

A close-up, low-angle shot of an aircraft engine fan, showing the curved blades and the inner casing. The lighting is bright, creating a sense of depth and motion.

CAPTIVE & INSURANCE RISK MANAGEMENT

The Insurance Experts
of the Lufthansa Group

Delvag
Albatros

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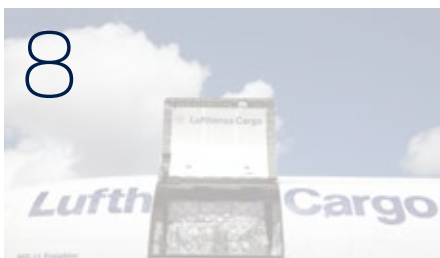
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Note:
For easier reading, the masculine form is used for personal names and personal nouns in this document. Corresponding terms apply in principle to all genders to uphold equality.
The abbreviated form of language is for editorial reasons only and does not imply any value assessment.

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ROLAND KERN

Member of the Executive Board of Delvag Versicherungs-AG
Member of the Management Board of Albatros Versicherungsdienste GmbH



With our unique trio of insurance, reinsurance, and broker, I believe we are well-positioned in the current crisis. Our many years of expertise in aviation and transport as a captive of the Lufthansa Group, with which we reliably serve our clients within and outside the Group, benefit us here. This is also demonstrated by our very good rating and our consistently positive contributions to the Group result. Our motivated and expert employees are involved in the necessary change processes, which are becoming increasingly visible and accelerated as a result of the crisis. That has always been the case since Delvag and Albatros were founded: we face current developments and tackle matters together!

LORENZ HANELT

Member of the Executive Board of Delvag Versicherungs-AG
Member of the Management Board of Albatros Versicherungsdienste GmbH



The consequences of the pandemic demand a great deal of us in our role as the Lufthansa Group's main underwriting risk managers. As a specialist insurer in aviation and transport, we are called upon to develop solutions adapted to the situation for and with our customers. In addition to the challenges posed by the sometimes highly specific insurance conditions or the increasingly regulated personal advice, the requirements of customers are also constantly changing. Digital services are becoming increasingly important, both for business and private customers. We are therefore constantly adapting our IT infrastructure so that we are best positioned to meet the needs of our customers at all touchpoints.



MARTIN GARY

Member of the Management Board of Albatros Versicherungsdienste GmbH



As broker, we are primarily a trustworthy partner for our customers and participants on international insurance markets. With our extensive network and our recognised role as a broker, we can ensure the requisite transparency and security. Especially in times of radical changes on insurance markets, which are currently characterised by substantial reductions in the range of insurance available and enormous price increases, the expertise of an in-house broker is essential. In the current crisis, we provide support with innovative coverage concepts and with assistance and insurance products for Covid-triggered demand, credit insurance policies and much more.



THE CAPTIVE MODEL

INSURANCE AND BROKER IN THE LUFTHANSA GROUP

The particular challenges for the aviation sector and its associated risks demand thorough profound expert knowledge, professional risk management and access to the key financial markets more than ever. No insurance company, no matter how big and well-known, can be as close to the customer's pulse as a captive insurer, which is geared to the needs of its parent company.

Flexibility in every situation

The captive model is reaffirmed above all in times of crisis. Here is a relevant example: When international aviation insurers cancelled Third Party Liability/War and allied Perils coverages overnight with seven days' notice after the 9/11 terrorist attack, quick, expert action was required. Without this insurance cover, no aircraft is legally allowed to take off anywhere in the world. While Delvag's chief legal advisor succeeded in negotiating a state guarantee for the transitional period with the respective ministries in Berlin, Delvag's Management Board successfully endeavoured to restore insurance cover with the international insurance consortium on the London market. This way, the state guarantee was only needed for about a year before the market was restored.

The extraordinary year 2020 with the serious consequences of the coronavirus pandemic also poses an existential threat to more than the entire aviation industry and so also to the Lufthansa Group. Companies and insurers face the challenge together of finding urgent solutions to mitigate the economic consequences of such events.

