Group Report
2009

Generali Deutschland Group

95.6 %
Combined ratio

€ 2.90
Proposed dividend

€ 14.9 bn
Total insurance premiums

€ -31 m
Decrease in total costs

€ 92.6 bn
Assets under management

€ 3,038 m
Net investment income

+4.3 %
Increase in total premiums

€ 341 m
Group net profit 2009

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Overview

Key figures of the Generali Deutschland Group

		2009 €	2008 €	Change in %	Page
Statement of Comprehensive Income					
Total premiums[1]	**m**	**14,850.0**	**14,239.7**	**4.3**	**30, 47, 143**
Gross premiums written	**m**	**12,418.9**	**11,907.6**	**4.3**	**47, 143**
of which (fully consolidated figures): life	m	7,402.5	7,000.1	5.7	47 ff., 143
health	m	1,980.4	1,844.8	7.3	47 ff., 143
property/casualty	m	3,035.9	3,062.7	-0.9	47 ff., 143
Investment income (net)	m	3,037.5	857.5	254.2	47, 146 ff.
Claims and benefits (net)	m	-11,584.4	-9,082.6	27.5	47 f., 148 f.
Operating expenses (net)	m	-2,536.2	-2,620.5	-3.2	47, 149
Earnings before tax and finance costs	m	499.0	-4.2		47 f., 90
Finance costs	m	-16.5	-16.7	-1.6	47, 90
Tax	m	-142.0	25.3		47, 90, 150 ff.
Net profit	**m**	**340.5**	**4.3**		**47, 90**
of which attributable to the Group[2]	m	327.1	1.9		90
of which attributable to minority interests	m	13.4	2.4		90
Other comprehensive income	m	201.1	-183.0		47 f., 91
Total comprehensive income	m	541.6	-178.6		47 f., 91
Balance Sheet					
Assets under management	**bn**	**92.6**	**85.0**	**9.0**	**48, 94, 159 ff.**
Equity	**bn**	**4.0**	**3.8**	**7.2**	**95 ff., 171 ff.**
Number of employees[3]		14,957	15,081	-0.8	56 f., 188
of which fieldstaff		3,541	3,695	-4.2	56 f., 188
administrative staff		11,416	11,386	0.3	56 f., 188
Generali Deutschland share					
Earnings per share		**6.09**	**0.04**		**25, 90, 152**
Dividend per share		**2.90**[4]	**2.90**		**11, 24 f., 55**
Dividend distribution	m	155.7[4]	155.7		24, 55
Price of the Generali Deutschland share as at Dec. 31		**73.64**	**73.75**	**-0.1**	**11, 24 f.**

1 including the savings portions of the life insurance products concerned and the premiums of investment contracts
2 corresponds to the line item on the Statement of Comprehensive Income "of which attributable to the equity holders of the parent"
3 average number of employees in the enterprises included in the consolidation scope
4 subject to shareholder resolution at the General Meeting

GENERALI DEUTSCHLAND

Life and property/casualty insurance under one roof

GENERALI Versicherungen
Protection under the wings of the lion
Staff: 3,241
Customers: 6 m
Premiums: € 5.6 bn

Aachen Münchener
Dreams need security
Staff: 2,278
Customers: 4.6 m
Premiums: € 5.2 bn

CosmosDirekt.
Germany's biggest direct-selling insurer
Staff: 1,095
Customers: 1.6 m
Premiums: € 1.4 bn

Single-line providers Life and health

central
Healthcare moves us
Staff: 1,286
Customers: 1.8 m
Premiums: € 1.9 bn

ENVIVAS Krankenversicherung AG
Tailor-made supplementary health cover
Customers: 712,000
Premiums: € 42.3 m

Dialog: Lebensversicherungs-AG
THE specialist for biometric risks
Staff: 100
Customers: 300,000
Premiums: € 199 m

GENERALI* Pensor Pensionsfonds
Lifelong pension for worry-free retirement
Corporate customers: 644
Premiums: € 57.1 m

GENERALI Pensionskasse
Competency + service in corporate pensions
Customers: 181,000
Premiums: € 179.2 m

Single-line providers Legal expenses, financial services and retirement provision

AdvoCARD
Lawyers love Advocard with its "already done" service
Staff: 176
Customers: 1.4 m
Premiums: € 192.4 m

Deutsche Bausparkasse BADENIA
Specialist for housing finance
Staff: 756
Customers: 1.2 m
Contract portfolio: € 25.1 bn

GENERALI Investments
Fund company and asset manager
Staff: 102
Deposits: 135,000
Assets u. mgmt.: € 80.8 bn

GENERALI Private Equity Investments
Competence center Private Equity
Assets u. mgmt.: € 1.4 bn

GENERALI SicherungsManagement
Cover for accumulated working hours
Corporate customers: 1,600
Covered volume: € 740 m

Service companies

GENERALI Immobilien
International property investments and portfolio management

GENERALI Informatik Services
Full-service IT provider

GENERALI Schadenmanagement
Biggest stand-alone claims manager in the German insurance market

GENERALI Services
Shared-service organization offering broad range of services

Volksfürsorge
Distribution company for products of provision and finance

all figures rounded

Group net profit substantially increased

- Net profit rises from € 4 m in 2008 to 341 m in the business year
- Total premiums grow by 4.3 percent to € 14.85 bn – main drivers are increases in life and health by 5.4 and 7.3 percent respectively
- Recovery of capital markets leads to substantial rise in net investment income from € 2,180 m to 3,038 m in 2009
- Market leader in Riester business with more than 1.75 million policies in force – top position in term life insurance, basic pensions and unit-linked insurance
- Board of Management and Supervisory Board again propose to the General Meeting to distribute a dividend of € 2.90 per unit share

Clear strategic orientation

- Second-largest primary insurer in the German market with an excellent position in business with retail customers and small to medium-sized commercial clients
- Group business model clearly geared to distribution channels with a strong advisory capacity:
  - Multi-channel distribution of Generali Versicherungen through traditional fieldstaff network, Volksfürsorge Vertriebsgesellschaft, brokers and banks
  - Exclusive distribution through longstanding strategic partner Deutsche Vermögensberatung for AachenMünchener
  - Direct selling through CosmosDirekt
  - Strength and competency of specialized providers (among others Advocard, Badenia, Central, Dialog and Generali Investments)
- The four leading international rating agencies have each assigned high level ratings for the financial strength of the companies of our Group

Positive outlook for the business year 2010

- Further improvement of service for customers and sales networks and increase in efficiency, effectiveness and quality of insurance business
- Growth above market level in life and health insurance, growth in line with the market in property and casualty insurance
- Increase in Group net profit to more than € 360 m
- Long-term target: as a Group, we want to become the number 1 in profitability and distribution strength in business with retail customers and small to medium-sized corporate clients in the German market

Contents

Supervisory Board

Prof. h.c. Dr. h.c. (RUS)
Dr. iur. Wolfgang Kaske
Chairman
Attorney

Monika Hendricks*
Deputy Chairwoman
Chairwoman of the Group Works Council
of Generali Deutschland

Dott. Sergio Balbinot
Managing Director of
Assicurazioni Generali S.p.A.

Antoine Bernheim
Chairman of Assicurazioni Generali S.p.A.

Prof. Avv. Gerardo Broggini
Attorney

Karl-Rupert Hasenkopf*
Member of the Works Council of
AachenMünchener Versicherungen

Maximilian Michael Jetzlsperger*
Management employee of Generali
Versicherung AG, Area Head of
Corporate Client Property and Retail Client
Property/Casualty as well as Decentralized
Underwriting Property/Casualty

Dr. Achim Kassow
Member of the Board of Management of
Commerzbank Aktiengesellschaft
(Retail Customer Segment and
Central & Eastern Europe Segment)

Dr. Helmut Kohl
Former German Chancellor

Michael Kuß*
Chairman of the Company Works Council
of Generali Versicherungen

Martin Lemcke*
Head of the Co-Determination Division at
the Federal Executive Committee of the
trade union ver.di

Marlies Pörtner*
Chairwoman of the Company Works
Council of Central Krankenversicherung AG

Prof. Dr. jur.
Dr. h.c. mult. Reinfried Pohl
Chief Executive Officer of
Deutsche Vermögensberatung
Aktiengesellschaft DVAG

Rolf Stockem*
Trade Union Secretary
Secretary of the Regional Area of
Financial Services NRW
of the trade union ver.di

Rudolf Winkelmann*
Chairman of the Company Works Council
of Volksfürsorge AG Vertriebsgesellschaft
für Vorsorge- und Finanzprodukte

Dr. Wilhelm Winterstein
Retired banker

* employee representative
For the mandates held by the members of the Supervisory Board and the Board of Management see p. 198 ff.

Board of Management

Dietmar Meister
Chief Executive Officer

Group Development
Controlling/Risk Management
Finance/Accounting
Law
Corporate Communication
Distribution
Building Society

Christoph Schmallenbach
Member of the Board of Management

Information Technology
Operational Organization
Process Optimization
Internal Audit

Winfried Spies
Member of the Board of Management

Human Resources and Social Matters
Life Insurance
Health Insurance
Property and Casualty Insurance
Legal Expenses Insurance
Reinsurance

Christoph Schmallenbach Dietmar Meister Winfried Spies

Dear Madam, Dear Sir,

2009 was a difficult year for the insurance industry as a whole but, in the given circumstances, a good year for Generali Deutschland.

After a weak start characterized by the economic and financial crisis, stock markets recovered noticeably from the middle of the second quarter 2009 with the corresponding positive impact on our net investment income. This favourable development is reflected in the substantial improvement of our net profit to € 341 m, which is also indicative of our financial strength and well-established market position. At the same time, the result shows that the business model of our Group has stood its test even in times of crisis and that we operate on a safe and sound basis to the benefit of our shareholders, our customers and our employees in a difficult market environment. Thanks to our financial strength we are in a position to maintain our sustainable dividend policy. We therefore propose to the General Meeting to resolve on the distribution of a dividend of € 2.90 per unit share for the third consecutive year.

And there are other positive news to report for the business year 2009: on January 1 we successfully completed one of the biggest mergers in the German insurance industry by joining Generali and Volksfürsorge Versicherungen. We thereby enhanced our Group business model and further increased our competitiveness. Also at the beginning of 2009, our Group changed its name to Generali Deutschland. With this new name we will be in a position to benefit even more comprehensively from the strong and trusted Generali brand. In June 2009 we moved to our new Group head office in Cologne, the second-largest insurance location in Germany. This change has markedly raised our attractiveness as an employer, and due to the central position and good transport connections of Cologne, we are now closer to our locations of Munich, Hamburg, Saarbrücken, Karlsruhe and Augsburg.

Besides the factors already mentioned, the strong rise in Group earnings is above all attributable to our high distribution capacity and the good positioning in our markets. As far as technical business is concerned, our total premiums across all lines grew by € 610 m, which equals a growth rate of 4.3 percent over the previous year. This very positive development is primarily supported by our life and health insurers who were in a position to further increase their new business. The fact that we are able to post such figures amid a difficult economic environment is attributable to various factors: we benefit from the diversity of our distribution channels, from the strong advisory capacity of our employees and in particular from the strategic partnership with Deutsche Vermögensberatung (DVAG).

Especially in the crisis, our business model with its different sales channels geared to the needs of our customers proves its strength. Despite the difficult economic environment and the challenges involved in the merger of Generali and Volksfürsorge Versicherungen, the multi-channel sales network of Generali Versicherungen achieved convincing results.

>> The substantial improvement of our net profit is indicative of our financial strength and our well-established market position. <<

DIETMAR MEISTER, CHIEF EXECUTIVE OFFICER

This applies in particular to the new Volksfürsorge distribution company. The second pillar within our three-pillar distribution model consists of the exclusive distribution activities of our long-standing partner DVAG for AachenMünchener. DVAG with its more than 37,000 advisors makes a vital contribution to the Group's success in distribution. By intensifying the interaction between the processes of AachenMünchener and Deutsche Vermögensberatung in 2009, it is possible to benefit even more from the advantages of mutual exclusiveness. The direct-selling activities of CosmosDirekt, which continues to be the undisputed market leader in its segment in Germany, also showed a convincing performance. And our specialized providers Advocard, Badenia, Central, Dialog and Generali Investments also contributed to our success. In this context our health insurer is to be mentioned in particular, because Central has been able to position itself very well in a difficult environment.

Generali Deutschland, your company, will certainly not rest on what it has achieved. Our industry is only indirectly affected by the current crisis as a big investor, but nevertheless the entire market feels the impact of understandable customer insecurity. The fear of having to work short-time or losing their job causes many consumers to postpone their insurance investments. On the other hand, the attractiveness of life insurance has rather increased as a result of financial market turmoil. People are becoming increasingly aware that it is very important to take out crisis-proof cover against risks jeopardizing their existence. Therefore they are looking for reliable products and offers providing a balanced and above all stable proportion between security and return. And this is exactly where our strength lies: the companies of the Generali Deutschland Group have distribution channels with a strong advisory capacity and a range of many attractive products of private cover oriented at the individual needs of customers.

At the same time we profit from having aligned the Generali Deutschland Group to the changed competitive environment at an early stage. In recent years we have created structures within the Group which are also to your benefit as shareholders. The most visible result is the merger between Generali and Volksfürsorge Versicherungen successfully completed last year. On that basis and together with our other companies we are excellently prepared to further reinforce and expand our position in the German insurance and financial services market. Furthermore, we consistently improve our cost efficiency by enhancing our processes and structures. We have thus cut the total costs of the Group by more than € 30 m thereby exceeding our cost-cutting target again in 2009.

We do, however, always aim to do better. The entire Group pursues the approach of consistently addressing necessary changes. Within the scope of our current improvement process we continued and launched many initiatives across the Group. We further enhanced, for instance, the web-based advising and pricing portal for our sales partners, we launched a programme to further improve interaction between the holding company, the service providers and the insurance companies and we set up a project to realize more cross-selling synergies in the Group.

In this context, the allocation of roles within the Group is clear: Generali Deutschland Holding is in charge of the overall strategy, the cooperation between the Group companies and the realization of synergies within the Group. The insurance companies are responsible for winning and retaining customers, customer service, distribution and brand design. The service companies provide an important backing to the insurance companies by concentrating specific tasks thereby realizing synergies.

Besides the responsibility towards yourselves, our customers and our employees, Generali Deutschland also bears a social responsibility. In our Group this has been a tradition ever since the year 1825. In that year a charitable fund was set up which still exists today and which focuses, among other things, on promoting social commitment under the guiding idea of “Demographic Change – Our Shared Challenge”. In addition to our social activities we are also committed to ecological sustainability. In 2009 we therefore created an environment and sustainability committee defining and controlling the corresponding activities across the Group. One of the first prominent results of these activities is the decision that starting from this year the electric current used by all our Group companies will be from regenerative energy sources in order to reduce greenhouse gas. Furthermore we are set to markedly reduce our energy consumption in the next three years. Since 2009, all our postage and our business travel by train have been climate neutral.

These activities contribute to the high motivation of our staff. I thank all employees of the Generali Deutschland Group for their commitment which fills our strategies and projects with life and which gives our Group the powerful position in the market from which we all benefit.

We are glad, dear Madam, dear Sir, that we are able to present a successful business development and positive quantifiable figures in this difficult economic situation. The current year again calls for our full concentration on the consistent implementation of our business model, on our targets and on the opportunities of each market segment. In the light of an economy showing recovery tendencies and on the basis of the enhancement of our overall strategic orientation, which we have been pushing for years, we are in a good position to make 2010 another good business year for your company, Generali Deutschland. Therefore we look ahead with optimism and above all with a willingness to perform. We will continue our motivated and consistent activities aiming to increase the value of your company.

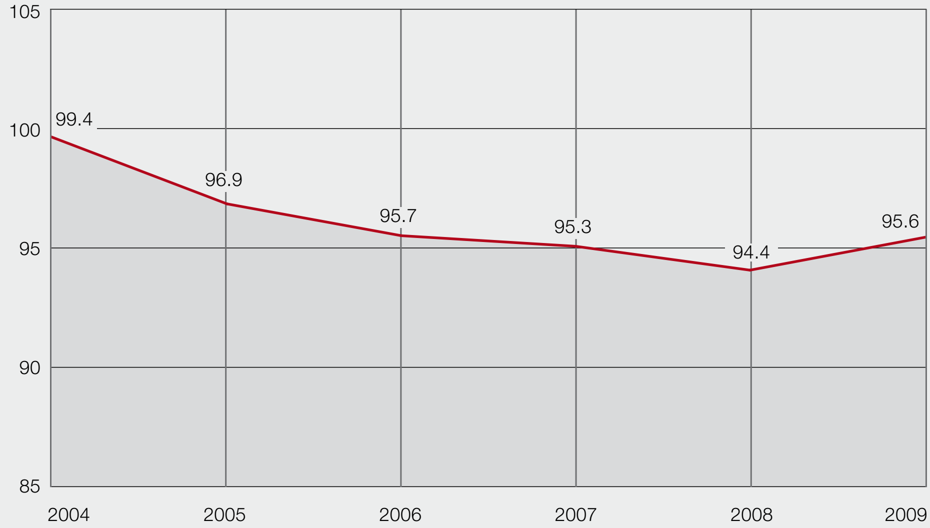
On behalf of the entire Board of Management I thank you for your trust in our work.

