time the liquid assets needed to settle claims and reducing contribution peaks. Consequently, it is of the utmost importance that the assets can be liquidated and that they retain their value. The investments are therefore conservatively geared towards the obligations. Management of the investments takes account of the asset/liability management stipulations in the strategic asset allocation, which is reviewed regularly and at least once per year, and adjusted where necessary.

In this extraordinary year, the risk management systems used in relation to investments came into their own. In March 2020, the risk controlling team responsible for capital investments used its internally developed risk database to examine the direct investment portfolio for issuers in sectors heavily affected by coronavirus. The analysis revealed that only 3.2% of the issuers were in sectors that were exposed to an increased or high risk from the pandemic. In contrast, 10.6% of the direct portfolio was only "slightly" or even "very slightly" affected. 86.2% of issuers, predominantly banks, were in the middle range. Risk mitigation measures have been introduced with regard to issuers in sectors with an increased or high risk. At the same time, the analysis confirmed the advantages during times of crisis of the conservative investment strategy pursued over earlier years. Currently, there is optimism that life can soon return to normal thanks to the development and approval of Covid-19 vaccines. Yet we still face the threat of the virus mutating. As it is still not entirely clear whether vaccination will also protect against the different variants of coronavirus, we continue to be very restrictive in our investments in issuers that have been heavily impacted by the pandemic.

The Board of Management and Supervisory Board are briefed monthly/quarterly on the current risk situation by the risk controlling department. The responsible board member is briefed weekly. In the event of any new risks or a significant change in the risk situation, the Board of Management is briefed on an ad hoc basis.

Risks of future development

Actuarial practice

The financing procedure forms the central pillar of insolvency protection for occupational pension schemes. The contribution-based system basically excludes any actuarial risks. No individual equivalence principle is applied when setting the contribution level. Every member pays the proportion of claim expenses for a financial year that corresponds to the amount of that member's own occupational pension provision as a proportion of the total occupational pension provision reported under the solvency scheme.

Furthermore, the financing procedure means that other risks are also easier to control as it is not just claim expenses that are taken into account when setting the contribution rate but rather all operational expenses not covered by other forms of income. Specifically, this means: the total contributions for a given financial year correspond to the balance of all income and expense items for that same financial year. Higher income, from investments for example, reduces the level of contributions due from our members.

The contribution calculation involves determining the contribution rate for the members by means of which balanced annual financial statements can be prepared at the financial year-end. It is based on the total income earned and expenses incurred up to the date of the calculation plus an extrapolated figure for the period until the year-end. The calculation system used is basically the same system that has been in place since the PSVaG was first created, and it has a proven track record. There is still the risk, however, that the assumptions used when setting the contribution rate could turn out to be incorrect. They could be higher or lower than the financing requirement for the financial year. This is why the calculation system is constantly being reviewed and updated in order to avoid any shortfall.

Investment

The essential risks relating to investments comprise:

- Market risk (unfavourable interest rate, price or exchange rate developments)
- Default risk (credit rating risk)
- Concentration risk (risk of strongly correlating risks that increase default risk)
- Liquidity risk

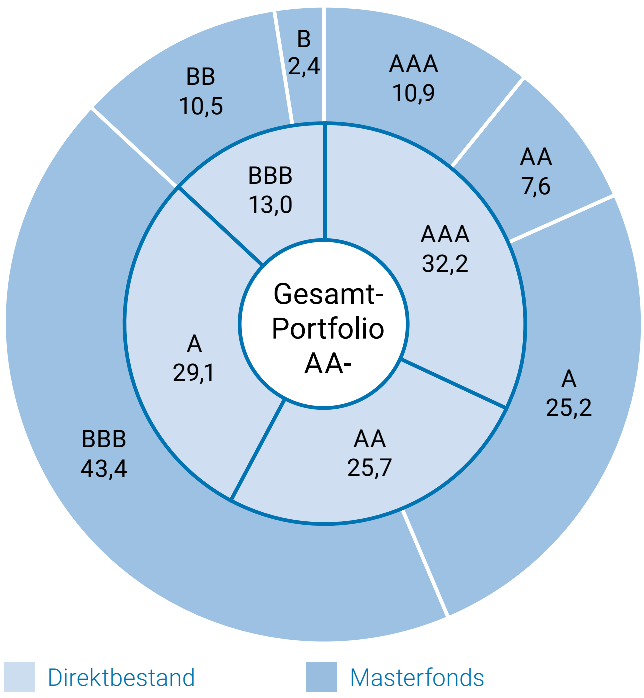
Such risks are countered by ensuring that the composition of the assets and the investment process comply with the investment rules defined in the VAG and, additionally, are governed by internal investment guidelines.