Customer focus and tailor-made solutions

After the pandemic lockdown in the spring of 2020, many travellers' fear of flying and staying in other European countries caused booking numbers to drop dramatically worldwide. In order to win back the trust of passengers, the captive experts developed a completely new product within only two weeks in cooperation with Lufthansa and a major German insurer. Successfully marketed by the Lufthansa Group as a "Bring-Me-Home" promise, this product is now also offered by other companies in the tourism industry. Lufthansa has been able to position itself as a "first mover" here and will continue to improve appropriate offers for passengers.

The development of new and innovative insurance solutions will generally become more important in the future. Examples include the rapid pace of digitalisation, which, in addition to great opportunities, naturally also increases cyber risks, or climate change, which pose immense challenges for the aviation industry.

Increasing importance of the captive model

The importance of a captive increases alongside growing risks and progressive transformation. If a company relies exclusively on the major insurers and reinsurers in the market, the various differing economic interests often prevent quick solutions in the interest of the company. There is after all a reason why more than 20 airlines or airline groups worldwide have trusted an individual captive model in 2020 or plan to set one up in the near future. With Albatros as the company-affiliated broker, the Delvag Group is pursuing a concept widely used in the German corporate landscape for the management of corporate insurance and private insurance for employees

But Delvag and Albatros are not just expert risk managers for the Lufthansa Group. They also create numerous synergies by being able to immediately identify newly developed solutions and adapt them for the parent company due to their own market presence.

Delvag & Albatros an overview



The captive model also proves its worth in the event of a claim. Above all, major losses that occur in a complex network of claimants, lawyers, appraisers and insurers require a high level of commitment and expertise in the processing of claims for the parent company.

THE ADVANTAGES OF A CAPTIVE AT A GLANCE:





DR. ROLAND BUSCH

Chairman of the Supervisory Board of
Delvag Versicherungs-AG



Times of crisis are always times of change. It is not just the entire aviation sector that is facing radical changes, and the insurance market is also anticipating great challenges. But this is precisely where great opportunities lie.

For me, the Delvag Group in its captive function as an insurer and broker is a very important component in keeping the insurance costs of the LH Group under control, placing the risks strategically on the markets and so ensuring a Group optimum.

In cooperation between the management and the highly motivated employees, Delvag is constantly working on the development of agile, future-oriented work processes. It is our aim to stand by our customers' side to guarantee innovative, economically attractive and sustainable insurance solutions.

DELVAG AVIATION INSURANCE

Delvag's core business

Delvag's business activities traditionally focus on the further development and adaptation of the scope of coverage of aviation insurance contracts to the needs of the Lufthansa Group. The extensive know-how acquired over many decades in this specialist field and a presence in the insurance markets form the basis for successful support of the Group companies. A large number of external airlines, numerous companies in the aviation industry, aviation clubs and private pilots also benefit from this specialist knowledge.

In its role as captive insurer, Delvag primarily provides advice on optimal risk coverage. This way, if necessary, special cover can be developed which is difficult to find or realise on the external market. The parent company benefits in particular from flexible modalities such as payment processing or claims handling.

Optimal coverage concepts from a single source

A team of experienced experts at Delvag designs special covers for aviation risks of all kinds. The comprehensive range of products extends from liability insurance to hull deductible coverage to accident insurance concepts, both in commercial and private flight operations.

The systematic cooperation of the aviation specialists with other specialist areas within the Delvag Group – from broker to the reinsurance sector – as well as participation in the international aviation insurance market guarantee that all customers are served optimum and seamlessly interlocking cover concepts from a single source. This results in flexible solutions that take into account the extreme liability sums and the growing requirements in aviation.

In order to ensure the best possible service for all customers, Delvag has constantly adapted its processes in recent years. With the higher degree of automation, both the digital service level and the possibility of opening up new business areas increase. For example, an appropriate product for the mass market has already been developed and introduced in the form of the online bookable drone insurance.