Yours faithfully,

Dietmar Meister
Chief Executive Officer

Combined ratio 2004–2009

Figures in %

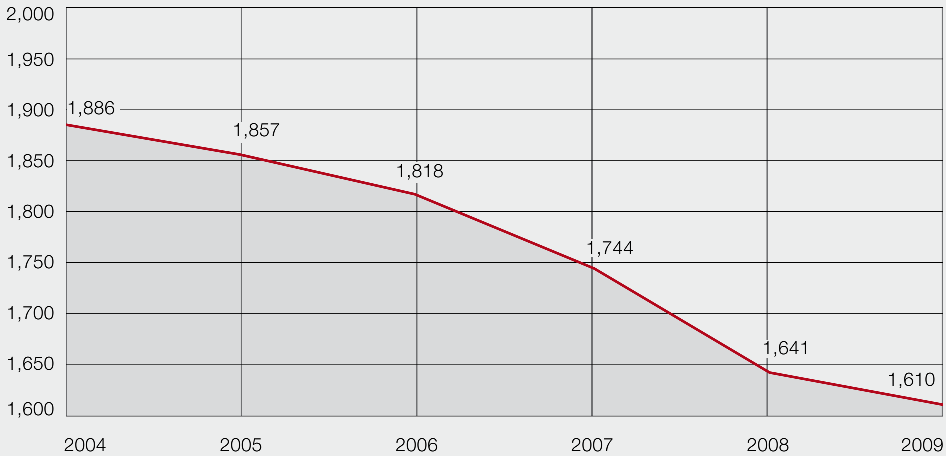


Reduction of combined ratio since 2004

-3.8 perc. points

Total costs* 2004–2009

Figures in € m



* without commissions and one-off restructuring costs

Further decrease in total costs

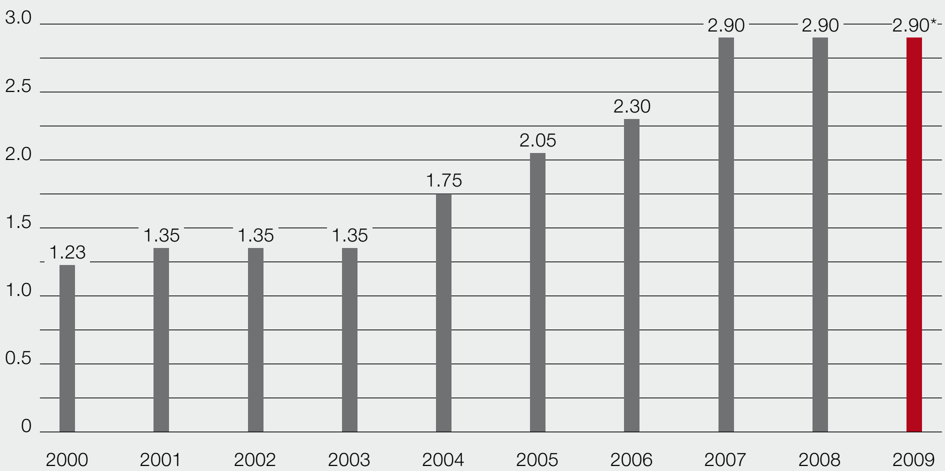
€ -31 m

Performance of the Generali Deutschland share 2004–2009

Figures in €

Dividend per share 2000–2009

Figures in €



* subject to shareholder resolution at the General Meeting

Stable dividend for the third consecutive year

€ 2.90

Dear Shareholders,

Dr. Wolfgang Kaske

In the year under report, the Supervisory Board of Generali Deutschland Holding AG continuously monitored the conduct of business of the Board of Management and accompanied management with its advice. For fulfilling the tasks assigned to us by law, the Articles of Association and the internal rules of the Supervisory Board, we regularly obtained detailed reports from the Board of Management about the business development, the situation and business policy of Generali Deutschland and its major subsidiaries. In addition, the Board of Management provided us with comprehensive information on corporate planning, the risk situation and risk management as well as on the status of the major activities in the Generali Deutschland Group with a view to increasing earnings on a long-term basis by projects across the Group and by measures taken at the level of the individual companies. The reports were given both in writing and verbally and were subsequently discussed with the Board of Management in the full Supervisory Board and in the newly established Audit Committee. Furthermore, as the Chairman of the Supervisory Board, I was continuously in close contact with the Chief Executive and obtained regular information on the decisions of the management.

In order to fulfil its tasks efficiently, the Supervisory Board – in addition to the already mentioned Audit Committee and the committee to be set up in compliance with section 27 para. 3 of the Co-Determination Act – has established a General Committee and a Committee for Matters of the Board of Management. These committees prepare the issues to be handled by the full Supervisory Board. To the extent this is legally permissible, the committees have also been authorized to take decisions.

General information

The Supervisory Board held four meetings in the year under report. The Committee for Matters of the Board of Management, which on the basis of the Act on the Adequacy of the Remuneration of Members of the Board of Management (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) now only has the function of preparing decisions – met twice. The newly established Audit Committee primarily dealing with accounting and the business and risk development of the Group, held quarterly meetings and thus met four times in the year under report. The General Committee of the Supervisory Board was in a position to vote on the necessary resolutions in writing and therefore no meetings were held. The committee under section 27 para. 3 of the Co-Determination Act did not have to be convened.

Major issues of deliberation and resolutions

In the business year 2009, the following issues were of particular importance for the work of the Supervisory Board:

Financial and economic crisis

The development of international capital markets and the ensuing economic development in general was a regular issue of extensive discussion. Following the financial crisis, the expected repercussions on new business and business in force had to be analysed in the closed business year. Furthermore, the Supervisory Board obtained further reports and deliberated on the investments of the companies of the Generali Deutschland Group, the net investment income and the status of developments in this field. In addition, the Board of Management regularly reported on the Group's risk position which was discussed with the Supervisory Board. In this context, the Supervisory Board was also informed in detail about the implementation status of the Minimum Requirements on Risk Management (MaRisk (VA)).

Current business development

With regard to the discussions on the current business development, the focus was initially on health insurance and on the repercussions of the healthcare reform implemented in the previous year. Furthermore, also in the year under report changes were introduced to the legal environment and in this context the Generali Deutschland Group asserted itself very well in comparison to the market. In life insurance, deliberations focused, as a matter of course, on the development of net investment income. In addition, life new business was an important issue, especially, and as already mentioned before, against the background of the economic crisis. In the field of property/casualty business, discussions concentrated primarily on the positioning in the motor market which continues to be characterized by keen competition.

Merger of Generali and Volksfürsorge Versicherungen

In the business year 2009, the merger of the Generali and Volksfürsorge insurance companies continued to be the most important project of the Generali Deutschland Group. The individual project steps were intensively discussed in the regular meetings of the Supervisory Board. The crucial subject in this context was the IT migration of the systems of property/casualty insurance, which was successfully implemented at the turn of the year.

Additional Group projects

At the beginning of the year 2009, Generali Deutschland Holding AG, together with many of its subsidiaries, changed its name. Furthermore, the parent company of the Group transferred its office from Aachen to its new location in the Cologne banking district at the end of May 2009. As hoped, this transfer substantially enhanced the efficiency of the cooperation between the Group bodies, which is also due to the good infrastructure connections of Cologne.

Besides, the Group has been continuously optimizing its processes. In this context, the realization of additional synergies in back-office activities was discussed in the year under report.

Corporate Governance and declaration of compliance

In the period under report, the Supervisory Board dealt comprehensively with Corporate Governance issues in its regular meetings. In particular, the efficiency of the Supervisory Board was scrutinized and discussed in the full Supervisory Board. It was stated that the Supervisory Board efficiently complied with the tasks assigned to it by law and by the Articles of Association.

The internal rules of the Supervisory Board and the internal rules of the Board of Management, which also include specifications to ensure that the Supervisory Board receives information on a timely and comprehensive basis, proved to be reliable instruments as a matter of principle. The necessary adjustments of the internal organization of the Supervisory Board were due to the Act on the Adequacy of the Remuneration of Members of the Board of Management (VorstAG), which came into force on August 5, 2009.

In its meeting of November 24, 2009, the Supervisory Board again examined and approved the structure of the remuneration of the members of Generali Deutschland's Board of Management. In that same meeting, the Supervisory Board also resolved on the company's declaration of compliance.

Audit of the Annual Financial Statements of the company and of the Consolidated Financial Statements

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the Annual Financial Statements, the Management Report, the Consolidated Financial Statements established in compliance with the International Financial Reporting Standards (IFRSs) and the Group Management Report for the business year 2009, including an assessment of the system of Generali Deutschland Holding AG for an early identification of risks. An unqualified auditor's opinion was issued. In addition, the auditor verified whether Generali Deutschland had published the declaration of compliance in respect of the German Corporate Governance Code as required by section 161 of the Companies Act (AktG). Furthermore the auditing company examined the report by the Board of Management on the relationships with affiliated enterprises and issued an unqualified certificate on that report as follows:

"After having duly performed our audit we confirm that

1. the actual information included in the report is correct;
2. for the legal transactions indicated in the report the company's consideration was not inappropriately high;
3. in respect of the measures indicated in the report there are no circumstances that would lead to an assessment materially different from the assessment expressed by the Board of Management."

For the purpose of examination we received the Annual Financial Statements of the company with the Management Report and the Consolidated Financial Statements with the Group Management Report for the business year 2009, the auditor's reports on the financial statements of the company and the Group as well as the report on controlled companies. In the accounts meeting of the Supervisory Board the reports were explained by the auditor and discussed by us in detail. The Audit Committee, which had already previously discussed the financial statements with the Board of Management and the auditor, also reported to the Supervisory Board in the accounts meeting. The thorough examination of the reports and of the financial statements of the company and the Group did not result in any objections on our part. We share the assessment given by the Board of Management on the relationships with affiliated enterprises. The Supervisory Board approves the Annual Financial Statements and the Consolidated Financial Statements for the business year 2009. The Annual Financial Statements are thus adopted pursuant to section 172 AktG. We join the Board of Management in its proposal for the appropriation of the balance-sheet profit.

Already in the current year, Mrs. Monika Hendricks, the deputy chairwoman of our corporate body, will retire and therefore resign from her office on March 31, 2010. Mrs. Hendricks has also held another outstanding function in our Group as the Chairwoman of our Group Works Council. I wish to express my very cordial thanks to her for her dedicated activities in the interest of employees and also in the interest of the Generali Deutschland Group as a whole.

As in previous years our special recognition and sincere thanks go to the employees of Generali Deutschland and our Group companies and to the members of the Boards of Management in our Group. Without their competency and commitment the positive development of the Group in these challenging times would not have been possible. For the future, we wish success and good luck to the Board of Management of Generali Deutschland and also to all executives and employees of the Group.

Cologne, March 24, 2010

On behalf of the Supervisory Board

Dr. Wolfgang Kaske
Chairman

Corporate Governance

- Generali Deutschland Holding is committed to a good and responsible Corporate Governance.
- The essential elements of the German Corporate Governance Code are implemented by Generali Deutschland Holding.
- Generali Deutschland Holding complies with the rules of the Ethical Code of the international Generali Group referring to correctness, honesty, impartiality and professionalism.

In compliance with section 3.10 of the German Corporate Governance Code, the Board of Management and the Supervisory Board report every year about the reliable and efficient governance of the company, including its organization, business philosophy and guiding principles as well as the internal and external mechanisms of controlling and monitoring.

Generali Deutschland Holding is listed in the prime standard segment of Deutsche Börse. The prime standard represents the highest degree of transparency for companies listed on the stock exchange and goes beyond the minimum legal requirements of the official market and the regulated market.

To safeguard this high standard, Corporate Governance is also under the continuous scrutiny of the Supervisory Board. Pursuant to the Articles of Association and the internal rules of the company's bodies, important transactions have to be approved by the Supervisory Board. The Supervisory Board's monitoring activities are described in detail in the report by the Supervisory Board to the General Meeting (see p. 12 ff.) in compliance with section 171 of the German Companies Act (AktG).

Corporate Governance is ensured by additional organization measures, such as keeping a list of persons having insider information, the Group's compliance system, the Group-wide Ethical Code as well as the pertinent Codes of Conduct of the Group companies.

Material information on our Corporate Governance is provided to our shareholders on the Internet at www.generali-deutschland.de in the "Investor Relations" section. This information includes the financial calendar, annual and interim reports, ad-hoc announcements, the corporate governance statement in compliance with section 289a HGB, information about directors' dealings and the latest and previous versions of the declaration of compliance of Generali Deutschland and of the German Corporate Governance Code.

In line with their statutory obligation defined in section 161 AktG, the Board of Management and the Supervisory Board publish an annual declaration stating to what extent Generali Deutschland complies with the recommendations of the German Corporate Governance Code. That declaration of compliance was last renewed on November 24, 2009.

Statement in respect of deviations from the recommendations of the German Corporate Governance Code

Generali Deutschland complies with most of the recommendations and suggestions of the Corporate Governance Code. To the extent the declaration of compliance indicates deviations from the Code's recommendations, Generali Deutschland follows the applicable legal standards. The deviations refer to the following recommendations:

The notification documents convening a General Meeting are not sent by electronic means (deviation from section 2.3.2 of the Code). Generali Deutschland regularly publishes the documents convening a General Meeting on its website and makes them available to shareholders and other interested persons for download. Considering the consequences of not duly convening a General Meeting, however, the Board of Management and the Supervisory Board are of the opinion that the risks involved in generally sending these documents by electronic means are too big.

The D&O insurance taken out by the company for the Supervisory Board does not have a deductible (deviation from section 3.8 of the Code). Considering the responsibility and motivation of the members of the Supervisory Board in performing their tasks, Generali Deutschland is of the opinion that a deductible is not necessary.

Generali Deutschland does not have a stock-option plan of its own (deviation from sections 4.2.3 and 7.1.3 of the Code). The remuneration of the Board of Management is composed of an element not related to performance and a performance-related element. Furthermore a stock-option plan of the international Generali Group exists for selected executives of the Group. The plan is described on p. 189. The granting of the options is subject to the achievement of the targets of the Italian plan and also to the mandatory achievement of a target exclusively referring to the performance of the German Group. Generali Deutschland does not consider a stock-option plan of its own to be necessary in addition to these remuneration elements.

The total remuneration of the members of the Board of Management is not disclosed on an individualized basis in the Notes to the Consolidated Financial Statements (deviation from sections 4.2.4 and 4.2.5 of the Code). Besides, the Ordinary General Meeting of May 18, 2006 resolved in compliance with section 314 para. 2 sent. 2 HGB not to publish the information to be provided in compliance with section 314 para. 1 no. 6 letter a) sent. 5-9 HGB on the remuneration of the Board of Management. For privacy reasons, the company does not provide detailed figures and instead refers to the collective figures disclosed in this Report (see details below and the information provided on p. 192 f.), on the Internet and in the General Meeting. The structure of the remuneration with its performance-related elements and elements not related to performance is also explained in these information sources.

Neither is there an individualized disclosure of the remuneration of the members of the Supervisory Board or of the payments made to them on the basis of other business relationships with the company or with Group companies (deviation from section 5.4.6 of the Code). The structure of the remuneration of the Supervisory Board is disclosed in the Articles of Association and in this Report (see details below and the information on p. 192 f.). The collective amount paid as remuneration is also indicated in this Report (see p. 192 f.).

Generali Deutschland does not have a nomination committee, exclusively composed of shareholder representatives, which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting (deviation from section 5.3.3 of the Code). Since the shareholder representatives in Generali Deutschland's Supervisory Board closely communicate with each other in any case, establishing such a committee appears to be unnecessary.

There is no age limit for members of the Supervisory Board (deviation from section 5.4.1 of the Code). The members of the Supervisory Board of Generali Deutschland are elected because of their qualification and experience. The company wishes to appoint highly qualified and experienced members to the Supervisory Board, regardless of age limits.

There is no limitation, beyond the limitation provided for by law, of the number of mandates held in the Supervisory Boards of listed non-Group companies (deviation from section 5.4.5 of the Code). It often is useful when members of the Supervisory Board can bring in their experience from non-Group companies. For the time being, Generali Deutschland regards the statutory provision under section 100 para. 2 of the Companies Act as being sufficient.

The Report by the Supervisory Board does not provide information about the attendance at meetings of the Supervisory Board (deviation from section 5.4.7 of the Code). Until today the efficiency of the Supervisory Board's activities has not been affected by the non-attendance of members. Therefore the disclosure of such information is not regarded as necessary.

Basic structure of the remuneration of members of the Board of Management and of the Supervisory Board

The following statements on the remuneration of the Board of Management and the Supervisory Board are also an integrated part of the Management Report.