In order to evaluate concentration risk, the PSVaG has defined the following categories:

Direct portfolio according to debtor category in %

	2020
Savings banks and regional banks	29.1
Private banks	11.7
Volksbank and Raiffeisen cooperatives	15.6
Companies	21.7
Credit institution (guaranteed)	7.8
Federal Länder	4.2
Local authorities	3.2
Public-law corporations and institutions	1.7
State	1.0
Money market funds	4.0

Breakdown of ratings in the direct portfolio in %



As a result of the high level of investment in fixed-income papers, the investment portfolio is subject to the risk of changing interest rates. The interest rate sensitivity (modified duration) of the investments is 3.95%. The concentration of market risks is reduced by mixing and diversifying the investments. Exposure to individual issuers is limited by means of a system of limits and threshold values. No issuers account for exposure of more than 5% of the total amount of all investments. The selection of individual stocks is always based in the first instance on good issuer quality. Issuers in the direct portfolio are reviewed on a continuous basis. New investments in the direct portfolio all have at least an investment grade rating. The average rating in the direct portfolio is AA-. The average rating in the master fund is BBB+.

The PSVaG holds two special funds (special AIF with fixed investment conditions). While the master fund comprises risk-controlled, reward-focused investments in riskier assets than the direct portfolio, investments in the liquidity fund are designed to be easily accessible and only subject to minor price and default risks. The special funds are therefore used to achieve a more strongly diversified investment base. The risk of potential liquidity shortages due to major insolvencies is countered by sufficient liquidity reserves.

The system of investment risk management described above, in addition to the function of identifying negative developments in the investments through the control and early warning system, provides information on the investment to guarantee the PSVaG's risk-bearing capacity.

Operational risks

Operational risks (e.g. in IT, in processes, in actions, upon changes to the law) are managed and monitored by the responsible departments, as mapped in the internal control system. Contingency plans, access controls, and signature and authorisation rules reduce the likelihood of a risk occurring and lower the potential damage in the event that it does.

Electronic data processing is one of the main risk focuses. System availability in 2020 was in excess of 99.5%. The system for data backups means that business operations can be restored within a very short space of time even in the event of a total data loss. Data is held redundantly with physical separation and is organised in such a way that there is no possibility of a data loss impacting on the proper operation of business processes. The PSVaG has a hierarchical system of powers, duties and controls to protect against erroneous or malicious acts. Detailed organisational documents and appropriate technical measures are in place to support business processes. This system is consistently being developed further and, from an organisational perspective, is favoured by the fact that the commercial premises and all staff are located at one site in the same building.

The PSVaG complies with the regulatory framework, particularly the supervisory requirements for IT (VAIT), and therefore considers itself to be well positioned in relation to risks and future requirements.

Potential compliance risks or risks of legal change in relation to compliance with or the implementation of laws, legal provisions, regulatory requirements or ethical and moral standards, as well as internal rules and regulations, are monitored on an ongoing basis.

With effect from 24 June 2020, the German Occupational Pensions Act (BetrAVG) will include provisions on PSVaG insolvency protection for *Pensionskasse* commitments. The insolvency protection primarily covers employer insolvencies that occur from 1 January 2022 onwards. Minimum protection rules are in place for employer insolvencies before 2022. Here, the PSVaG handles the claims of pension beneficiaries with the state reimbursing the costs. The implementation of this new task requires the establishment of additional processing capacity. There is a risk that the PSVaG will not be able to recruit and train enough new staff in time for the changes.

The PSVaG is also being increasingly affected by a lack of skilled personnel, pushing up the costs associated with recruitment and professional development, and therefore resulting in higher administrative costs overall.

There is a general risk that legal decisions made in individual cases will also apply to other areas of the PSVaG and could be overlooked. In order to avoid this risk, legal cases are assessed for their wider applicability and regularly discussed between the individual departments and the legal department.

Large-scale claims result in a significant short-term increase in workload. Although the PSVaG reacts flexibly to peaks in its workload, there is the risk that it will become more difficult for it to fulfil its statutory remit properly and on time. For example, the pandemic could trigger a rise in the number of insolvencies and thus a significant increase in the PSVaG's workload. In such a case, the PSVaG would be forced to take longer to handle individual cases.