**Delvag offers flexible insurance solutions
for all types of aircraft and flying machines.**



DELVAG MARINE INSURANCE

Risk manager for transport and logistics issues

Marine insurance has also steadily gained importance at Delvag. In close cooperation with the cargo experts of the Lufthansa Group, a comprehensive range of services has been developed over many years, from tailor-made insurance cover to logistics consultancy and loss prevention concepts. This also includes customer-oriented claims settlement, which is of particular importance within the Lufthansa Group due to Delvag's captive role.

This makes Delvag a comprehensive risk manager for all customers in transport and logistics matters. Air cargo has always been at the centre of the risks underwritten. It also has many years of experience in the insurance of sea freight and in the diamond and jewellery trade (jewellers' block) as well as in the transport of banknotes and other valuable cargo.

Simply insuring every risk, however, is not in the interest of either the client or the insurer. For this reason, Delvag offers a consultancy service as part of its Transport Risk Management, which includes both goods-specific risk analysis and packaging advice as well as detailed logistical planning, including transport monitoring.

Strategic partner of the Lufthansa Group companies

For many years now, Delvag has been insuring the transport of Lufthansa's own goods, such as aircraft parts, spare parts and other goods owned by the Lufthansa Group, via the Group transport policy. Any private freight worldwide can be insured by Lufthansa Cargo with Delvag in an uncomplicated way via the air waybill. This adds an important component to Lufthansa Cargo's range of services for its customers.

Delvag also supports the increasingly important third-party business of individual Group companies such as Lufthansa Technik and Lufthansa Technik Logistik Services with marine insurance solutions, including transport cover during storage and maintenance or repair activities.

The increasing third-party business offers a balance in the risk profile as well as on the sales side of Delvag, which can be used to balance out cyclical fluctuations between different sectors. Especially in times of crisis for the aviation industry, such as the recent Corona pandemic, this is an important factor in ensuring stability and entrepreneurial growth for Delvag.

With many years of experience in the international markets, insurance solutions have been developed that meet comprehensive customer requirements - whether in the form of individual coverage concepts or special conditions in general policies. In addition, Delvag develops innovative products and processes together with its customers on a case-by-case basis, which can already be handled end-to-end digitally.



In addition to our established insurance products and comprehensive risk management, we are constantly developing our products and services in line with customer demand. Digital services are becoming increasingly important for flexible solutions. Current examples include our Transport Insurance Online (T.I.O.) and a pilot project in Israel for the insurance of private jewellery, in which the complete closing distance from offer to policy can now be offered digitally.

Alexander Majer
Director Marine Insurance

DELVAG REINSURANCE

Professional reinsurance completes the portfolio

The risks to be insured are becoming increasingly complex and diverse, which also affects the aviation industry in particular. In order to meet the associated, steadily growing demand for reinsurance, the underwriters of the Reinsurance Division look after this third tier of insurance business. Delvag's involvement in these markets thus completes the captive trio of primary insurer and broker.

Reinsurance is an integral part of the Delvag Group's risk management. As a reliable and trustworthy partner, the reinsurance specialists develop both traditional and non-traditional reinsurance solutions. With an underwriting policy geared to sustainability, the segment makes an important contribution to the success of both the Delvag Group and the Lufthansa Group as a whole.