Remuneration of the Board of Management

In the business year 2009 numerous amendments were introduced by legislation and by the regulatory authorities with regard to the remuneration of the members of the Board of Management. As a listed enterprise and reinsurance company, Generali Deutschland Holding AG comes under the full scope of application in particular of the Act on the Adequacy of the Remuneration of Members of the Board of Management (VorstAG) of August 5, 2009. In addition, the company is also subject to the regulatory rules which were last amended by means of the circular letter R 23/2009 on the requirements regarding remuneration systems in the insurance field from the Federal Regulatory Office for Financial Services (BaFin) of December 21, 2009.

The Supervisory Board has intensively dealt with the new legal provisions and amended its internal rules by determining that resolutions on the remuneration of the members of the Board of Management are now be taken by the full Supervisory Board and that the Committee for Matters of the Managing Board only has a preparatory function. In the only case since the coming into force of the VorstAG where an employment contract with a member of the Board of Management had to be revised, the objectives of this Act were already fully taken into account. With the aim to provide further long-term incentives of conduct in addition to the targets which as a whole had already been oriented at a sustainable corporate development, the possibility was introduced, in particular, to pay out part of the variable remuneration with a time delay on the basis of a multi-year assessment. Previously the employment contracts had provided for the payment of the variable remuneration immediately in the subsequent year. The existing employment contracts will also be amended accordingly at their forthcoming renewals.

When defining new targets regarding the variable remuneration of the members of the Board of Management the new rules will, of course, be respected. The targets for the year 2009, however, had already been agreed as binding when the VorstAG came into force and therefore an adjustment of these targets was not possible.

For the business year 2009, the remuneration of the members of the Board of Management of Generali Deutschland is thus, as a matter of principle, composed of two elements, i.e. a fixed annual salary and an annual performance bonus. The fixed annual salary also includes remuneration in kind and perquisites, such as the use of a company car and the payment of telecommunication costs by the company.

The performance bonus is based on targets which are newly defined every year. 80 percent of these targets are operating targets of the Generali Deutschland Group and 20 percent are other individually defined performance yardsticks. The performance bonus determined in advance becomes payable on the basis of a target-achievement ratio determined by the Supervisory Board after the close of the business year.

Assuming that the present members of the Board of Management of Generali Deutschland reach all their performance targets, the various remuneration elements would represent the following shares of their remuneration for the business year 2009:

- Fixed annual salary: about 38 percent
- Add. fixed amount: about 18 percent (without pension entitlement)
- Performance bonus: about 44 percent

Beyond this – and as already explained above – Generali Deutschland does not have a share-based remuneration plan of its own. Instead, the Board of Management and selected executives of Generali Deutschland are included in the stock-option plan of the international Generali Group. The requirement for granting the options is not only the achievement of targets of the international Generali Group but, in addition, that a target exclusively referring to the success of the Generali Deutschland Group has to be reached.

Upon retirement, the members of the Board of Management of Generali Deutschland are entitled to receive life-long retirement pay. The amount of the annual retirement pay corresponds to a specific percentage of the basic annual salary. For every completed year of service until retirement the amount increases up to a maximum limit. As a general rule, any additional income from self-employed and employed activities has to be set off against the retirement income. Upon death, any surviving spouse and dependants are entitled to receive a certain percentage of the retirement pay of the member of the Board of Management.

More details on the stock-option plan and the individual remuneration elements are disclosed in the Notes on p. 189 and 192 f. respectively.

Remuneration of the Supervisory Board

Similar to the remuneration of the Board of Management, the remuneration for the members of the Supervisory Board is composed of fixed and variable elements. On the one hand, the members of the Supervisory Board receive a fixed annual remuneration of

€ 5,000 in addition to compensation for their cash outlay. The Chairman of the Supervisory Board receives twice that sum, the Deputy Chairman one and a half times that amount. As a performance-related remuneration element, the Articles of Association provide for the following: each member of the Supervisory Board receives every year an amount of € 1,000 for each percentage of dividend distributed to the shareholders exceeding 4 percent of the share capital, the maximum limit however being a dividend of 34 percent. The Chairman of the Supervisory Board receives twice that sum, the Deputy Chairman one and a half times that amount.

As resolved at the General Meeting of May 19, 2009, the members of the committees of the Supervisory Board receive, for each committee membership, an annual remuneration in addition to the remuneration indicated above amounting to half the above-mentioned fixed and variable remuneration. The Chairman of the committee concerned receives twice that amount, the Deputy Chairman one and a half times that sum. Previously, the reference for the remuneration of committee members had been the total fixed remuneration of a member of the Supervisory Board.

The information on the structure of the remuneration of the Supervisory Board is disclosed in the Articles of Association. Information on the amounts of the remuneration paid to the Supervisory Board is indicated in the Notes on p. 192 f.

Directors' Dealings

In the business year 2009 there were no security transactions which would have to be declared in compliance with section 15a para. 1 sent. 5 of the Securities Trading Act (WpHG) or section 6.6 of the German Corporate Governance Code.

Compliance system

The companies of the Generali Deutschland Group conduct their business activities in a responsible manner and in compliance with legal provisions. A sustainable compliance in the Generali Deutschland Group creates trust on the part of the capital market and customers. Therefore the Board of Management of Generali Deutschland maintains binding compliance programmes for all companies of the Generali Deutschland Group. These guidelines support employees in their task of fulfilling increasingly demanding legal requirements.

For that purpose, the Generali Deutschland Group has adopted the Ethical Code of the international Generali Group. With the Ethical Code, the Generali Deutschland Group gives itself a general guideline for its relationships with customers, shareholders, employees, contractual partners as well as public institutions and the press. In this context, the Ethical Code is committed to essential principles such as correctness, honesty, impartiality and professionalism.

The framework provided by the Ethical Code is defined in more detail by the Code of Conduct of Generali Deutschland. The Code of Conduct comprises specific rules of conduct for the employees, in particular with regard to issues such as confidentiality, accepting and giving gifts or other grants, contract assignment, business transactions with employees, the four-eye principle and conflicts of interest. This strengthens the trust of customers, partners, employees and the general public in a fair and ethical conduct of the company and of all employees.

To implement these rules of conduct, regular training is provided across the Group. In addition, so-called compliance officers have been appointed in all major Group companies. They are the contacts in all compliance issues and report regularly to the responsible management bodies. Beyond this, the Group companies have appointed two external lawyers as ombudspersons, which the employees can contact regarding suspected infringements of compliance rules and who will keep the identity of the persons providing the information as strictly confidential.

In addition to these general rules of conduct, a Group-wide programme has been established to provide for the observance of anti-trust rules by indicating precise guidelines for all employees of the Generali Deutschland Group. On the basis of a Group-wide network of compliance officers and by regular training courses for employees in sensitive areas it is ensured that the guidelines are implemented equally across the Group and that infringements of anti-trust law are avoided. Furthermore the Board of Management of Generali Deutschland, in cooperation with the compliance officer, makes certain that the rules of the Securities Trading Act are observed in the Generali Deutschland Group by distributing state-of-the-art guidelines for security compliance across the Group.

Flashlights: An eventful year for the Generali Deutschland Group

Arriving

With some 200 invited guests, June 15, 2009 saw the official inauguration of the new Group Head Office in Cologne. Dr. Jürgen Rüttgers, the Prime Minister of North Rhine-Westphalia, and Fritz Schramma, the Mayor of the City of Cologne officiating at that time, were among the guests to congratulate the Group on their attractive new office building. After moving from Aachen to Cologne, more than 2,500 Generali Deutschland Group members of staff now work in the city famous for its cathedral, 450 persons alone in the new head office in Tunisstrasse. As Chief Executive Meister put it, Generali now has its place in the second-largest insurance location in Germany which, along with the central geographical position of Cologne, was one of the main reasons for transferring the head office.

Tests of trust

42 percent of the German population are not so well versed when it comes to insurance. Many of them simply feel swamped by it all – and women with 46 percent more so than men (37 percent). This was the outcome of a representative survey carried out by the opinion research institute forsa on behalf of CosmosDirekt; more than 1,000 people between the ages of 16 and 65 were interviewed. When selecting the right insurance more than half of the interviewees rely on insurance tests. Advice and tips from relatives, acquaintances and friends are also very popular, as are recommendations from consumer advice centres.

Generali is green

The reduction and avoidance of carbon emissions are at the heart of the Generali Deutschland Group's environmental activities. Since October 2009 the Group has been playing an active part in climate protection through carbon-free business trips using German Rail and also the "GoGreen" service provided by Deutsche Post in a worldwide programme for sustainable climate protection. In the next three years the aim is to clearly reduce energy consumption. As of January 2010, Generali Deutschland has a contract with Ensys for "green electricity" in order to sustainably improve its position in energy consumption.

The year 2009 – a review

January Starting from January 1, 2009 "AMB Generali" is "Generali Deutschland". With this name change we are in a position to benefit even more comprehensively from the strong and trusted Generali brand.

The distribution company Volksfürsorge Vertriebsgesellschaft starts its operations. Within the scope of the merger, the complete traditional fieldstaff network of the "old" Volksfürsorge is transferred to the new distribution company.

Advocard responds to the persistent economic crisis and launches a professional scheme for commercial clients for the management of receivables as a measure to ensure liquidity. In April, the product range for corporate clients is completed by legal expenses insurance for top managers and a special XL legal expenses cover under criminal law.

February Good advice, friendly service and extended reachability hours – what customers want can be measured by independent testers. The health fund Techniker Krankenkasse (TK) and Envivas, its private partner for supplementary covers, have their service checked by the technical inspection agency TÜV SÜD. Result: they obtain the test seal for excellent service quality.

March For 77 percent of Germans, the economic crisis has no impact on their holiday spending. That was the outcome of a representative study on travel planning in 2009 made on behalf of Europ Assistance in March and covering a total of 3,500 interviewees in seven European countries.

April The independent analyst Morgen & Morgen assigns its highest five-star rating ("excellent") to the stand-alone and supplementary occupational disability covers of AachenMünchener.

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The colour red

The merger of Generali and Volksfürsorge Versicherungen at the beginning of the year created an enterprise of a completely new dimension in the German insurance industry. The first year of the newly organized Generali Versicherungen got off to a good start with opening events at the various locations plus the new Generali logo in its standardized red. Generali now has a total of more than six million customers and its premium income is over € 5 bn. This newly gained strength is being reinforced and supported by some 3,500 administrative employees, a sales network with approx. 2,300 exclusive agencies and specialists, the distribution company Volksfürsorge Vertriebsgesellschaft für Vorsorge- und Finanzprodukte with some 4,000 sales employees and a broker network with approx. 8,000 active broker and multiple-agent relations.

"Common Purpose"

Whether in Dublin or Bangalore, Rotterdam or Cape Town, the organization "Common Purpose" set up by Julia Middleton from England in 1989 now operates at more than 70 locations in twelve countries. This organization enables managers from various industrial and economic sectors to network for the common welfare. So far "Common Purpose" has been represented in eight cities in Germany, and Generali Deutschland is now helping to establish and develop the office in Cologne. The cooperation with "Common Purpose" adds an additional dimension to the social commitments of the Generali Future Fund: the programme offers members of staff the opportunity of social volunteering, not only on a private basis, but also by using their own specific professional skills.

Quality seal

AachenMünchener was awarded a certification as a family-friendly enterprise in Berlin. The certificate was presented to Michael Westkamp, the Chief Executive of AachenMünchener, by Dr. Ursula von der Leyen, who at that time was Federal Minister of Family Affairs, Senior Citizens, Women and Youth. For some years now AachenMünchener has been giving their staff the opportunity of striking a balance between family and job by offering them a very flexible framework to organize their working hours. In November 2008 the initiative “berufundfamilie” of the non-profit foundation “Hertie Stiftung” awarded AachenMünchener a quality seal for its sustainable and family-oriented personnel policy. Since then, AachenMünchener has implemented the first measures to improve on the working conditions in line with the employees’ needs. This includes, for instance, setting up ‘emergency’ childcare facilities in the child day care centres at the company’s six locations. Generali Deutschland Holding and Generali Versicherungen also received this quality seal.

Future Symposium

At the end of June, some 200 executives from the political, business and social communities got together in Cologne at a first Future Symposium to discuss the significance of volunteerism in today’s society. The conference was organized by Generali Deutschland’s Future Fund and the Association of German Foundations. The guest speaker was the then Federal Minister of Finance, Peer Steinbrück.

The year 2009 – a review

May For the last time, the General Meeting of Generali Deutschland Holding AG is held in Aachen. The shareholders receive a dividend at the previous year’s level, € 2.90 per share.

June The new building complex “Karolinen Karree” of Generali Deutschland Immobilien is assigned the Silver Quality Seal of the German Society for Sustainable Construction in the category of new office and administration buildings 2008.

July Mountain biker Sabine Spitz wins the German mountain biking championship and reaches the third place in the European championship in Zoetermeer. Central Krankenversicherung has been sponsoring the winner of Olympic gold in Peking since 2007.

August Winfried Spies becomes the Chief Executive of Generali Versicherungen. He also remains a member of the Board of Management of Generali Deutschland Holding.

On August 1, Badenia launches the constant loan R/ImmoKonstant R, a constant financing product which is eligible for state subsidies under the Riester scheme for residential property.

September With effect from September 4, 2009, AMB Generali Pensionsfonds and PENSOR Pensionsfonds are merged to Generali Deutschland Pensor Pensionsfonds AG.

The First Reinsurance Forum held at the Group head office of Generali Deutschland focuses on a direct exchange of experience. The most important treaty partners of Generali Deutschland Holding, which include specialists from Munich Re, Swiss Re, Gen Re and others, meet for exchanging their views on the current developments in the reinsurance market.

Photos: Christopher Dodge, lebanmax, DB AG/Michael Wartmann

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Walking to Trieste

In September 2009, Central started a kind of internal walking championship and the result was – empty elevators and lots of exercise. Pedometers were used to clock up the individual distances covered. After 90 days the staff members had walked more than 777,000 kilometres, which is equivalent to 19 times around the world. Instead of awarding prizes, Central donated one cent for every kilometre to a children's hospital in Cologne. The result of this campaign plus personal donations from members of staff was € 16,000, a sum we can all be proud of.

Best insurer

CosmosDirekt was the winner in the contest "Germany's most customer-oriented service provider" in the category "Insurance". And the reason? At CosmosDirekt the customer always comes first. The high-level staff competency plus the excellent service offer policyholders a clear added value. Some hundred companies throughout Germany demonstrated their customer orientation in the contest "Germany's most customer-oriented service provider". Companies were checked out as to the competency of their staff and their way of assuring service quality and promoting dialogue with their customers.

Garage network

Since the end of March, the Generali Deutschland Group companies have been using Germany's most dense network for repairing accident damage to motor vehicles. A total of 1,200 repair workshops offer their services to the Group customers at favourable conditions. The access to this new network is a cooperation project with HUK-Coburg initiated by our claims management company, Generali Schadenmanagement. Within the scope of attractive insurance products, customers benefit directly from the price and service advantages.

October Generali Deutschland Services appoints a full-time manager in order to professionalize the environment and sustainability management in the Group.

The modular tariff line central.vario developed by Central is the test winner again, this time in a ranking of private health insurers in the "Focus Money" magazine.

At the international expert fair for the finance and insurance industry (DKM), Dialog, the leading specialist for biometric risks, presents its new product for disability involving total unemployability as a stand-alone or supplementary cover.

November For the third consecutive time, CosmosDirekt is assigned the Superbrand Award and thus stands for "a brand of high renown and market value with a convincing performance even in difficult times". Brand dominance, customer loyalty, goodwill and longevity as well as brand acceptance as a whole are the measurement criteria of this award.

December For the fifth consecutive time AachenMünchener receives an award for its excellent customer service from the technical inspection agency TÜV Rheinland.

Thanks to the activities of up to 800 employees from IT and operational departments, the IT migration of the property/casualty portfolio-management systems and of the claims management systems in the wake of the merger of Generali Versicherungen is successfully completed, as scheduled, at year-end 2009.

The Generali Deutschland Share

- At year-end, the price of the Generali Deutschland share quoted nearly at the previous year's level while volatility was high during the year.
- Despite the consequences of the financial crisis, Generali Deutschland has kept its dividend constant at a high level.

In the business year 2009, stock markets continued to be characterized by the international financial crisis. Across the world, the year started with plunging stock-market prices. In the further course of the year, however, the extensive stimulation measures introduced by governments proved effective and the relevant indices witnessed very positive developments towards the end of the year. The U.S. index S&P 500 gained 26.5 percent in the year under report and the European DJ STOXX index rose by 32.4 percent. German indices, too, witnessed high gains with the DAX rising by 23.8 percent and the MDAX by 34.0 percent.

In the course of the year, the Prime Insurance index, which is of relevance for the German insurance industry, gained 15.5 percent.