A consortium of 49 life insurers has undertaken to the PSVaG in accordance with Section 8 para 1 of BetrAVG to provide pension benefits. There is a risk that the consortium will only offer the insurance contracts in question at economically unattractive conditions. In such a case, the PSVaG would have to take over the settlement itself or commission a service provider to do so, possibly also at short notice.

Summary of the risk situation

The expansion of statutory insolvency cover so that persons with a statutory entitlement to a pension from a *Pensionskasse* would be protected if their employer became insolvent represents a risk for the PSVaG, as the related organisational framework has to be created at short notice. In addition, the further development of the pandemic could lead to an increase in insolvencies and thus to a significant spike in the PSVaG's workload and also to distinctly negative effects on the capital markets, which would mean a considerably higher contribution rate. There were no further significant changes to risks compared with the previous year. There were no developments detected that would jeopardise the PSVaG's continued existence.

Opportunities and aims for 2021

The PSVaG fulfils a statutory remit and does not pursue any economic objective. Opportunities can therefore only exist insofar as this remit can be performed better, in other words more quickly or favourably, or with a higher level of quality by the PSVaG.

The PSVaG continues to work intensively on the issue of digitalisation, striving to digitise its business processes through the ongoing standardisation and automation of its workflows. This is creating a foundation upon which the PSVaG can optimise its internal processes and organise them more efficiently. In turn, this means that the service provided to members, persons entitled to benefits and external partners can be improved. Digital communication has a key role to play in this regard. The use of state-of-the-art digital communication tools provides opportunities for better performance of the statutory remit. The PSVaG attempts to realise these opportunities by driving forward the digitalisation of communication internally but also externally in terms of its relationship with members, insolvency executors and beneficiaries.

The PSVaG can fulfil its remit more favourably if it makes optimal use of potential sources of income. This is why, after ensuring security and liquidity, achieving a return is an investment aim pursued by the PSVaG. Furthermore, the contribution burden on members is lower if the PSVaG is able to increase its income pursuant to Section 9 of BetrAVG or to reduce the burden of benefit obligations by transferring reinsurance in a debt-relieving way pursuant to Section 8, para. 3 of BetrAVG.

The PSVaG strives to enforce its rights in insolvency cases. Where the legal situation is unclear, it seeks economically sound solutions or resolves issues through legal channels. This also helps to ease the burden on members. With regard to insolvency proceedings that have not yet been concluded, the PSVaG has asserted claims in the approximate amount of € 6.1 billion. As these are simple insolvency claims, they are usually only serviced to a small extent.

Overall, opportunities and the achievement of targets in 2021 will be significantly influenced by the effects and consequences of the Covid-19 pandemic.

Forecast and outlook

The level of claims during the first few weeks of 2021 is on a par with the previous year's level and thus higher than the long-term average. A relatively high proportion of insolvencies filed in 2020 were not opened by the end of the old year, so that the provision for contribution rebates of the previous year covers this part. It is not currently possible to provide a reliable forecast on how the situation will develop given the unknown economic consequences of the coronavirus pandemic in particular. However, we expect a similarly high claims volume for 2021 as in 2020, with the impact of the pandemic extending well into 2021.

As the 2020 financial year showed us, a reliable conclusion about the claims volume and contributions can only be drawn to a very limited extent based on the general insolvency level. The volume of claims and level of contributions needed are heavily dependent on the occurrence of major claims in particular.

The contributions from the provision for rebates (€ 359 million) will have a reducing effect on total contributions in 2021. However, we expect lower income from the dividends from the Consortium for the PSVaG and in relation to income as defined in Section 9 of BetrAVG.

The market environment remains a challenge as far as investments are concerned. We continue to expect prices and yields to fluctuate strongly in the coming year. We are not anticipating an interest rate hike. Our cash flow matching strategy will generally be maintained. Net income from investments will also be affected by the persistently low level of interest rates, some of which have moved into negative territory, and is likely to be down on the previous financial year.

A forecast regarding the development of the contribution rate for the current financial year is generally made in the middle of the year, with the member organisations being notified by means of a circular.

Operating expenses will be significantly higher compared with 2020 due to such factors as preparations in terms of staffing and the technical framework for the addition to the PSVaG's remit of employer insolvency cover for *Pensionskasse* commitments. Another factor pushing up costs is the expected increase in pension provisions due to the further decline in the HGB interest rate. Since the PSVaG, for liquidity and risk considerations, holds a relatively large nine-figure euro amount in bank accounts that, as demand deposit accounts, are not allocated to investments in the balance sheet, the negative interest that accrues will result in further costs, which must be allocated to operating expenses. Overall, however, an increase in operating expenses has only a minor influence on the contribution rate.