Central function for the Group

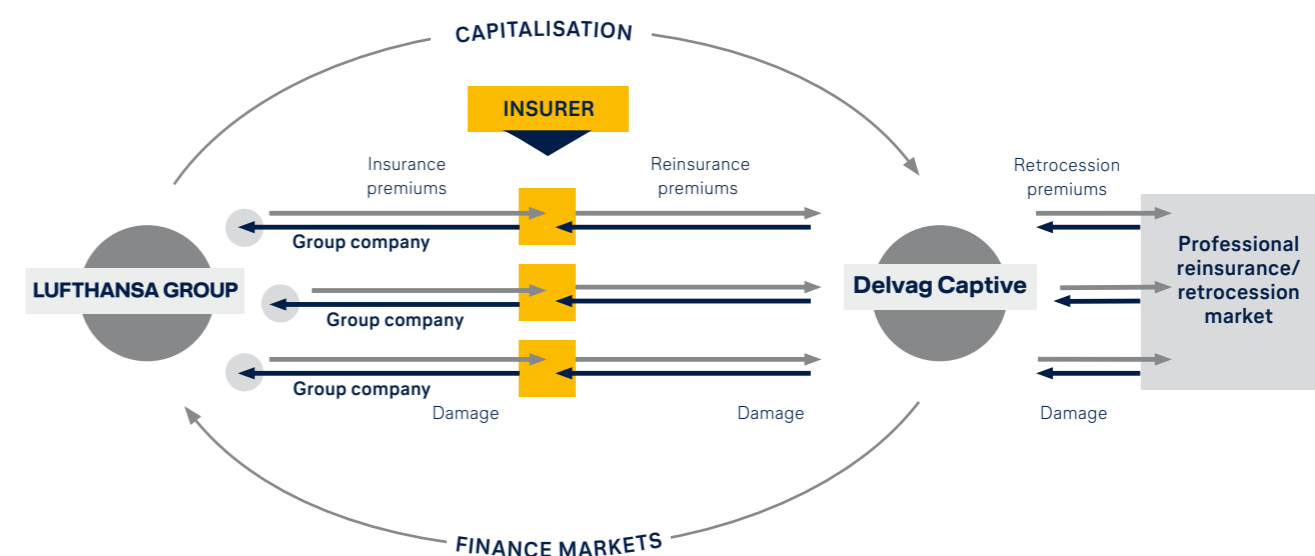
Based on its expertise from active participation in the reinsurance market, the company not only manages the reinsurance needs of the Delvag Group, but also plays a key role in optimising the insurance cover required by the Lufthansa Group. For example, in the areas of employee benefits and credit cards, participations are underwritten by way of reinsurance.

In other words: Delvag is active in the reinsurance market with the task

- of supporting and guaranteeing the insurance competence of the Delvag Group,
- of also professionally optimising Group insurance in the future, and
- of generating profits from its activities in the reinsurance business.

With the help of Delvag's reinsurance specialists it has already been possible in the past to underwrite insurance cover for the Lufthansa Group that could not otherwise be placed on the market.

In the future, the role of the reinsurance sector will grow with the increasing challenges of an increasingly developing world with new risks and loss potentials.



In reinsurance, Delvag both actively assumes risks from the business of its owners and also acts as a link to the external reinsurance or retrocession markets. This is how Delvag optimises capital management in risk hedging.



PETER GERBER

Chairman of the Supervisory Board of
Albatros Versicherungsdienste GmbH



For the Lufthansa Group, in the current crisis, it is important to bundle and make optimum use of all available expertise and opportunities within the Group.

For the insurance sector, this means that, in these times, a particularly high degree of flexibility and inventiveness is required in the context of risk management. This is where the expertise of the Lufthansa-owned and therefore independent broker Albatros is particularly in demand.

With more than 40 years of experience, Albatros knows the special needs of companies and employees in the aviation industry like no other. I am always impressed by the expertise, market presence and creativity with which the tailor-made insurance and pension solutions are developed by the highly motivated Albatros team.

ALBATROS CORPORATE BROKER

Expert contact for corporate insurance

Albatros, the corporate broker, has always been an integral part of risk management in the Lufthansa Group, especially as far as insuring the Group fleet is concerned. The experts confidently and comprehensively identify potential risks that pose an economic risk for the company in the event of a claim.

Albatros also offers professional support in analysing the identified risks and establishing the insurance requirements according to risk management aspects. It is mainly airlines, but also other companies in the aviation sector, for example ground services and fuelling companies that benefit from the great expertise gained over many years.

The range of products brokered by Lufthansa's own broker extends from aviation insurance and industrial insurance – especially against business interruption – to special cover for credit and customer cards.

One focus is on supporting companies in the development of innovative coverage concepts and the placement of insurance programmes on international markets. Here, corporate customers also benefit from the good connections of the entire Delvag Group to the players on the insurance markets.