The performance of the Generali Deutschland share followed the general price development. During the recovery phase in the second half of the year, however, its price lagged somewhat behind the Prime Insurance index. At year-end, the price of the Generali Deutschland share was € 73.64 and thus quoted at the year-end 2008 level. Taking into account the dividend, this equals a performance of 4.0 percent.

Market places and indices

The Generali Deutschland share is listed in the prime standard segment and is traded in all German stock markets. With more than 96.94 percent, the bulk of share transactions was handled by the Xetra electronic trading platform.

Dividend for the business year 2009

The aim of Generali Deutschland's dividend policy is to have its shareholders constantly participate in the business success of the company. In the years before the financial crisis, the shareholders of Generali Deutschland benefited from the successful business development through continuously rising dividends. In the year 2008, it was possible to keep the dividend at a constant level thanks to the good financial strength of the Group.

For the business year 2009, the Board of Management and the Supervisory Board again propose to the General Meeting to be held on May 27, 2010 to pay a dividend of € 2.90 per unit share. This is based on the persistently good financial strength of the Group and on a substantial increase in Group earnings to € 341 m.

Share capital of Generali Deutschland

The subscribed capital of Generali Deutschland remains unchanged at the previous year's level of € 137,420,784.64.

Shareholder structure

Assicurazioni Generali S.p.A., Trieste, directly and indirectly through subsidiaries, holds a total share of 93.02 percent in Generali Deutschland. The free float

Share capital of Generali Deutschland

	Number of bearer shares	Reuters symbol	Security id. no.:
€ 137,420,784.64	**53,679,994**	**GE1G.DE**	**840 002**

as at December 31, 2009

comprises the remaining 6.98 percent of the shares which are held by other institutional investors, companies and private persons with an interest of less than 5 percent each.

Investor Relations

The target of our Investor Relations activities is an open and trustful communication with institutional and private investors as well as analysts by which we make the economic strength of our Group transparent to the capital market. Interested investors have access to information on the Generali Deutschland share on the website www.generali-deutschland.de, "Investor Relations" section. This section also provides detailed information on our annual and quarterly reports, Investor Relations presentations, key figures and our general meeting. The Investor Relations team will be pleased to answer any further questions you may have. Contacts as well as our financial calendar 2010 are indicated on the back cover pages.

The Generali Deutschland share at a glance

		2008	2009
Bearer share			
Number of shares (as at Dec. 31)		53,679,994	53,679,994
Highest price	€	121.64	77.75
Lowest price	€	65.00	41.70
Year-end price	€	73.75	73.64
Market capitalization	€'000	3,958,900	3,952,995
Dividend distribution	€'000	155,672	155,672*
Key figures per share			
Earnings per share	**€**	**0.04**	**6.09**
Dividend per share	**€**	**2.90**	**2.90***

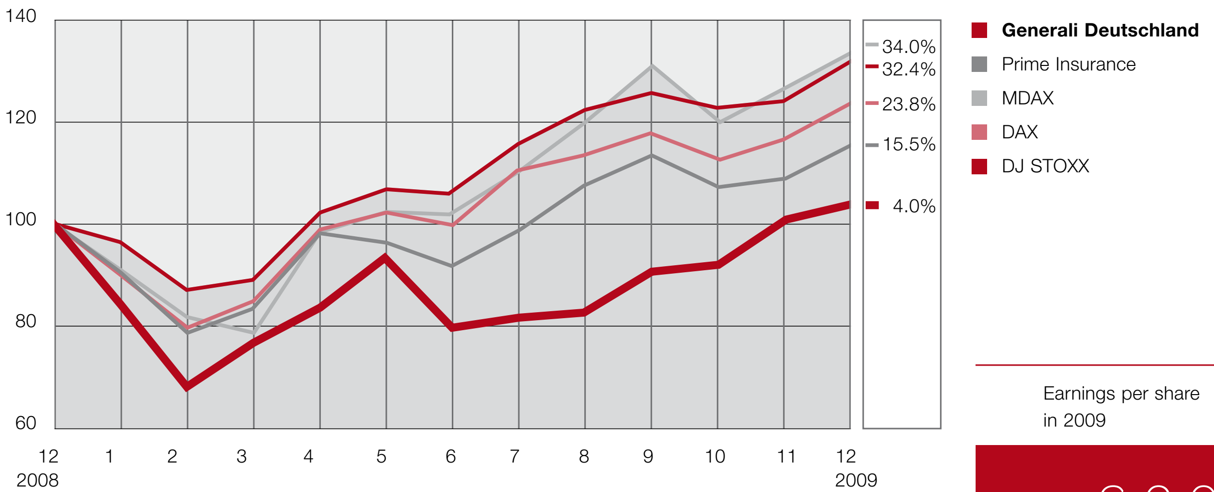
* subject to shareholder resolution at the General Meeting

as at Dec. 31, 2009

Share price at year-end

€ 73.64

Performance of the Generali Deutschland share in the year 2009



Indexed performance development; December 31, 2008 = 100

Earnings per share in 2009

€ 6.09

Ratings for the Generali Deutschland Group

- The Generali Deutschland Group relies on interactive company ratings of long-term financial strength as a good and dependable source of information.
- Our Group is the only primary insurance group in Germany having interactive ratings from the four rating agencies of international renown.
- The rating agencies Standard & Poor's (S&P), Moody's Investors Service, FitchRatings and A.M. Best each have assigned a rating of their second highest category to the Generali Deutschland Group.

Within the scope of an interactive rating process, the agencies are provided with a large variety of topical information about the enterprise and its strategy. In addition to regular contacts throughout the year, we thus enable the rating agencies to obtain a valid overview of the economic and financial situation of our company and of its future development. Under its rating approach, each independent rating agency has a different individual focus in terms of requirements and analyses.

Standard & Poor's

Under its financial strength rating of the Generali Deutschland Group, the agency has assigned a AA- ("very strong") to the subsidiaries considered as core. The outlook is "stable". As one of the major strengths of the Group S&P indicates the strong competitive position based on various distribution channels, leading brand names and a full product range. Furthermore the agency appreciates the strong operating performance and management's strong execution track record.

Moody's Investors Service

Moody's has assigned an Aa3 financial strength rating ("excellent financial security") with a "stable" outlook to all insurance companies of the Generali Deutschland Group and to Generali Deutschland Holding AG. In particular, the rating specialists appreciate the very strong market position of the Group and the excellent franchise value of its brands. Furthermore the agency underlines the Group's diversified and extensive distribution capability, its conservative investment strategy and prudent reserving policy.

Financial strength ratings affirm Group's soundness and efficiency

FitchRatings

Based on its interactive rating of the Generali Deutschland Group, Fitch has assigned a AA- ("very strong") to the core companies. The outlook is "negative", not least due to the assessment of the market. The analysts proceed from the assumption that due to its focused multi-brand and multi-distribution channel strategy in combination with improved cost efficiency and underlying profitability, the Group is very well positioned in the German insurance market.

A.M. Best

The rating agency A.M. Best, which specializes in ratings of insurance companies, has assigned an A+ ("superior") for the financial strength of Generali Deutschland Holding AG and its main subsidiaries. The outlook for all ratings is "stable". According to A.M. Best, the rating reflects the strong position of the Group in the German market and a resilient operating performance. The Generali Deutschland Group thus has an excellent business profile in the German insurance market.

Also in the future, the Generali Deutschland Group will continue to have its financial strength and strategic orientation analysed on an objective basis by independent specialists.

Agency ratings are **based on the situation as at a specific date** and may be subject to change. An overview of current ratings is available on the Internet at www.generali-deutschland.de/ratings. The websites of the rating agencies provide more detailed information referring to rating methodologies and to the definition of rating categories.

Ratings of the Generali Deutschland Group

	S&P	Moody's	Fitch	A.M. Best
Generali Deutschland Holding AG	—	Aa3	AA-	A+
AachenMünchener Lebensversicherung AG	AA-	Aa3	AA-	A+
AachenMünchener Versicherung AG	AA-	Aa3	AA-	A+
Advocard Rechtsschutzversicherung AG	AA-	Aa3	A	—
Central Krankenversicherung AG	AA-	Aa3	AA-	A+
Cosmos Lebensversicherungs-AG	AA-	Aa3	AA-	A+
Cosmos Versicherung AG	AA-	Aa3	AA-	A+
Dialog Lebensversicherungs-AG	—	Aa3	A+	—
Envivas Krankenversicherung AG	AA-	Aa3	A-	—
Generali Deutschland Pensionskasse AG	AA-	Aa3	AA-	—
Generali Lebensversicherung AG	AA-	Aa3	AA-	A+
Generali Versicherung AG	AA-	Aa3	AA-	A+
Deutsche Bausparkasse Badenia AG*	A	—	—	—

* "negative" outlook
as at Dec. 31, 2009

Results of Capital and Performance Management in the Business Year 2009[1]

For the business year 2009, the economic capital (EC) increased slightly. This reflects in particular the more prudent assessment of future credit risks across all segments and the fact that interest risks remain high in the life and health segment because of the persistently low interest-rate level. Furthermore this also indicates the positive development of our value in force in life and health as we regard the value in force as tied capital which is therefore allocated to the economic capital. Compared to the development of the economic capital, the embedded value (EV), and thus the available capital (AC), witness an over-proportionate rise. This is illustrated by the improvement of the AC/EC ratio (based on the internal model) to nearly 111 percent and the increase of the excess cover AC vs. EC to € 612 m.

The economic result in the life and health segment decreases compared to the previous year. This reflects the impact of the persistent low interest-rate environment and more conservative operating assumptions regarding the future development of results. While the new business value remains nearly stable despite the economic crisis, the profits from the business in force reduce noticeably.

Performance management

Life and health

	2008 € m	2008 after recalculation[1] € m	2009 € m
New business value[2]	175	182	167
New business value[3]	199	205	186
Profits from business in force (including operational deviations)	297	305	248
Economic result after tax	**472**	**487**	**415**

1 taking into account model and methodology changes
2 excluding holding-company costs, income of Generali Investments, Volksfürsorge Vertriebsgesellschaft and reinsurance income of Generali Deutschland; starting from 2008 this is the figure used for calculating the economic result
3 including holding-company costs, income of Generali Investments, Volksfürsorge Vertriebsgesellschaft and reinsurance income of Generali Deutschland; this figure represents the full new business value of the Group and is shown here for comparison

In the property and casualty segment, too, the low level of interest rates involves a reduction of the normalized investment income and thus makes a major contribution to the decrease in the economic result. To a minor extent, the combined ratio rising

Capital management Overview

	2008 € m	2008 after recalculation* € m	2009 € m
EC life/health	3,939	3,895	4,156
EC property/casualty	1,120	1,280	1,229
EC financial services	200	186	284
EC total	**5,258**	**5,362**	**5,668**
EV total	**5,900**	**5,436**	**6,049**
Hybrid capital	213	213	232
Available risk-based capital (AC)	**6,113**	**5,649**	**6,280**
Ratio AC/EC	116.2%	105.4%	110.8%
Excess cover AC vs. EC	854	287	612

* taking into account model and methodology changes

1 based on the systems described on p. 58 f. of the Group Management Report

from 94.4 percent to 95.6 percent across the Group has an adverse impact while the other income and expenditure improves slightly.

Linking the economic results with the already calculated capital figures (EC and EV) leads to the key return figures indicated below.

The economic capital in the life and health segment amounts to 5.0 percent (previous year: 5.2 percent; 5.1 percent after recalculation) of the net underwriting reserves. The decrease in the economic result from € 487 m to 415 m leads to a reduction of the RoEC (related to the EC at the beginning of the business year) to 10.6 percent.

In the property and casualty segment the economic capital is 41.4 percent (previous year: 37.4 percent; 42.8 percent after recalculation) of net premiums earned. Also here the decrease in the economic result from € 226 m to 171 m leads to a reduction of the RoEC by 2.8 percentage points to 13.3 percent (related to the EC at the beginning of the business year).

In the financial services segment, however, the RoEC improved by 0.3 percentage points to 11.9 percent.

Across all segments, the return on economic capital (RoEC) thus amounts to 11.3 percent, thus decreasing by 2.9 percentage points compared to the previous year. The normalized return on embedded value (RoEV) dropped from 13.5 percent to 10.6 percent. Besides more prudent assumptions, this development is primarily due to the impact of low interest rates on our economic result.

On the other hand, overall profitability in the closed business year in terms of the return on embedded value (RoEV) shows a steep rise by 13.8 percentage points to 14.1 percent which besides the development in operating business also reflects extraordinary items.

Performance management
Property and casualty

	2008 € m	2008 after recalculation* € m	2009 € m
Net underwriting result	166	166	130
Balance of other income/ expenditure	-129	-129	-111
Normalized investment income	282	296	232
Economic result before tax	**320**	**333**	**251**
Normalized tax	-102	-107	-80
Economic result after tax	**217**	**226**	**171**

* taking into account model and methodology changes

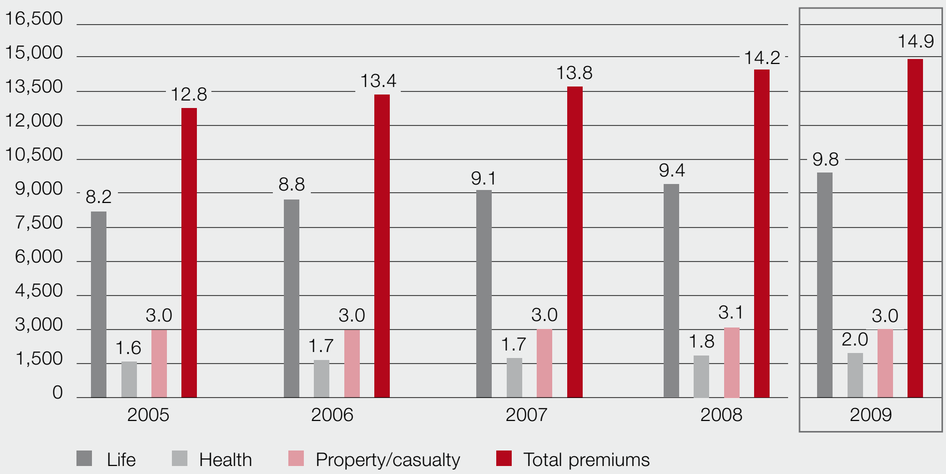
Performance management
Key return figures

	2008 %	2008 after recalculation* %	2009 %
RoEC life/health	12.1	13.6	10.6
RoEC property/casualty	18.2	16.1	13.3
RoEC financial services	10.1	11.6	11.9
RoEC total	**13.4**	**14.2**	**11.3**
Return on excess capital	3.2	3.2	2.9
RoEV normalized	**12.5**	**13.5**	**10.6**
Debt capital cost	-0.2	-0.2	-0.2
Extraordinary items (mainly investments and tax)	-8.7	-13.0	3.7
RoEV total	**3.6**	**0.3**	**14.1**

* taking into account model and methodology changes

Total premiums 2005–2009

Figures in € bn

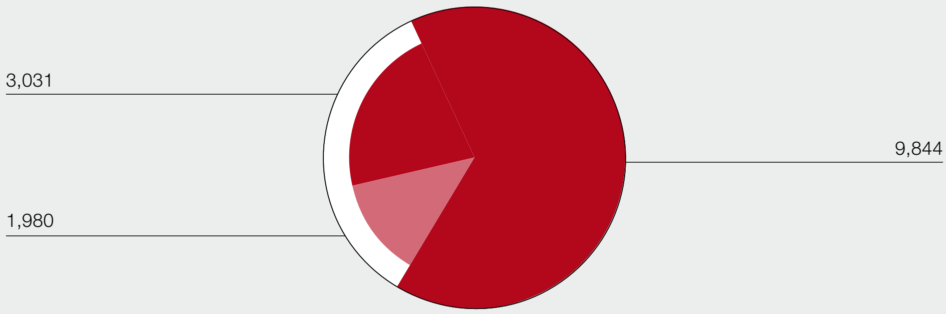


Growth of premium income since 2005

€ +2.1 bn

Total premiums of direct business 2009

Figures in € m



	Change over previous year
Life	+5.1 %
Health	+7.3 %
Property/casualty	-0.8 %

Total premium growth in 2009

+4.3 %

Chap. 2
Group Management Report

Pages 032 – 087

Economic environment in 2009

- For the time being, resolute measures of international central banks and governments warded off a steep and long recession in 2009.
- In the wake of a beginning economic recovery, international stock markets witnessed substantial price gains and bond markets saw a prevailing trend of higher yields.

After the noticeable slowdown of global growth in 2008, the year under report even saw a substantial decrease in growth – for the first time in 20 years – by 1.2 percent. In the first quarter of the year, the extent of the stagnation in demand was becoming increasingly evident with export-oriented industrial nations being particularly affected. Although – supported by the counter-measures initiated by central banks and governments – stabilization started, as expected, towards the middle of the year, this only compensated part of the previous decline. In Japan, total economic output contracted by more than 5 percent compared to the previous year.

In the eurozone and the U.S. figures fell short of the previous year's level by 3.9 and 2.4 percent respectively.