By taking advantage of the comparatively low volume of claims in earlier years, we have been able to build up the compensation fund over the past few years, reaching the target level (€ 3.2 billion). It is likely that further allocations will therefore not be required. However, around € 50 million will be allocated to the compensation fund in contributions from employers with *Pensionskasse* commitments, with these new members being required to pay the statutory rate for 2021 of 3 per thousand of their respective individual contribution assessment base. Since this amount from new members will be used to top up the compensation fund, it will not reduce the level of contribution required from existing members.

Compulsory reporting and contributing by employers with *Pensionskasse* commitments begins in 2021. For insurable cases from 2022 onwards, the PSVaG will cover the full amount. For insurable cases before 2022, limited protection will apply based on the level set in the ECJ ruling. For insurable cases that occur before 2022, the Federal Government will assume the costs, as no contributions were paid to the PSVaG in these cases. These costs will therefore not place a burden on members. Overall, we expect the inclusion of *Pensionskasse* commitments to result in approximately 20,000 employers and 2.8 million beneficiaries whose pensions will be protected by the PSVaG in the future. The contribution assessment base will grow by around € 16 billion. The contribution assessment base of a *Pensionskasse* commitment is approximately 20% of a pension relief fund commitment with the same level of obligations. The legislator has provided for a "streamlined method" for determining the contribution assessment base and this will also be used for pension fund commitments in future. Those members of the PSVaG with *Pensionskasse* commitments will contribute to the financing of the claims on a joint basis with effect from 2022.

Cologne, 26 February 2021

Pensions-Sicherungs-Verein
Versicherungsverein auf Gegenseitigkeit
The Board of Management

Dr. Marko Brambach **Dr. Benedikt Köster** **Hans H. Melchiors**

Annual Financial Statements

Annual Balance Sheet as at 31 December 2020

Assets in €

	Note	2020	2019
A. Intangible assets	1	205,090.17	176,394.50
B. Investments	2		
Other financial investments			
1. Shares, units or shares in investment funds and other variable-yield securities		2,108,298,187.04	2,133,664,384.54
2. Bearer bonds and other fixed-income securities		1,817,220,171.83	1,687,153,514.20
3. Other loan receivables			
a) Registered bonds		1,575,000,000.00	1,711,000,000.00
b) Promissory notes and loans		1,003,507,405.53	1,104,027,293.97
4. Bank deposits		546,000,000.00	670,500,000.00
		7,050,025,764.40	**7,306,345,192.71**
C. Receivables			
I. Accounts receivable on direct written insurance business from policyholders	3	112,611,556.42	82,104,317.70
II. Other receivables	4	696,464.06	47,510.89
		113,308,020.48	**82,151,828.59**
D. Other assets			
I. Tangible assets and stocks (inventories)	5	2,378,957.92	954,951.16
II. Cash at bank in current accounts, cheques and cash in hand	6	1,058,512,038.92	74,787,536.70
		1,060,890,996.84	**75,742,487.86**
E. Accruals and deferrals			
I. Accrued interest and rent	7	29,586,505.28	28,960,310.98
II. Other prepayments and accrued income	8	22,550,550.28	18,913,463.02
		52,137,055.56	**47,873,774.00**
Total assets		**8,276,566,927.45**	**7,512,289,677.66**

Liabilities in €

	Note	2020	2019
A. Capital and reserves			
Revenue reserves Loss reserve pursuant to Section 193 of VAG	9	**193,180,000.00**	**173,270,000.00**
B. Technical provisions			
Contributions carried forward	10	82,022,300.79	160,297,177.56
Provision for insurance claims outstanding	11	4,402,977,550.46	3,884,834,166.29
Provision for bonuses and rebates	12	359,031,258.38	113,833,233.46
Other technical provisions (compensation fund pursuant to Section 5, para. 2 of the Articles of Association)	13	3,186,000,000.00	3,132,000,000.00
		8,030,031,109.63	**7,290,964,577.31**
C. Provisions for other risks and charges			
Provisions for pensions and similar obligations	14	47,390,466.00	43,750,098.00
Other provisions	15	3,251,408.00	2,821,372.00
		50,641,874.00	**46,571,470.00**
D. Other liabilities			
Accounts payable on direct written insurance business to policyholders	16	878,398.50	705,802.28
Other liabilities, of which taxes: € 2,527.92 (2019: € 406,648.66)	17	1,775,971.28	708,046.83
		2,654,369.78	**1,413,849.11**
E. Accruals and deferrals	18	**59,574.04**	**69,781.24**
Total liabilities		**8,276,566,927.45**	**7,512,289,677.66**