Independent care of corporate customers

An essential part of the service is the review of general contracts of the Group companies with third parties from a liability and underwriting perspective. This concerns, for example, rental contracts, leasing contracts, catering contracts or maintenance contracts.

After analysing the identified risks, the company is supported in eliminating and reducing the hazards. On the one hand, this optimises the need for insurance and, on the other, makes certain risks bearable or insurable in the first place.

Professional support in the event of a claim

Every loss event causes disruptions in the operational process and additional expenditure. This is where the expertise of a captive is particularly valuable.

Albatros supports customers from the beginning of the transaction and is available 24/7 with advice and assistance for all questions. In addition, the experts provide support from the initial adoption, through the selection of experts, to the assertion of claims against the insurers.

This ensures that the settlement of the claim is in the best interests of the insured company. This is an indispensable support, especially in the case of major claims, when mediation between insurers, lawyers and experts is required.



One of the central Albatros tasks is the insurance of the group fleet.

With the Lufthansa Aviation Insurance Group, Albatros looks after one of the largest purchasing groups for aviation insurance worldwide.

ALBATROS EMPLOYEE BENEFITS



Great importance of employee benefits

In close cooperation with the human resources departments, insurance and pension models have been developed that go far beyond the scope of social welfare obligations and provide important arguments for employer branding. Attractive benefits are an increasingly important competitive factor both in recruiting new specialists and in retaining employees.

Extensive range of tasks within the Lufthansa Group

Within the Lufthansa Group, however, the business segment's range of tasks extends far beyond the drafting of specific contracts and conditions. On the one hand, the experts act as risk managers for employee risks such as accidents, disability to fly or cover on business trips. On the other hand, the advisory function is to establish the optimal relationship between low costs for risk coverage, the scope of insurance cover and commission income in line with the Group's mandate.

In particularly challenging times, such as at the start of the coronavirus pandemic in 2020, the division offers situationally flexible relief for the Lufthansa Group's HR departments. In the context of the short-time work that became necessary in the Group, the team made an important contribution by providing competent support to the HR services.



Being part of an aviation group enables us to understand the needs and complexities of the industry and the specific professional groups. In this way, we create tailor-made insurance policies for pilots, cabin crews and internationally active employees, which we negotiate with the insurers at the best possible financial conditions.

Samir Koudhai,
Senior Director Employee Benefits

Insurance solutions that meet the special needs of this occupational group have been developed in particular for flying personnel.

Competence in employee insurance

For a long time now, Albatros has also been supporting the Lufthansa Group's employees in the implementation of insurance policies. To this end, the specialists have been working very closely with the human resources departments since the beginning and have advised them on insurance programmes in collective agreements, employment contracts or voluntary company agreements for the protection of employees.

Experts for pension schemes

One focus of activities is on insurance solutions within the framework of company pension schemes. Here, too, Lufthansa's workforce benefits from innovative insurance and pension models, especially for flight personnel as the largest group of employees. In addition, numerous other companies now also rely on the comprehensive range of services offered by the Albatros experts.

The employer-financed company pension scheme and the associated administration of insurance-based pension schemes are of enormous importance due to demographic developments. In particular, the tax and social security processing as well as a transparent flow of information towards the employer and the employee are to the fore here.

ALBATROS PERSONAL LINES BROKER

Strong partner for companies and workforces

Albatros Personal Lines Broker is the independent insurance, pension and financial advisor for employees of the Lufthansa Group and other well-known companies and DAX groups.

Once developed from the personnel service of Lufthansa, Albatros Personal Lines Broker has been at home in the financial and insurance markets for 40 years. Many years of consulting know-how and excellent networking make the company the largest and most successful personal lines broker in Germany with more than 130,000 customers and 300,000 existing contracts.

The portfolio of products offered to customers includes individual special solutions and exclusive conditions for needs-based products for every situation in life. On the employer side, the division simultaneously creates an attractive added value in the "war for talents" for professional and managerial staff.

Focus on individual protection

The core of the Albatros philosophy is to advise and protect the employees of the supported companies according to their individual needs and life situation.