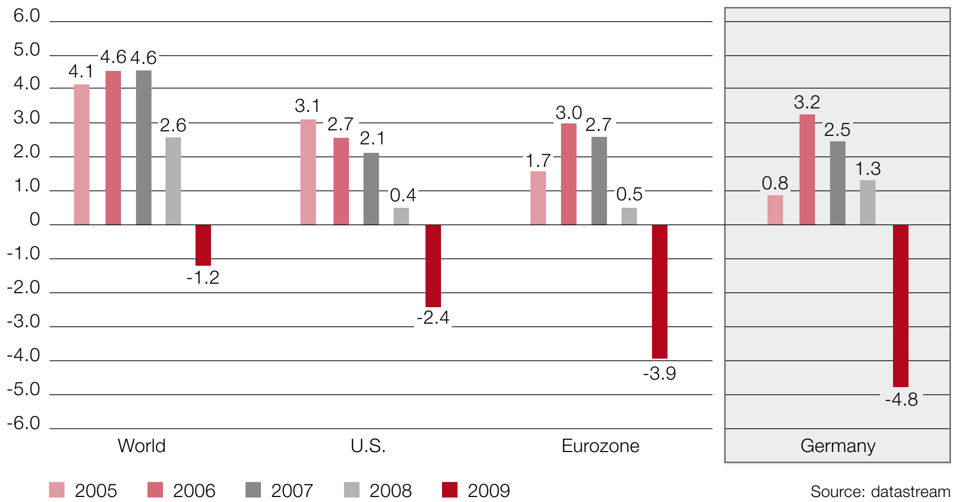
Within Europe, especially the German economy got under substantial pressure due to its relatively high share of exports. As a result, the gross domestic product (GDP) in Germany dropped by nearly 5 percent. The number one adverse factor was the sector of capital goods where demand for vehicles and machines declined. Job cuts remaining at a moderate level so far and relatively stable consumer demand contributed to preventing a worsening of the economic downturn. In addition, interest rates at historical lows and markedly lower energy and fuel prices than in the previous year had a stabilizing effect.

Decrease in overall economic output in Germany

-4.8 %

Economic growth in selected regions since 2005

Figures in %



Source: datastream

Yield development in selected asset classes[1]

	2005 %	2006 %	2007 %	2008 %	2009 %
Bonds[2]					
World	-6.9	6.1	11.0	10.9	2.6
U.S.	2.8	3.1	9.0	13.9	-3.7
Eurozone					
Government bonds	5.3	-0.4	1.9	9.5	4.5
Corporate bonds (not including financial instruments)	3.4	0.5	0.8	0.9	16.2
Shares[3]					
S&P 500	4.9	15.8	5.5	-37.0	26.5
DJ STOXX	26.7	20.8	2.4	-43.8	32.4
DAX	27.1	22.0	22.3	-40.4	23.8

1 local currency
2 total yield comprising regular interest and price change
3 performance indices

DAX performance in 2009

+23.8 %

Financial markets

In the light of the desolate situation in the financial industry and dire economic perspectives, the downward trend of international stock markets initially continued in the first quarter 2009. This was followed by a beginning tendency of stabilization in the financial sector and encouraging signals from the real economy which led to rising stock market prices starting from spring. Supported by extensive measures taken by central banks worldwide and the expectation that government stimulation packages would cushion the economic downturn, the upward trend continued until the end of the year. Besides, U.S. companies, in particular, succeeded in keeping the earnings decrease within narrow limits through substantial job cuts leading to lower unit labour costs. While the S&P 500 and the DJ STOXX witnessed a rise of 26.5 and 32.4 percent respectively, the Japanese stock market dropped noticeably. Not least as a result of the relatively steep economic decline, the Japanese TOPIX only witnessed a one-digit gain of 5.6 percent.

Although yields increased slightly in the course of the year, there is yet no sign of a reversal of the current low-interest environment in the bond market. The reasons for the upward movements were the prevention of a systemic crisis, which made government bonds substantially less attractive in comparison to more risky investments, and growing confidence in the course of the year that the global economy would see a moderate recovery. As a whole, the yield of the 10-year euro benchmark bond rose from nearly 3 percent to approximately 3.4 percent. In the U.S. the upward movement was much stronger, particularly in the first half of the year. Inflation worries in the wake of excessive state deficits drove yields upward. Compared to the previous year, the yield of the 10-year U.S. benchmark bond increased from slightly more than 2 percent to approximately 3.8 percent. At the short end of the curve, however, the influence of the low-interest policy prevailed. With 1 percent in the eurozone and 0.25 percent in the U.S., bank rates remained at historical lows at year-end 2009. Accordingly, curves continued to be particularly steep on either side of the Atlantic.

Interest-bearing securities entailing risks benefited in particular from the willingness of investors to accept risks and from the low interest level for short-term government bonds. Some risk premiums have already reached their average of many years and thus in many cases double-digit returns were achieved in the year 2009.

Insurance industry and financial services sector

- Despite the difficult economic environment, the German insurance market grew by 4.2 percent in the year 2009.
- Especially due to strong single-premium business in life insurance the market developed far better than expected early in 2009.
- Life and health insurers made a material contribution to market growth while the property and casualty insurers only achieved an increase slightly above the previous year's level.

In the year 2009, the German insurance industry witnessed robust market growth despite the difficult economic environment. According to preliminary figures, the member companies of the German Insurance Association (Gesamtverband der Deutschen Versicherungswirtschaft e.V. – GDV) achieved premium growth of about 4.2 percent (previous year: 1.0 percent). Total premium income across all lines and classes of business amounted to approx. € 171.4 bn (previous year: 164.5 bn).

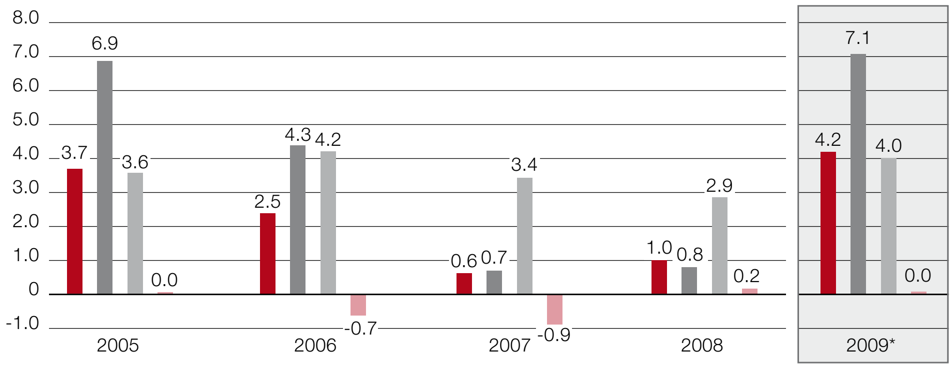
Also this year, this positive development was primarily attributable to life and health insurance. Contrary to what had been expected early in the year, the gross premiums written in life insurance business rose markedly by 7.1 percent to about € 85.3 bn (previous year: 79.6 bn). Without pension schemes and pension funds, premium growth was 6.7 percent (previous year: 1.1 percent). Strong single-premium new business turned out to be the central driver of robust growth, in particular due to demand for capitalization products and also for short-term pension and endowment policies. Also other factors, such as the commutation of corporate pensions, covers for accounts with accumulated working hours or the rise in Riester subsidies (due to the fourth incentive step 2008) and flexibility in making additional payments to long-term contracts of retirement provision, had a positive impact on business. As a whole, new business in terms of single premiums amounted to more than € 20.5 bn in 2009, which equals 60 percent growth over the previous year. Customers were noticeably reluctant, however, to take out contracts involving a long-term obligation of premium payment. After adjustment for the impact of the fourth Riester increase step, new business in terms of regular premiums dropped by approximately 7 percent from the previous year's level.

In 2009 the business development in private health insurance was again marked by the consequences of the healthcare reform. With effect from January 1, 2009 a basic tariff, under which applicants have to be accepted by insurers, was launched across the market and health insurance became obligatory. The 2009 premium income of health insurers was € 31.5 bn. This represents a growth of 4.0 percent over the previous year. Out of that amount, € 29.4 bn (+3.8 percent) were attributable to health insurance and € 2.1 bn (+6.6 percent) to long-term care insurance. Net new business in terms of full health covers was above the previous year's level and thus the number of insured persons with full health covers rose to about 8.75 million. Besides, at the end of the year more than 21.2 million persons had supplementary covers in addition to being insured with a public health fund.

Property and casualty insurance again remained nearly stagnant in 2009. After a small 0.2 percent growth in the previous year, the total premium income in this segment remained at the same level in 2009. As a whole, premium income amounted to € 54.6 bn. Motor insurance with a share of about 37 percent in premium income has a crucial influence on the development of property and casualty insurance. In 2009, the fifth consecutive year of decreasing premium income, motor insurers saw premiums con-

Premium growth of the German insurance industry by lines of business 2005–2009

Figures in %



Sources: GDV and company calculations

* preliminary figures

including pension schemes and pension funds

The highest 2009 premium growth in the German insurance industry was achieved by the life insurers

+7.1%

2009 premium income of the German insurance industry by lines of business

	Premium income € bn	Change over prev. year %
Life insurance	**85.3**	**7.1**
Private health insurance	**31.5**	**4.0**
Property and casualty insurance*	**54.6**	**0.0**
Motor insurance	20.1	-1.5
Property insurance for retail customers	7.8	3.0
General liability insurance	6.8	0.0
Personal accident insurance	6.4	1.0
Legal expenses insurance	3.2	0.0
Other classes	10.3	0.1
Total insurance	**171.4**	**4.2**

* German direct business; not including nuclear, aviation and professional indemnity insurance

German market, preliminary figures

Sources: GDV and company calculations

Rising premium income for private health insurers

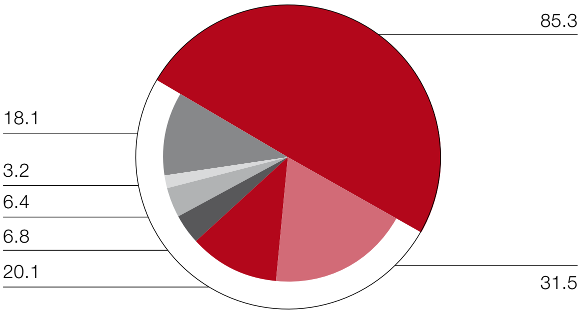
€ 31.5 bn

tracting by 1.5 percent. Although the decline was less strong than in the previous year, there was no positive development, either, as the average price level continued to decrease and growth from business in force remained relatively small. The other property/casualty classes did not witness any noticeable premium growth, either. Merely property insurance for retail customers rose by 3.0 percent, which includes homeowners insurance with a premium growth of 5.0 percent (previous year: 7.3 percent). Personal accident insurance rose slightly by 1.0 percent (previous year: 0.7 percent) while general liability and legal expenses insurance only reached the previous year's level of premium income.

After the exceptional year 2008, which had been the second best in the history of building societies

2009 premium income of the German insurance industry by lines of business

Figures in € bn



Source: GDV

Property and casualty insurance

- Motor
- General liability
- Personal accident
- Legal expenses
- Other

- **Life**
- **Health**

0.0 %

Premiums in property and casualty insurance at previous year's level

– primarily as a result of the financial market crisis and the law amendments regarding subsidies for the construction of residential property –, business in this line calmed down in the year under report.

The submitted new business of private-sector building societies thus dropped to about 2,007,000 contracts (previous year: about 2,700,000) equalling target contract sums of € 60.5 bn (previous year: 72.2 bn). The new business actually recognized was more than 1,987,000 contracts (previous year: about 2,355,000) with target contract sums of € 56.0 bn (previous year: 62.8 bn).

As a result, the market share of private-sector building societies in new business remained unchanged at about two thirds.

The new savings investments of these companies reached € 16.3 bn (previous year: 15.7 bn). Building loans paid out to customers dropped to € 24.4 bn (previous year: 30.8 bn).

Development focus of the Generali Deutschland Group

- Strong brands and the diversity of distribution channels are the basis for the excellent position of the Generali Deutschland Group in the market.
- The concentration on profitable business with retail customers as well as small to medium-sized commercial clients and an efficient organization are the cornerstones of the Group's business success.
- The strategic positioning of the Generali Deutschland Group ensures a clear focus on its customers and on the requirements of its markets.

Successful business model

The foundations for the successful development of the Generali Deutschland Group are the diversity of its distribution channels and the concentration on strong brands. At the same time these are the most important features by which we distinguish ourselves from our competitors. Other key factors for the success of the Group are the focus on profitable business with retail customers as well as small to medium-sized commercial clients and an efficient organization. The strategic framework of the Group's development consists in combining a big unit with diversified distribution channels and a strong brand portfolio geared to these channels. In this context, the allocation of roles between Generali Deutschland Holding and the Group companies has been clearly defined. Generali Deutschland determines the Group's strategic development, creates synergies and coordinates business activities. The Group companies operating in the market are in charge of customer acquisition, customer retention and customer service and they are in particular responsible for their distribution and corporate-brand activities. The rendering of important services for the Group is concentrated in the service companies.

Our strategy is centred on exploiting the diversity of our distribution channels. Our distribution model is composed of three pillars: the multi-channel distribution of Generali Versicherungen, the exclusive distribution activities of AachenMünchener through its close strategic partnership with Deutsche Vermögensberatung and direct selling through CosmosDirekt as the market leader in this segment. Besides, we continue to focus on the strength and competency of our specialized companies Advocard, Badenia, Central, Dialog and Generali Investments. The diversity of these company profiles enables us to respond to a large variety of customer and market requirements. This means, on the one hand, that the Group has a very broadly based customer access and, on the other hand, that harmonized standards in the segments and the strong leadership through Generali Deutschland as the management-holding company lead to a cost-efficient cooperation within the Group.

Furthermore, thanks to our integration into the programmes of the Generali Group operating worldwide, we benefit from the economies of scale involved in an international group. We make use of international benchmark analyses and benefit from the Group's expertise.

Successful strategic partnership with Deutsche Vermögensberatung

For more than 30 years, Deutsche Vermögensberatung with its more than 37,000 financial advisors has been a major factor guaranteeing the success of the Generali Deutschland Group. With its enormous distribution strength as one of the leading autonomous sales organizations for financial services it makes a vital contribution to the continuous growth of our Group. The outstanding success of Deutsche Vermögensberatung is to a very large extent attributable to the Pohl family and based on the company's management as a family-owned enterprise and on its financial advisors who are excellently trained and qualified and have a strong advisory competency. We are convinced that these elements are vital for the further successful development of Deutsche Vermögensberatung and they are therefore consistently supported by the Generali Deutschland Group. Against this background the Pohl family, which used to hold somewhat more than 50 percent of the shares of Deutsche Vermögensberatung, reinforced its stake in the company by means of a capital increase of approximately 10 percentage points to slightly over 60 percent. Generali Deutschland continues to hold approximately 40 percent and is the sole shareholding partner of the family. This step has assured and underpinned the orientation and further development of Deutsche Vermögensberatung as a family-led enterprise.

Generali Versicherungen one of the major players in the German insurance industry

Measures aimed at reaching ambitious targets

With its strategic orientation and the consistent implementation of its business model the Generali Deutschland Group is very well positioned as the second-largest primary insurance group in the German market. For the coming years we have further ambitious targets: as a Group of companies we are set to become the number 1 in profitability and distribution strength in the German market for retail customers and small to medium-sized commercial clients. In order to reach this challenging goal and to keep raising our competitiveness we again initiated and implemented extensive projects in 2009.

The focus of our activities was on the projects within the scope of the operations of Generali and Volksfürsorge Versicherungen merged at the beginning of the year. In addition, our project work was centred on developing a web-based advice and pricing portal to support our distribution partners. Furthermore extensive measures were initiated or completed with the aim to further enhance the proximity of our Group companies to markets and customers and to sustainably increase profitability.

Integration of the newly established Generali Versicherungen

With the merger of Generali and Volksfürsorge Versicherungen one of the most important projects of the Group has been successfully implemented. Already at the year-turn 2008/2009 the merger was completed under legal, organizational and major technical aspects. After the merger, Generali Versicherungen with its more than 6 million customers and over € 5 bn of premium income is one of the major players in the German insurance industry. In order to realize additional synergies and thereby enhance the competitiveness of Generali Versicherungen, a comprehensive activity programme was launched and pursued by means of consistent project work. The programme consolidates a variety of measures aiming, for instance, to increase the reinvestment level of maturity benefits in life insurance or to develop a differentiated growth strategy in corporate pension business. Besides, the programme also resumes some activities left to be handled under the merger process of Generali and Volksfürsorge Versicherungen. Another project focus within the scope of the merger was the preparation and implementation of the IT migration of the portfolio and claims systems in property and casualty insurance. Within the scope of this major project, the final migration was successfully completed, as scheduled, by year-end 2009 thanks to the work of up to 800 employees from the IT and business areas and to intensive testing activities. This will enable the company to provide its customers and distribution partners with an even better service from one single point of contact while simultaneously creating the basis for cost cuts in the running operation.