Income statement

from 1 January 2020 to 31 December 2020

Technical account in €

	Note	2020	2019
Earned premiums			
Premiums written	19	1,552,247,507.03	1,149,541,856.26
Change in contributions carried forward (release)	20	78,274,876.77	73,212,931.29
Amount released from the previous year's provision for rebates pursuant to Section 6 of the Articles of Association		113,833,233.46	8,614,222.41
		1,744,355,617.26	**1,231,369,009.96**
Other technical income	21	**214,340,150.36**	**167,372,286.70**
Expenses for insurance claims			
Payments for insurance claims	22	1,072,861,585.43	387,844,760.85
Change in provision for claims outstanding (allocation)	23	518,143,384.17	800,214,407.26
		1,591,004,969.60	**1,188,059,168.11**
Change in other technical provisions (allocation to the compensation fund)	24	**54,000,000.00**	**145,950,000.00**
Expenses for bonuses and rebates	25	**359,031,258.38**	**113,833,233.46**
Operating expenses	26	**9,945,569.87**	**9,657,323.33**
Other technical expenses	27	**66,063.01**	**60,048.73**
Balance of the technical account		**- 55,352,093.24**	**- 58,818,476.97**

Non-technical account in €

	Note	2020	2019
Investment income			
Income from other investments	28	79,337,272.36	76,241,894.07
Income from value readjustments on investments	29	2,415,027.50	9,440,029.13
Gains on the realisation of investments	30	5,423,308.16	1,048,000.00
		87,175,608.02	**86,729,923.20**
Investment expenses and charges			
Investment management expenses, interest on borrowings and other investment-related expenses	31	3,815,233.09	2,246,175.50
Value adjustments on investments	32	2,919,838.41	4,315,912.88
Losses on the realisation of investments	33	2,379,863.76	821,398.49
		9,114,935.26	**7,383,486.87**
Other income	34	**19,320.57**	**24,343.24**
Other expenses	35	**2,817,900.09**	**2,492,302.60**
Profit for the year (operating profit from ordinary activities)		**19,910,000.00**	**18,060,000.00**
Transfers to revenue reserves: loss reserve pursuant to Section 193 of VAG	36	**19,910,000.00**	**18,060,000.00**
Balance sheet profit/balance sheet loss		**0.00**	**0.00**

Notes

10-year overview[1]

Overview of the development of the Pensions-Sicherungs-Verein from 2011 to 2020

Financial year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
No. of members as at 31 Dec.[2]	90,740	93,031	93,765	94,034	94,078	94,482	94,795	95,100	95,250	**95,000**
Contribution rate in ‰	1.9	3.0	1.7	1.3	2.4	0.0	2.0	2.1	3.1	**4.2**
Contribution assessment base in € billions	295	304	312	320	327	333	339	345	348	**354**
Total contributions in € millions	569.3	916.8	544.2	419.2	787.0	2.0	678.5	736.5	1,081.2	**1,487.4**
No. of insurable cases	616	670	746	597	515	458	468	372	434	**503**
Claim volume in € millions	626.1	1,264.8	780.7	398.6	862.0	506.8	659.1	659.6	1,188.1	**1,591.0**
No. of benefit recipients reported	7,188	17,382	12,147	4,192	8,564	5,023	5,300	8,700	4,300	**19,700**
No. of beneficiaries with non-forfeitable entitlement	11,619	24,870	15,939	6,874	10,116	8,890	9,800	10,500	14,100	**28,400**
Total assets in € millions as at 31 Dec.	3,567.3	4,097.5	4,783.8	5,001.2	5,510.8	5,355.3	5,930.6	6,510.9	7,512.3	**8,276.6**
Capital investments in € millions as at 31 Dec.	3,296.0	3,745.8	4,436.1	4,853.3	5,248.3	5,292.1	5,619.7	6,235.1	7,306.3	**7,050.0**
Compensation fund in € millions as at 31 Dec.	1,080.7	1,164.1	1,238.3	1,798.3	1,962.0	1,998.0	2,506.5	2,986.1	3,132.0	**3,186.0**
No. of PSVaG employees[3]	206	221	230	232	228	226	228	234	246	**256**

[1] An overview of all financial years since 1975 is available on the PSVaG website.