This is made possible by an independent and DIN standard-supported 360° consultation at eye level on all "risk components" such as income protection, old-age provision and the protection of property and assets.

In order to optimally cover individual insurance and pension needs as well as occupational risks, Albatros not only offers the entire market of insurance solutions to the employees it serves, but also exclusive, target-group-specific products that are unique in this form and tailored to existing company models.

Personal advice and digital innovations

Current surveys show that personal advice on complex insurance, pension and financial topics continues to be of great importance. At the same time, however, the demands on digital offers and online services are increasing. As part of a hybrid growth strategy, existing digital solutions are therefore being further developed and investments made in promising technologies.

This takes into account the changed customer behaviour in the best possible way and also creates additional advisory capacity for complex enquiries in the local advisory centres and the Albatros Service Centre.

Structured approach: Albatros 360° Consulting



LUFTHANSA AND DELVAG – AN ALLIANCE WITH A SUCCESSFUL TRADITION

Early risk and cost management

In the 1920s, commercial aviation was still in its infancy. However, the fascination of flying and the possibilities opened up by this new means of transport quickly gave impetus to the conquest of the airways.

Pioneering spirit was also required in the young aviation insurance industry, as there was a lack of any statistical material to assess the risk associated with operating an airline. Many aspects of this were considered daring – both by the public and by insurers. This risk was either not insurable at all or only at often arbitrarily high premiums.

The insurance subsidiary Delvag already fulfilled a very important function for the young Luft Hansa as a competition-regulating participant in the aviation insurance market. Ultimately, the share of the cost item "Insurance" accounted for almost ten percent of total expenses.

Today, this proportion is significantly lower - a result of increased safety in air traffic, statistical experience and tougher competition in the insurance industry



The field is growing

The insurance subsidiary of Luft Hansa had a wide range of activities as early as the 1930s

The main focus was on procuring all the insurance required for flight operations. In addition, under Dr. Hermann Döring, the relatively young company Delvag had set itself the task of driving forward the development of aviation insurance as a whole.

Early on, Lufthansa benefited from this entrepreneurial spirit in many ways. For example, it was the first airline in the world to introduce compulsory accident insurance for its own passengers.

Also in the 1930s, the scope of tasks was extended to include a social and personnel policy component: Delvag played a major role in the establishment of the "Luftfahrt-Pensions Verein" and the "Versorgungskasse für die deutsche Luftfahrt V.V.a.G.".

- The pension association covered the occupational risk of flying personnel and introduced, among other things, the first flight disability insurance (FU).
- The pension fund was concerned with setting up a pension scheme for the employees of Lufthansa and its subsidiaries.

The turmoil of the Second World War also left deep scars on aviation. Although Delvag - in contrast to Lufthansa at the time - was not liquidated, its business activities were very limited and remained dormant after 1944 until the post-war years.

Delvag becomes the first German captive

After the end of the war and with the foundation of "Deutsche Lufthansa AG" in 1953, the decision was also taken to continue to have insurance matters handled by a separate insurance company. Lufthansa, for example, was the first major German company in the post-war period to offer an insurance model that became popular much later under the term "captive".

An important step for the company followed in 1968. In order to better balance the natural fluctuations in claims experience in their insurance portfolio, Delvag was also increasingly underwriting risks outside the Lufthansa Group.

The expansion of business activities began with the offer to forwarders and shippers in the form of transport insurance via Lufthansa's air waybill, which also covered pre- and post-transport. At that time, an important foundation stone was laid for one of today's business focuses in air cargo insurance.



In order to be able to support the companies of the Lufthansa Group competently and effectively in all areas of risk management, Delvag has continuously expanded its field of activity in line with the needs of the Group. Delvag has therefore also been active on the international reinsurance markets from the outset.



Finally, in 1975, the underwriting activity was extended to other lines of business with the approval as a composite insurer. And in March 1980, the Delvag subsidiary "Albatros Versicherungsdienste GmbH" was founded, which from then on assumed the function of insurance broker for corporate customers, their workforces and the associated provision management.

Important foundation dates at a glance