The transfer of the traditional sales network of Volksfürsorge Versicherungen to the newly founded Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte with effect from January 1, 2009 also proceeded smoothly. The company with a historical focus on distribution through employed intermediaries, in particular of life policies, closed its first business year successfully, despite the difficult economic environment.

Development of an online platform for distribution

Another project is concerned with developing a web-based advice and pricing portal making available all application modules of relevance for distribution. The target is to support our distribution partners by a comprehensive functional representation of all distribution processes, by making available up-to-date and consistent information and by putting sales staff in a position to provide service under which processes can be handled conclusively. In the future, agencies will, for instance, dispose of comprehensive online information – i.e. independent of time and place – on sales support, pricing elements, facilities for managing portfolios and claims as well as office organization systems. Thanks to extensive project activities, online pricing modules were already made available for the first lines of business at year-end 2009.

Sales partners supported by online pricing features

Focus on developing customers and markets

In addition to the mentioned activities at Group level, the individual Group companies have been pushing numerous further measures which concentrate on developing customers and markets.

By transferring its distribution network to our strategic partner Deutsche Vermögensberatung AG, AachenMünchener has focussed even more consistently in recent years on the three core competencies of product development, customer service and sales support. In 2009 this development was further pursued by intensifying the linking of the processes between both partners. Thanks to these measures, the advantages of this mutually exclusive partnership can be exploited even better.

Our direct-selling insurer CosmosDirekt has launched an extensive activity programme to further improve the quality experienced by its customers. Among others, this involves an enhancement of the use of the Internet. This programme aims to give optimum support to customers by professional advice, personalized information and comprehensive service tools.

The health insurer Central has taken a variety of measures to position itself even better in the market as a healthcare specialist. In the year under report, the company initiated various initiatives to enhance its policyholders' quality of life, such as measures preventing diabetes and cardiovascular diseases. The reinforcement of the brand was, among others, accompanied by a new website with a personalized portal, a revision of its mission statement and communication measures in various media.

Furthermore, at year-end 2009 we set up a project across the Group aiming to intensify the realization of business potentials within the scope of cross-selling activities.

Restructuring of locations

In June 2009 we transferred the Group head office of the Generali Deutschland Group from Aachen to Cologne. One important aspect for this decision was the central position of the city and the better transport connections to the other big locations of Munich, Hamburg, Saarbrücken, Karlsruhe and Augsburg. In addition, Cologne as the second-largest location of the German insurance industry is also an important factor for winning new employees as this location markedly enhances our attractiveness as an employer.

About 230 employees of Generali Deutschland Holding AG are now working in the centre of the city. In addition to the holding company, our asset management companies for securities and real estate also have their offices in the new building in Tunisstrasse. Furthermore our new head office is used as a conference centre for our Group having operations across Germany.

Development focus in the business fields

Life insurance

In life insurance, the Generali Deutschland Group holds top positions in the market. Especially in the business fields of private provision for old age, which require intensive customer advice, our Group is among the market leaders. In Riester and basic pension business we have top rankings in market comparisons.

Amid the financial and economic crisis, consumers tended to take a reluctant approach in 2009. This particularly affected products providing for old age. Due to recession fears, people rather postponed major investments or long-term contractual obligations. But the crisis and a sentiment of general insecurity have also led to a situation where the value of "security" is increasingly appreciated again. People are becoming more and more aware that it is of much importance to take out crisis-proof provision for existential risks, such as premature death or occupational disability, as well as retirement savings. We have positioned ourselves accordingly in this field.

The life insurers of our Group are continuously adjusting their product range of pure term life insurance to current market developments. We offer our customers tailored cover with a differentiated pricing and we reward health-conscious behaviour with lower premiums. In occupational disability insurance we also have differentiated risk-adjusted premiums for smokers and non-smokers. The fact that the retirement age has been raised to 67 years is taken into account by our providing the possibility of insuring occupational disability up to the age of 67. For young people we have special starter products with low initial premiums allowing them to take out cover for their existential risks already at an early stage. In combination with endowment and pension insurance products, this flexibility makes it possible for young people to cover these risks already when starting their career and founding a family, without having to neglect building up their old-age provision.

Beyond this, we offer a complete line of traditional and unit-linked basic-pension products for all customer requirements. The products also include solutions which are particularly attractive for people close to retirement age, such as short deferral periods, basic pensions for single premiums and basic pensions with immediate pension payment. It is also possible to include covers for surviving dependants and for occupational disability which will also give customers the benefit of tax breaks. Similar to the development in the market, our life insurers, too, sold less basic pension policies in 2009 than in the previous year. This is attributable to insecurity among consumers amid the economic downturn. Nevertheless we were in a position to sell over 51,000 basic pension policies representing an amount of € 102.7 m in terms of regular premiums and € 66.2 m in terms of single premiums. We have thus reached a business in force of almost 215,000 basic pension policies with regular annual premiums of more than € 350 m.

Thanks to our very strong market position in Riester business we benefited over-proportionately from the fourth incentive step in 2008. Against this level, new business in 2009 witnessed a decrease, as expected. Demand, however, continues to be strong for unit-linked Riester policies with dynamic investments offering better return opportunities to customers while maintaining the guarantee level. This contributed substantially to our selling more than 218,000 new Riester policies in the year 2009. As at December 31, 2009 the portfolio of sold Riester policies rose to 1.75 million contracts.

1.75 m Riester contracts

In corporate pension insurance, the Generali Deutschland Group is a competent partner for all vehicles of this business. Our insurance companies continue to provide innovative solutions involving advantages for both employees and employers. The Generali Deutschland Group's activity of covering accounts with accumulated working hours also witnessed a very good development in 2009. Generali Deutschland SicherungsManagement (SiMa) has meanwhile become one of the leading providers in this market managing a covered accounts volume of about € 740 m (previous year: 520 m).

In September the former AMB Generali Pensionsfonds AG was merged with PENSOR Pensionsfonds AG. The newly created company now operates as Generali Deutschland Pensor Pensionsfonds AG. The head office is in Frankfurt. Already since the merger of Generali and Volksfürsorge Versicherungen at the beginning of the year 2009 the two pension funds had intensified their cooperation and had illustrated this by the staffing of their corporate bodies. PENSOR Pensionsfonds is among the pioneers of German pension funds and was the first pension fund operating across trades in Germany. The AMB Generali Pensionsfonds established in 2002 is also one of the big players in this business segment and is serviced by the staff of the competence centre for employee benefits of Generali Lebensversicherung AG in Frankfurt. The merged company has investments of more than € 250 m. The merger of the pension funds provides us with the necessary basis to position ourselves even more strongly than before as a competent partner for corporate retirement provision and to offer innovative solutions to companies for the financing of corporate pension schemes.

In endowment and pension insurance the life companies of the Generali Deutschland Group provide flexible products of individual provision. For every customer we have a product with a suitable return and risk profile. The range comprises traditional covers, unit-linked policies with guarantees of the life insurers or, upon customers' request, with guarantee funds of Generali Investments or DWS, for instance, as well as pure unit-linked pension insurance without a guarantee. In October 2009 the fourth fund of the GaranT guarantee fund family was issued as scheduled. A new element within the product range of AachenMünchener is a DWS fund primarily investing in inflation-resistant property values. Customers obtain individual advice from our sales networks with regard to the risk and return profile matching their situation. In January 2010 Generali Versicherung launched an innovative unit-linked pension cover which benefits from the yield opportunities of capital markets by applying state-of-the-art hedging strategies.

The rising level of single premiums across the life insurance market shows that investors are becoming increasingly aware of the value of security involved in life insurance products. For the reinvestment of maturity benefits, flexible solutions in terms of insurance and deposits are being offered.

New market potential is opening up for us in the business field of long-term care. Here it is foreseeable that the state-run scheme of long-term care will run into financial problems in the coming years due to the demographic development while the need for care services will rise in our ageing society. Although the population is well aware of the need to provide for long-term care, this is not yet reflected in the level of contracts concluded. Therefore the life insurers of the Generali Deutschland Group also offer the option for customers to take out a long-term care cover at a later date based on the present state of health.

Health insurance

Starting from January 2009 it is obligatory for everybody in Germany to have a health insurance cover. Persons who used to have a private health policy in the past have to take out private cover again starting from 2009. If they do not fulfil this obligation and fall ill they will have to pay the premiums in arrears. Besides, in 2009 a basic tariff was introduced in private health insurance at uniform conditions across the market which provides cover at the level of public health insurance and does not require a health check. The previous German government had imposed the basic tariff on the private health insurance industry within the scope of the Act on Enhancing Competition (Wettbewerbsstärkungsgesetz – WSG) and had high expectations regarding this tariff. The demand for this policy, however, is not in line with the level that had been expected: by September 2009 only 12,330 persons had taken out a basic tariff across the market. The private health insurance industry raised a complaint against the WSG. Although that complaint was rejected by the Federal Constitutional Court, the court stated that under the German two-tier healthcare system private health insurance had a constitutional guarantee and that legislation was under the obligation to ensure that the WSG would not lead to unreasonable consequences for persons with full health covers and private health insurers.

Central health insurer continues to grow despite difficult market environment

Despite a difficult political and economic environment in 2009, our health insurer Central was in a position to pursue its growth development and will reach new business noticeably above the market average in individual insurance. Issued new business of € 231.6 m in terms of annual premiums written is at the highest level in the nearly 100-year history of the company. This success is attributable to multi-channel distribution with a strong advisory competency, to numerous sales campaigns in the year under report and to a high-quality product portfolio. In the middle of 2009 Central Krankenversicherung launched a full-health product with a modular structure, which has already obtained various distinctions from media and rating agencies only a couple of months after its introduction.

Since 2004 already, public health funds and private health insurers have been allowed to cooperate. Since then Generali Deutschland has been operating in the cooperation market with its specialized insurer Envivas. The cooperation partner is Techniker Krankenkasse (TK), one of the leading public health funds in Germany which has for years been distinguishing itself from the market by good service and high customer satisfaction. In 2009, "Focus Money" magazine awarded to TK the distinction of being the best public health fund in Germany for the fourth consecutive time. Envivas offers supplementary covers to the members of TK in line with their requirements and representing a perfect addition to their public health insurance. With its broad range of products and individual tariffs, which are being consistently enhanced, Envivas is one of the most successful companies in the cooperation market: in the year 2009 the company won about 170,000 new policyholders (including travel health insurance).

Property and casualty insurance

The strategy of the Generali Deutschland Group in property and casualty insurance is focused on a return-oriented underwriting policy and the selective reinforcement of profitable business fields. In this context, the Group companies gear their activities and products directly to the requirements of their customers. Our distribution and company resources are consistently directed to those areas helping us to achieve our ambitious targets. This activity was also successfully pursued by us in 2009.

Retail business in property and casualty insurance continues to be characterized by high price-sensitivity of consumers and market saturation. This leads to an intensification of keen competition for customers in the market. We respond to this situation by launching new tariffs in the retail lines. The enhancement of our product range is a continuous process aiming to align even better to the requirements of customers thus obtaining unique selling propositions distinguishing ourselves from our competitors.

In the middle of the year, AachenMünchener and Generali Versicherung introduced attractive new business tariffs in the motor market. These are focused on extending benefits in line with the various requirements of customers and sales networks. CosmosDirekt launched a motor insurance campaign pushing this business with portfolio customers.

In garage management the companies of the Generali Deutschland Group have been cooperating with HUK-Coburg since end-March 2009 and have been using the HUK-Coburg garage network, which is the most dense in Germany, for repairs of motor accident damage. A total of 1,200 specialist garages are available to the customers of the Group for providing professional service at top conditions. The Group's customers benefit from a high quality of service and repairs. The partner garages are continuously checked by DEKRA, the independent organization of claims experts. Besides, a five-year guarantee is granted for repairs, for which only original spare parts are used, and any existing manufacturer guarantees are accepted. The new cooperation is an important factor in sustainably strengthening our competitive position in motor insurance; as an element of claims management it is also key to a further enhancement of customer service and to the reduction of claims expenses. By means of this strategic partnership, the Generali Deutschland Group is well prepared to face fierce competition in motor insurance also in the future.

> Generali Deutschland disposes of the most dense garage network for the repair of motor accident damage

In property and casualty insurance, the focus was on the integration and harmonization of the existing product worlds of Generali and Volksfürsorge Versicherungen. By harmonizing these product worlds we can realize synergies while at the same time improving the benefits for customers due to enhancements regarding the scope of covers in householders, general liability, personal accident and homeowners insurance.

Already at the beginning of the year, AachenMünchener launched a fully revised and improved range of corporate liability products. The company thus enhanced the saleability of its products in this line of business by largely offering covers without deductibles and by including new cover elements.

Growing customer demand for comprehensive insurance packages was also taken into account by further developing the assistance modules in CosmosDirekt, in particular in personal accident insurance.

Deutsche Bausparkasse Badenia

As the specialist for the financing of residential property, Deutsche Bausparkasse Badenia completes the Generali Deutschland Group's range of integrated financial services with its savings contracts, mortgages, Riester savings contracts for residential property and investment products, thereby making an important contribution to retaining customers. In the year under report, Badenia extended its range of Riester products for residential property. Since August 2009 the building society has been offering constant loans in line with the requirements of the Act on Residential Property as a means of retirement provision, in addition to building-society contracts and property loans on an annuity basis.

The ELSE project – the name standing for the first letters of the German adjectives Einfach (simple), Leistungsstark (strongly performant), Schnell (fast) and Ertragsorientiert (profitability-oriented) – was further pushed in 2009, too. The focus of this project is on the simplification and acceleration of internal processes to the benefit of sales forces and end-customers.

Deutsche Bausparkasse Badenia is Generali Deutschland's specialist for the financing of residential property

In the year under report, product activities concentrated on the automation of loan processes, in particular with the aim to accelerate loan granting. Important milestones have been reached. Thanks to the automation of verification and handling processes, the procedures for loans both with and without collateral were further accelerated.

Reinsurance

Within the Group, Generali Deutschland has the function of an internal reinsurer. It assumes the treaty reinsurance business of the Group companies and manages the external reinsurance requirements. Due to its activities as internal reinsurer, Generali Deutschland is in a position to benefit from diversification between the segments of life, health, property and casualty business and between the individual companies of the Group. For this reason and due to the fact that the property/casualty business of the Generali Deutschland Group is concentrated on retail customers as well as small to medium-sized commercial businesses, the Group is able to hold a high retention. On a consolidated basis the retention of the Generali Deutschland Group in property/casualty business is more than 97 percent, while the market average is approximately 80 percent. The treaties concluded with reinsurers of a good credit standing protect our Group against major claims, claims accumulations and natural catastrophes.

The Group's retention is far above the market average

97 %

Property management

As the asset manager for the property asset class, Generali Deutschland Immobilien has been pushing the enhancement and implementation of the portfolio strategy. In line with the development on national and international property markets, the activities of the year under report were focused on an active portfolio management of both direct and indirect property investments. In order to implement this strategic alignment, the company's organizational structure was changed with a view to customer orientation in all areas.

The cooperation with the new partners in property management commissioned in 2008 developed successfully and made a positive contribution to the performance for our customers.

Optimization of business processes and operations

In the year under report, the Generali Deutschland Group continued its activities to harmonize and optimize its business processes.

The AGIL methodology (Advanced Generali Improvement Levers) was successfully pushed with the target of enhancing QUALIFICIENCY (quality and efficiency). As a whole, more than 80 projects were successfully completed in 2009. Since the launch of this programme, more than 220 managers and employees were trained in this methodology which is certified by the German technical inspection agency TÜV. We have developed and further embedded a Group business architecture as the basis for successful process management. Under this architecture all business processes and the corresponding responsibilities are clearly defined.

Group benchmarking as an important approach for a continuous improvement of processes has been integrated into the Group planning process. Besides the measures aimed to increase productivity and efficiency, the recommendation index "Weiterempfehlungsindex" (WIN) was developed and implemented as a pilot to provide impulses for the derivation of further measures increasing the satisfaction of customers.

The Generali Deutschland Group establishes an Environment and Sustainability Committee

Sustainability

As one of the leading insurance groups in Germany, the Generali Deutschland Group has established a sustainable strategy for assuming its social and ecological responsibility. For that purpose we have set up an Environment and Sustainability Committee which defines and controls all activities related to sustainability across the Group.

Environmental protection

In addition to our strong social commitment we launched a large number of initiatives with an ecological orientation focussing on the reduction of our greenhouse gas emissions, on enhancing purchasing activities which preserve natural resources and on encouraging an eco-efficient facility management. In this context we will be setting new standards by obtaining 100 percent of our current for all our companies from the regenerative source of hydropower starting from 2010. In addition we aim to markedly cut our energy consumption in the next three years. A major factor for the success of these measures will be improvements in the data centre of our Group, among others. Together with our participation in the GoGreen offer of Deutsche Post/DHL, i.e. dispatching about 85 million pieces of mail every year in a carbon neutral way, and the agreement with Deutsche Bahn for carbon-neutral rail travel by our employees we will thus achieve a substantial decrease in our greenhouse gas emissions already in 2010 compared to previous years.