[2] Including insured non-members. These comprised two employers as at 31 Dec. 2020.

[3] Average no. of employees including part-time employees or those whose employment has been suspended (parental leave, semi-retirement).

Members of the Consortium for the PSVaG

As at 31 December 2020, the following 49 life insurance companies were members of the Consortium for the PSVaG with Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart, as the executive insurer:

Life insurance undertaking	Sponsoring share
Allianz Lebensversicherungs-Aktiengesellschaft	16.8 %
Alte Leipziger Lebensversicherung auf Gegenseitigkeit	2.5 %
Athora Lebensversicherung Aktiengesellschaft	2.0 %
AXA Lebensversicherung Aktiengesellschaft	8.1 %
Barmenia Lebensversicherung a.G.	0.7 %
Basler Lebensversicherungs-Aktiengesellschaft	2.0 %
Bayerische Beamten Lebensversicherung a.G.	1.2 %
Bayern-Versicherung Lebensversicherung Aktiengesellschaft	2.2 %
Concordia oeco Lebensversicherungs-AG	0.1 %
Condor Lebensversicherungs-Aktiengesellschaft	0.5 %
Continentale Lebensversicherung AG	0.4 %
COSMOS Lebensversicherungs-Aktiengesellschaft	0.2 %
Credit Life AG	0.2 %
ERGO Lebensversicherung Aktiengesellschaft	10.2 %
Frankfurter Lebensversicherung AG	0.7 %
Frankfurt Münchener Lebensversicherung AG	0.6 %
Generali Deutschland Lebensversicherung AG	2.7 %
Gothaer Lebensversicherung Aktiengesellschaft	2.7 %
Hannoversche Lebensversicherung AG	0.7 %
HanseMerkur Lebensversicherung AG	0.5 %
HDI Lebensversicherung AG	4.2 %
HUK-COBURG-Lebensversicherung AG	0.1 %
IDEAL Lebensversicherung a.G.	0.3 %
INTER Lebensversicherung AG	0.3 %
Landeslebenshilfe V.V.a.G.	0.1 %

Life insurance undertaking	Sponsoring share
Lebensversicherung von 1871 auf Gegenseitigkeit München.	0.3 %
LVM Lebensversicherungs-AG	0.1 %
Mecklenburgische Lebensversicherungs-Aktiengesellschaft	0.1 %
MÜNCHENER VEREIN Lebensversicherung AG	0.3 %
neue leben Lebensversicherung Aktiengesellschaft	0.1 %
Nürnberger Lebensversicherung Aktiengesellschaft	3.1 %
Öffentliche Lebensversicherung Berlin Brandenburg Aktiengesellschaft	0.1 %
Öffentliche Lebensversicherung Braunschweig	0.2 %
Öffentliche Lebensversicherungsanstalt Oldenburg	0.1 %
Provinzial Lebensversicherung Hannover	0.6 %
Provinzial NordWest Lebensversicherung Aktiengesellschaft	1.2 %
Provinzial Rheinland Lebensversicherung AG Die Versicherung der Sparkassen	1.4 %
Proxalto Lebensversicherung Aktiengesellschaft	9.5 %
R+V LEBENSVERSICHERUNG AKTIENGESELLSCHAFT	2.8 %
Saarland Lebensversicherung Aktiengesellschaft	0.1 %
SIGNAL IDUNA Lebensversicherung a.G.	3.9 %
Stuttgarter Lebensversicherung a.G.	0.7 %
SV SparkassenVersicherung Lebensversicherung Aktiengesellschaft	2.0 %
Swiss Life AG, Germany office	1.0 %
Versicherer im Raum der Kirchen Lebensversicherung AG	0.2 %
VOLKSWOHL-BUND LEBENSVERSICHERUNG a.G.	0.8 %
Württembergische Lebensversicherung Aktiengesellschaft	5.0 %
WWK Lebensversicherung auf Gegenseitigkeit	1.2 %
Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft	5.2 %

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Our Annual Report can be downloaded from our website in German and English. Also available (in German) are the Articles of Association and the General Terms and Conditions of Insolvency Insurance for Corporate Old-Age Pensions (AIB), as well as the most recent versions of all information leaflets.

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PSVaG

Insolvenzsicherung
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