In addition, in order to further professionalize the environmental management of the Group, we appointed a full-time environment and sustainability manager on October 1, 2009. The main tasks of this manager are the continuous adjustment of the environmental strategy tailored to Generali Deutschland, taking into account the economic, ecological and social requirements of sustainability.

Social commitment

Generali Deutschland Holding AG has established the Generali Future Fund as a sustainable instrument for responding to the company's corporate social responsibility. The company continues a tradition established in 1825 and has placed its social responsibility activities under the headline "Demographic change – a common challenge". We encourage volunteering activities through the Generali Future Fund. In doing so, we focus on elderly people as this group of persons is becoming increasingly bigger and has a great potential of experience, time and energy. In addition, we promote local projects in the fields of science, culture, education, environment, healthcare and society.

Business development of the Generali Deutschland Group

- The Generali Deutschland Group was in a position to substantially increase its earnings to € 341 m.
- Despite further write-downs on financial-market instruments, a net investment income of € 3,038 m (previous year: 858 m) was achieved.
- Total premiums rose by 4.3 percent to € 14,850 m.

Overall business

Our report on the business development of the Group is divided into two parts. The chapter "overall business" describes the business performance of the Generali Deutschland Group as an economic unit on the basis of consolidated figures. This is followed by segment reporting on the development in the segments of life and health insurance, property and casualty insurance and financial services. In segment reporting, relationships are only eliminated within one and the same segment. Therefore an addition of the amounts indicated in segment reporting does not lead to the figures stated in the consolidated balance sheet and income statement.

In the closed business year, the German insurance industry was faced with a variety of challenges. While early in the year, stock-markets dropped further thus continuing the development witnessed towards the end of 2008, they rose markedly starting from the middle of the second quarter and closed the business year with substantial price gains. For the insurance industry, which has to fulfil its obligations towards policyholders any time, this meant that hedging measures needed to be taken against a decline of financial markets. Furthermore, insurance companies had to exploit yield opportunities within the scope of high capital-market volatilities in order to earn the best possible return for both policyholders and shareholders. Despite this challenging environment, the Generali Deutschland Group was in a position to get safely through the financial crisis, which is also attributable to its sound financial strength. This is reflected by a substantially higher net investment income and by a marked rise of hidden reserves.

Positive new business development achieved amid financial crisis and recession

Amid noticeable uncertainty among policyholders with regard to the consequences of the economic and financial crisis, sales networks were also facing a difficult challenge. Consumers were generally reluctant to accept long-term contractual obligations in times of financial crisis and recession. Nevertheless the Generali Deutschland Group posted a positive development of its new business. Although, as expected, the life insurers achieved a lower level of regular new business premiums compared to the year 2008 in which the 4th incentive step for Riester contracts had come into force, this decrease was more than compensated by a rise in single premiums. Amid unabated discussions about the future of private health insurance in the election year 2009, our health insurers reached an excellent new business markedly above the level of the previous year. As expected, the property and casualty insurers operated in a highly competitive environment and therefore gross premiums written decreased slightly.

The earnings of the Generali Deutschland Group witnessed a positive development: in the business year 2009 the Group increased its net profit markedly to € 341 m while in the previous year the Group had only posted a net profit of € 4 m as a result of the financial crisis. The substantial rise was primarily attributable to the recovery of capital markets since spring and the substantially lower level of write-downs on financial instruments compared to the previous year.

The total premiums of the Generali Deutschland Group rose by 4.3 percent to € 14,850 m, which is in line with the provisional market figures. Again, the main driver of this increase was the life and health insurance segment. The Group's life insurers reached a growth of their total premiums – including the savings portions of the corresponding life insurance products – by 5.4 percent to € 9,834 m. Adjusted for the savings portions, gross premiums written even increased by 5.7 percent to € 7,403 m. The premiums of the Group's health insurers also experienced a positive development and rose by 7.3 percent to € 1,980 m. This is attributable to the excellent distribution performance leading to an increase in the number of persons with a full health cover by almost 50,000 to nearly 500,000. The gross premiums written in the property and casualty segment decreased slightly, as expected, to € 3,036 m (previous year: 3,063 m). This reflected persistently keen price competition, particularly in motor insurance.

€ 341 m

Substantial increase in Group net profit

In the year 2009 financial markets were characterized by two contrasting developments. While the first quarter was affected by the consequences of the capital market crisis in the form of plummeting share prices, stock markets recovered noticeably in the further course of the year. For the full year, stock-market prices even achieved noticeable gains and the credit-quality premiums for fixed-income securities normalized.

The Generali Deutschland Group, too, was in a position to substantially reduce the required write-downs on dividend-bearing securities compared to the previous year because after the price drops already accounted for in the first quarter, the further course of the year only saw a minor level of necessary write-downs. Furthermore we benefited from friendly stock-market sentiment to reduce our equity portfolios. As a whole, we achieved a markedly improved level of realized capital gains despite higher losses from hedging transactions.

Net investment income rises from € 858 m to 3,038 m

New investments were made in particular in first-class corporate bonds and European mortgage bonds. This also enabled us to reduce our portfolio of low-interest liquidity.

Due to a noticeable decrease of dividend payments in the wake of the financial market crisis and to the very low level of short-term interest in the money market, ordinary investment income (net) dropped by € 249 m to 3,238 m. As a whole, the Generali Deutschland Group achieved a net investment income of € 3,038 m (previous year: 858 m) as at December 31, 2009.

The financing resources of the Generali Deutschland Group comprise, first of all, the Group equity whose components are indicated and explained on p. 96 f. Another important capital element – due to the fact that premiums are paid in advance and as a result of the accumulation process in life insurance – are underwriting liabilities. Furthermore, the capital structure of an insurance enterprise also includes the free provision for premium refunds which, in its function as a cushion to equalize annual profit bonuses, consists of the profit shares not yet allocated. Apart from the loan to finance the acquisition of the stake

Overall business

	2009 € m	2008 € m
Total premiums[1]	14,850	14,240
Gross premiums written	12,419	11,908
Investment income (net)	3,038	858
Ordinary investment income (net)	3,238	3,487
Claims and benefits (net)	-11,584	-9,083
Operating expenses (net)	-2,536	-2,621
Expense ratio in %	17.4	18.7
Earnings before tax and finance costs	499	-4
Finance costs	-16	-17
Tax	-142	25
Net profit[2]	341	4
of which attributable to the Group[3]	327	2
of which attributable to minority interests	13	2
Other comprehensive income	201	-183
Total comprehensive income[2]	542	-179
	2009 € m	**2008** € m
Investments[4]	90,222	83,550
Assets under management[4]	92,621	84,973
Equity	4,024	3,753
Unrealized capital gains not recognized in income[2,5]	463	269
Underwriting provisions[4]	87,740	81,254

Increase in total premiums over previous year

+4.3 %

1 before deduction of savings portions included in premiums
2 including minority interests
3 corresponds to the line item on the Income Statement “of which attributable to the equity holders of the parent”
4 including amounts attributable to unit-linked insurance
5 after deduction of deferred tax and deferred expenditure for premium refunds

in Central, the Group has debt capital in the classical sense only in Deutsche Bausparkasse Badenia in the form of loans taken up, as is common practice in the industry.

The strong increase in single premiums involving an allocation to the provision for future policy benefits and the higher net investment income led to a substantial rise of claims and benefits by € 2,501 m to a total of 11,584 m. This was primarily attributable to the life sub-segment where claims and benefits rose by € 2,193 m to 7,656 m. In the health sub-segment, claims and benefits increased to € 1,976 m (previous year: 1,690 m), in particular due to the higher portfolio of persons with a full health cover. The property and casualty segment saw a minor increase in claims by 1.2 percent to € 1,952 m, although claims caused by natural perils remained markedly below the level of the previous year. This is mainly attributable to a higher level of individual claims, also in the context of the severe winter early in 2009, and also to the adverse impact of recession in Germany which led to a higher number of claims in legal expenses insurance.

Operating expenses witnessed a positive development and dropped by 3.2 percent to € 2,536 m. This reduction was also due to the decrease in acquisition costs related to a higher premium income. As a whole, the expense ratio thus improved to 17.4 percent at year-end (previous year: 18.7 percent).

Assets under management

€ 92.6 bn

Assets under management

	Carrying amount 2009 € m	Fair value 2009 € m	Carrying amount 2008 € m	Fair value 2008 € m
Land and buildings	2,276	2,420	2,285	2,495
Shares in associated enterprises	513	513	526	526
Loans and receivables	39,392	40,692	41,141	41,686
Financial assets available for sale	36,759	36,759	31,173	31,173
Financial assets at fair value through profit or loss	858	858	1,062	1,062
Investments	**79,798**	**81,242**	**76,188**	**76,942**
Investments of unit-linked insurance		10,424		7,362
Current-account balances with credit institutions, cheques, cash in hand		955		669
Assets under management		**92,621**		**84,973**

After extraordinary expenditure in the previous year, the other income and expenditure improved by € 245 m to -514 m.

In the business year 2009 the Generali Deutschland Group achieved earnings before tax and finance costs of € 499 m (previous year: -4 m). This strong rise was primarily attributable to the substantial improvement of net investment income. Both in the previous year and the business year tax expenditure was marked by high tax refunds for previous years, tax-free income and expenditure not recognized for tax purposes. As a result, the increase in earnings-related tax was limited with the tax charge amounting to € 142 m. After tax and finance costs, the net profit of the Generali Deutschland Group increased to € 341 m (previous year: 4 m).

This year we post a total comprehensive income as required by IAS 1 for the first time. In addition to the net profit for the Group, the total comprehensive income also includes other comprehensive income of an amount of € 201 m (previous year: -183 m) which is recognized in equity without an impact on income. The major component of that item is the change of the revaluation reserve.

The amount of that reserve increased to € 463 m (December 31, 2008: 269 m). This reflects both the positive development of stock markets and the price gains of fixed-income securities. Furthermore, the write-downs made in the course of the year led to an improvement of the reserve position while the realization of reserves through disposals had a diminishing impact.

As a whole, the total comprehensive income for 2009 amounted to € 542 m (previous year: -179 m).

Life and health insurance segment

Life

The new business of our life insurers in the closed business year, like the entire market, was characterized by a rising share of single premium income. New business as a whole rose by € 304 m, i.e. 14.0 percent, to € 2,478 m. New business in terms of single premiums increased from € 1,074 m to 1,622 m. As expected, new business in terms of regular premiums dropped from € 1,100 m to 856 m, which was primarily attributable to the fourth Riester increase step in the previous year.

The sums insured under business in force rose from € 403,849 m to 415,581 m.

Gross premiums written, without the savings portions of the relevant life insurance products, increased by 5.4 percent to € 7,413 m. Total premiums, including the savings portions, of direct business rose by 5.1 percent to € 9,844 m. The preliminary comparison figure of the market is 7.1

Life insurance

	2009 €m	2008 €m
New business in terms of regular annual premiums	856	1,100
New business in terms of single premiums	1,622	1,074
Portfolio in terms of sums insured	415,581	403,849
Total premiums[1]	9,844	9,362
Gross premiums written[2]	7,413	7,030
Regular premiums	6,345	6,403
Single premiums	1,068	627
Investment income (net)	2,256	542
Ordinary investment income (net)	2,439	2,687
Claims and benefits (net)	-7,671	-5,490
Operating expenses (net)	-1,449	-1,523
Expense ratio in %	14.9	16.6
Earnings before tax and finance costs	157	-39
Tax	-47	39
Net profit[3]	110	0
Other comprehensive income	115	-111
Total comprehensive income[3]	225	-111
	2009 €m	**2008 €m**
Investments[4]	71,545	65,881
Unrealized gains not recognized in income[3,5]	253	142
Underwriting provisions[4]	74,838	69,148

1 before deduction of savings portions and of premiums of investment contracts
2 each including € 1 m of premiums from assumed reinsurance business
3 including minority interests
4 including amounts attributable to unit-linked insurance
5 after deduction of deferred tax and deferred expenditure for premium refunds

Total premiums of direct business

+5.1%

percent. Regular premiums decreased slightly by 0.8 percent, while the market witnessed a decline by 3.5 percent.

14.9%

Expense ratio improved

Mainly due to lower write-downs, higher unrealized capital gains under unit-linked life insurance and an increase in realized capital gains, the net investment income rose by € 1,714 m to 2,256 m. On the other hand, the ordinary investment income reduced, mainly as a result of a noticeable decrease in dividend payments in the wake of the financial market crisis and lower interest income.

Besides the strong growth in single premiums involving allocations to the provision for future policy benefits, the increase in net investment income was the major reason for the rise of claims and benefits from € 5,490 m to 7,671 m.

The decrease in operating expenses from € 1,523 m to 1,449 m involving a reduction of the expense ratio by 1.7 percentage points to 14.9 percent was primarily due to lower acquisition costs related to the increase in premium income.

After extraordinary expenditure in the previous year, the other income and expenditure improved by € 203 m.

The substantial increase in earnings before tax and finance costs from € -39 m to 157 m is mainly attributable to the rise of net investment income. Accordingly the tax expenditure, which both in the business year and in the year under report included high refunds for previous years, increased by € 86 m to 47 m, which led to a net profit of € 110 m (previous year: 0 m) in the life sub-segment.

In addition to the net profit, the total comprehensive income, which is for the first time posted this year in compliance with IAS 1, also includes the other comprehensive income of € 115 m (previous year: -111 m).

As a result of the positive development of stock markets in 2009 and also due to price gains of fixed-income securities, the revaluation reserve increased from € 142 m at year-end 2008 to 253 m.

As a whole, the total comprehensive income in 2009 amounted to € 225 m (-111 m).

Portfolio of persons with full health coversincreases by nearly 50,000

Health

The health sub-segment continued to witness a very good development. Regardless of discussions on the future of private health insurance, we saw an extraordinarily positive business expansion. The substantial increase in new business was in particular illustrated by the increase of the number of persons with full health covers by nearly 50,000 to almost 500,000 as at December 31, 2009.

While the market expects a premium growth of 4.0 percent, our health insurers achieved an increase of 7.3 percent in terms of gross premiums written. The major part of this growth was due to an excellent level of new business while premium adjustments for existing policies only represented a minor share. Earned premiums, taking into account reinsurance relations, rose by € 111 m to 1,953 m.

Compared to the previous year, net investment income improved by € 195 m to 300 m. The recovery in financial markets led to a substantially lower amount of write-downs, on the one hand, and to an improved level of realized capital gains, on the other hand. Ordinary investment income (net) remained nearly constant at € 318 m (previous year: 322 m) as the higher interest income attributable to portfolio growth nearly compensated the lower dividend income.

Following business expansion, claims expenditure increased mainly with regard to in-patient hospital treatment. As this rise was somewhat higher than premium growth, the claims ratio deteriorated slightly by 0.4 percentage points to 57.9 percent.

The allocation to the provision for future policy benefits increased mainly due to portfolio growth and also to the low level of cancellations, which is a positive feature. Besides, our policyholders benefited from the good business development by means of the allocation to the provision for premium refunds, which also witnessed an increase. As a whole, claims and benefits amounted to € 1,976 m (previous year: 1,690 m).

Compared to the previous year, operating expenses dropped by € 18 m to 202 m. The lower level of cancellations led to a noticeable decrease in write-downs on deferred acquisition costs. Mainly due to this lower amortization ratio, the expense ratio reduced by 1.5 percentage points to 10.4 percent.

The combined ratio consisting of the added expense and claims ratios was 68.3 percent as at December 31, 2009 (previous year: 69.4 percent).

The earnings before tax and finance costs rose by € 24 m to 43 m. After deduction of the unchanged level of finance costs amounting to € 16 m and the tax expenditure, which on the basis of the higher earnings before tax rose by € 2 m to 10 m, the contribution of the health sub-segment to the Group net profit was € 17 m (previous year: -5 m).

The total comprehensive income shown for the first time this year in compliance with IAS 1 comprises the net profit and the other comprehensive income of € 5 m (previous year: -12 m), primarily consisting of the change of the revaluation reserve.

Due to higher prices of both fixed-income securities and shares, the revaluation reserve rose from € 20 m as at December 31, 2008 to € 25 m.

As a whole, the total comprehensive income amounted to € 22 m (previous year: -17 m).

Health insurance

	2009 €m	2008 €m
Gross premiums written	1,980	1,845
Investment income (net)	300	105
Ordinary investment income (net)	318	322
Claims and benefits (net)	-1,976	-1,690
Claims ratio in %	57.9	57.5
Operating expenses (net)	-202	-220
Expense ratio in %	10.4	11.9
Combined ratio in %	68.3	69.4
Earnings before tax and finance costs	43	19
Finance costs	-16	-16
Tax	-10	-8
Net profit/loss[1]	17	-5
Other comprehensive income	5	-12
Total comprehensive income[1]	22	-17
	2009 €m	**2008 €m**
Investments	7,894	7,497
Unrealized capital gains not recognized in income[1,2]	25	20
Underwriting provisions	8,963	8,131

1 including minority interests

2 after deduction of deferred tax and deferred expenditure for premium refunds

Increase in gross premiums written

+7.3%

Property and casualty insurance segment

The property and casualty segment continued to be characterized by a difficult market environment, with keen competition and strong price pressure especially in motor business. As expected, premiums of direct business dropped by 0.8 percent to € 3,031 m. This decrease is the consequence of risk awareness in our underwriting policy. Including assumed reinsurance business, total gross premiums reduced to € 3,036 m (previous year: 3,063 m). Net premiums earned decreased slightly to € 2,967 m (previous year: 2,990 m).

A higher number of individual claims, mainly as a result of the severe winter, and an aggravated claims experience across the market had an adverse impact on claims expenditure in the property and casualty segment. Therefore, and despite a lower claims level attributable to storms, claims increased by € 22 m to 1,952 m. For this reason and also as a result of the decrease in net premiums earned, the claims ratio as at December 31, 2009 rose to 65.6 percent (previous year: 64.3 percent).

The expense ratio of 30.0 percent remained at the previous year's level (30.1 percent). Thanks to our measures initiated to enhance competitiveness, operating expenses were reduced by € 9 m to 890 m. As a whole, the combined ratio increased to 95.6 percent (previous year: 94.4 percent).

As a result of the better environment of capital markets which involved a steep decrease in write-downs on financial assets, the total investment income (net) rose substantially to € 291 m (previous year: 29 m). This included a higher income from participating interests which led to an increase of ordinary investment income (net) by € 6 m to 289 m.

Property and casualty insurance segment

	2009 € m	2008 € m
Gross premiums written	3,036	3,063
Investment income (net)	291	29
Ordinary investment income (net)	289	283
Claims and benefits (net)	-1,952	-1,930
Claims ratio in %	65.6	64.3
Operating expenses (net)	-890	-899
Expense ratio in %	30.0	30.1
Combined ratio in %	95.6	94.4
Earnings before tax and finance costs	268	-18
Tax	-69	8
Net profit/loss[1]	199	-10
Other comprehensive income	83	-72
Total comprehensive income[1]	282	-82

	2009 € m	2008 € m
Investments	6,314	5,796
Unrealized capital gains not recognized in income[1,2]	251	170
Underwriting provisions	4,223	4,244

1 including minority interests
2 after deduction of deferred tax

Segment profit of property and casualty insurance

€ +199 m

Mainly due to extraordinary expenditure in the previous year, the other income and expenditure improved by € 60 m to -148 m.

The earnings before tax and finance costs increased by € 286 m to 268 m. This development was primarily attributable to a lower level of write-downs on securities and to the improvement in other income and expenditure. Primarily due to the rise of earnings before tax, and also because of lower tax refunds for previous years, the tax expenditure increased by € 77 m to 69 m. After tax, the net profit at year-end 2009 was € 199 m (previous year: -10 m).

In addition to the net profit, the total comprehensive income posted for the first time this year in compliance with IAS 1 includes the other comprehensive income of € 83 m (previous year: -72 m) mainly consisting of the change in the revaluation reserve.

In 2009, higher prices of shares and also of fixed-income securities led to an increase of the revaluation reserve by € 81 m to 251 m.

As a whole, the total comprehensive income in 2009 amounted to € 282 m (previous year: -82 m).

Financial services segment

Starting from the business year 2008, the financial services segment also includes Generali Deutschland Immobilien GmbH, the centralized asset manager for our property portfolio. The development of operating business continues to be dominated, however, by Deutsche Bausparkasse Badenia.

After the extraordinarily strong demand for building society products in the previous year – among others ahead of the coming into force of new legal rules regarding state incentives for housing construction on January 1, 2009 – submitted new business in terms of target contract sums dropped by 21.8 percent in the year under report, in line with the general tendency in the market. Contract numbers were 28.1 percent below the previous year's level. The new business

Financial services segment

	2009 € m	2008 € m
Building-society new business:		
Target contract sums	2,511	2,459
Number of contracts	134,789	121,290
Contract portfolio of the building society:		
Target contract sums	25,058	25,685
Number of contracts	1,262,729	1,304,747
Investment income (net)	205	207
Ordinary investment income (net)	206	221
Interest surplus of the building society	104	108
Commission result of the building society	4	6
Earnings before tax and finance costs	34	28
Finance costs	0	0
Tax	-12	-2
Net profit[1]	22	26
Other comprehensive income	-2	4
Total comprehensive income[1]	20	30

	2009 € m	2008 € m
Investments	4,797	4,771
Unrealized capital gains not recognized in income[1,2]	3	5
Building loans	3,161	3,199
Deposits under building-society contracts	4,183	4,203

1 including minority interests
2 after deduction of deferred tax

Rise in new business in terms of target contract sums

+2.1%

actually recognized of our building society, however, rose by 2.1 percent in terms of target contract sums while at the same time contract numbers increased by 11.1 percent. The general market trend witnessed a decrease in submitted new business by 16.1 percent and 26.2 percent in terms of target contract sums and contract numbers respectively. In new business actually recognized the market saw a decline by 10.3 percent in terms of target contract sums and by 15.6 percent in terms of contract numbers.

At year-end 2009, Badenia's portfolio of 1,262,729 contracts was below the previous year's level of 1,304,747 contracts. In terms of target contract sums, the contract portfolio reduced from € 25,685 m to 25,058 m.

The strong demand for so-called constant loans with fixed interest and redemption instalments, which are a variance of forward loans, was not sufficient to compensate portfolio decreased caused by loan redemptions and cancellations. The building loans shown under investments thus dropped from € 3,199 m

Building society new business rises by 11.1% in terms of contract numbers

as at December 31, 2008 to € 3,161 m. Over the same period, the savings deposits under building-society contracts decreased from € 4,203 m to 4,183 m.

The decrease in ordinary investment income (net) from € 221 m to 206 m was mainly due to a reduced portfolio of fixed-income securities. The total net investment income only witnessed a slight decrease from € 207 m to 205 m. This was positively influenced by an increase in realized capital gains in the business year and also by a lower level of realized capital losses under fixed-income securities compared to the previous year.

Despite a lower interest expenditure, the interest surplus reduced from € 108 m to 104 m. This was primarily due to a decrease in the income from participating interests and fixed-income securities. The commission result dropped from € 6 m to 4 m. Cost cuts led to a reduction of the operating expenses of building-society business from € 72 m to 70 m.

The earnings before tax and finance costs improved from € 28 m to 34 m, which was in part due to a lower expenditure for risk provision. In line with the rise of earnings and also due to final tax assessments for previous years the tax expenditure increased to € 12 m (previous year: 2 m). After tax, the contribution of the financial services segment to the net profit was € 22 m (previous year: 26 m).

In addition to the net profit, the total comprehensive income posted for the first time this year in compliance with IAS 1 also includes the other comprehensive income of € -2 m (previous year: 4 m) primarily consisting of the revaluation reserve.

The revaluation reserve dropped from € 5 m as at December 31, 2008 to 3 m as a result of the realization of the hidden reserves of fixed-interest investments.

As a whole, the total comprehensive income in 2009 amounted to € 20 m (previous year: 30 m).

Report on subsequent events

No events of material importance occurred after the close of the business year.

Proposal for the profit appropriation of Generali Deutschland Holding AG

In the business year 2009 Generali Deutschland Holding AG achieved a net profit of € 305.0 m (previous year: 204.7 m). After winding up the profit brought forward from the year 2008 of € 24 thousand (previous year: 81 thousand), withdrawals from the reserve under the Articles of Association (charitable fund) of € 2,391 thousand (previous year: 2,597 thousand) and an allocation of € 149.7 m (previous year: 49.7 m) to the other revenue reserves, the balance-sheet profit amounted to € 157.7 m (previous year: 157.7 m).

The Board of Management and the Supervisory Board propose the following profit appropriation to the General Meeting of Generali Deutschland Holding AG to be held on May 27, 2010:

Balance-sheet profit and appropriation

	€
1. Distribution to the shareholders	
Payment of a dividend of € 2.90 per unit share entitled to dividends, payable on May 28, 2010	155,671,982.60
2. Allocation to the reserve under the Articles of Association (charitable fund)	2,000,000.00
3. Profit carried forward	38,674.48
Balance-sheet profit	**157,710,657.08**

Human resources

- Our employees are a key factor for the success of the Generali Deutschland Group.
- The competency and commitment of our employees make a vital contribution to the Group's development.
- The stability of the Generali Deutschland Group in the closed business year was substantially supported by the untiring dedication of our employees.

We are proud of our motivated and qualified employees who enabled us to assert ourselves again in 2009, in a crisis-stricken financial services market. It is thanks to their commitment at all levels that we have been able to reinforce our strong market position and our competitiveness as an insurance and financial services group.

Employment situation and structure measures

As at December 31, 2009 the Generali Deutschland Group had 14,952 employees compared to 15,054 in the previous year. Out of these, 23 percent ensure fieldstaff tasks and 77 percent are employees in administrative services for the customers of our Group. In addition to the more than 6,000 professional intermediaries, about 66,000 persons work for the sales networks of our companies as side-job intermediaries. 15.3 percent of all employees work on a part-time basis. At year-end 419 (previous year: 469) were undergoing professional training as apprentices across the Group.

The Generali Deutschland Group responds to the challenges of the market in order to safeguard the Group's competitiveness on a long-term basis in the interest of all stakeholders, i.e. shareholders, customers and employees. In the year 2009 we therefore continued to enhance our change processes within the scope of the optimization of our business procedures.

In the closed business year, the merger of Generali and Volksfürsorge Versicherungen was implemented, as scheduled, with regard to HR policy and HR management. The measures taken were negotiated in agreement with the bodies of employee representation.

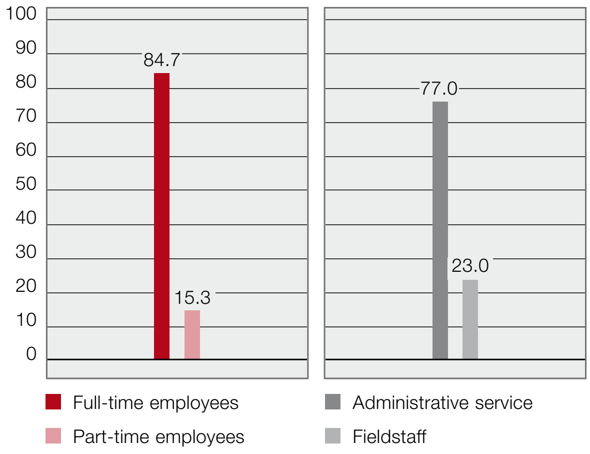
We are aware of the special responsibility we have towards our staff. In those cases where jobs will be or have already been cut we try to make use of natural fluctuation and to agree early retirements or special part-time arrangements with employees close to retirement age in order to avoid redundancy layoffs to the largest possible extent.

14,952 employees

In the business year under report, the initiative "HEUTE FÜR MORGEN: ICH UNTERNEHME ZUKUNFT" (Today for tomorrow: entrepreneur for my own future) was launched across the Group. Within the scope of this initiative, our HR policy will be oriented more intensively than before towards developing the competency of the entire workforce. We will successively improve the environment conditions in order to enhance both the job fitness of our employees and the company fitness of our Group. Flanked by the realignment of HR marketing also implemented last year, we are set to underline, both internally and externally, the attractiveness of our Group as an employer.

Group employees

Figures in %, total staff: 14,952



HR and executive development/ Generali Deutschland Management Academy

We provide our staff with a large variety of opportunities to develop continuously on a professional and personal level, to actively bring in their knowledge, to contribute to shaping the Group and to prepare themselves for future challenges. The training and development programmes across the Group are oriented towards the needs of the employees, the requirements of the Group companies and a changing working environment.

In the year 2009, the Generali Deutschland Management Academy again looked after the further development of management competency in the Generali Deutschland Group. In this context, the Academy is successfully pursuing the approach of orienting its programmes and measures both at the expertise existing within the Group and the know-how of leading trainers and institutions in Europe. The topics and focus areas are stringently derived from the Group's strategic targets; topical issues of relevance for the Group are identified and integrated into the programmes. Finally the Management Academy with its communication forums across the Group encourages the Group-wide exchange of experience and the personal dialogue between managers.

Group-wide management programmes for high potentials of the first and second management level support the Generali Deutschland Group in its ambition to fill vacancies for important functions in the Group from its own staff and to ensure succession for the management team. Participants in these programmes are prepared for taking an active role in shaping the changes that lie ahead.

Furthermore two milestones were reached in further enhancing the feedback culture across the Group. In spring 2009 the second Group-wide employee survey was organized which, apart from a very good percentage of response, also showed substantial improvements compared to the first Group-wide employee survey in 2007. The findings of the survey will be implemented by means of concrete measures in all Group companies by year-end 2010. In addition, in autumn 2009 the first Group-wide 360-degree feedback was launched for executive officers and first-level managers.

Finally we launched our realigned trainee programme in the closed business year. In the current year we will start with a new trainee class as this is an additional and indispensable opportunity for us to win highly qualified, competent, committed and customer-oriented staff for the Group.

Thanks to the employees

In an environment increasingly characterized by globalization and the opportunities and risks this involves, everyone of us is faced with rising challenges. We all have to adjust to constant change, have to keep pace and implement the required measures. It is vital for us to ensure economic success by continuous commitment at all levels of the Generali Deutschland Group. The Board of Management of Generali Deutschland Holding AG thanks all employees for their activities in the past year. Their commitment was a vital basis for the stability of the Generali Deutschland Group in 2009. We also thank the bodies of employee representation for their constructive cooperation marked by trust and esteem.

Internal controlling systems

- The internal controlling system of the Generali Deutschland Group is based on the two fundamental controlling dimensions of capital management and performance management.
- Capital management aims to sustainably ensure the risk-bearing capacity and financial strength of the Group.
- The target of performance management, on the other hand, is to persistently increase the corporate value of the Generali Deutschland Group.

Basic concept

Internal corporate controlling in the Generali Deutschland Group is organized on the basis of a standardized planning and controlling process across the Group. Uniform planning and simulation models as well as regular reporting are applied for the monitoring and controlling of the parameters derived from strategic planning. Apart from the classical accounting-based target parameters – such as net profit and combined ratio – the system also covers economic risk-based controlling parameters which are described and presented below in more detail. In this context, the two major controlling dimensions of capital management and performance management are combined with one another.

Capital management focuses on sustainably ensuring the risk-bearing capacity and financial strength of the Group. For that purpose the economic capital, which is tied under risk aspects and on the basis of solvency and regulatory rules, is calculated at different company and controlling levels and compared to the actual capital available for bearing risks. Capital management is thus an integrated part of internal risk management.

Performance management, on the other hand, represents the value-based perspective and measures the value increase of the Group over time. For that purpose, the economic results of our business activities are derived and then related to the previously determined available capital and tied capital amounts. By linking these dimensions, key return figures are identified which can be used to assess risk-adjusted profitability.

Capital-management approach

Within the scope of capital management, the capital of the Generali Deutschland Group which is tied under risk aspects as well as solvency and other regulatory rules is calculated and compared to the available capital. In our external communication we use the term economic capital (EC) for the tied capital. The available capital is composed of the embedded value (EV) and the hybrid capital, with the embedded value corresponding to the actual capital attributable to the shareholders.

The economic capital is calculated on the basis of consistent risk models for all segments of the Generali Deutschland Group. It describes the economic capital required for compensating possible losses that may arise due to uncertainties involved in future developments and, in addition, takes into account further solvency and regulatory requirements. The economic capital required comprises market risks (equity and interest-rate risks as well as risks from the change of assumed volatilities, risks involved in property prices and foreign currency risks), credit risks, concentration risks and operational risks as well as underwriting risks and building-society risks specific to the segments. In order to quantify the economic capital, the internal risk model of the international Generali Group is used which, on the basis of detailed corporate information, determines the value at risk, i.e. the maximum loss which, according to a predetermined probability, will not be exceeded. In this context we proceed from the reference period of one year, which is common practice under Solvency II, and a confidence level of 99.5 percent.

In addition to the Group's equity capital, the embedded value comprises above all the value in force in life and health insurance and it is calculated taking into account the particularities specific to the segments on the basis of actuarial and accounting data.

The embedded value and the value in force in the life and health segment are determined by means of market consistent measurement procedures, the so-called MCEV (market consistent embedded value) methodology.

The internal risk models are being continuously enhanced with a view to the requirements of Solvency II, which is expected to come into force for the year 2012. This may lead to changes in the methodology over time. In order to illustrate the impact of such change, the previous year's results have been recalculated in line with the current methodology and are also shown for comparison.

Performance-management approach

The derivation of economic results is strongly influenced by the business models used. In property and casualty insurance, the economic result is mainly determined by the combined ratio of the business year; in the financial services segment the key elements are the interest margin and the earnings from portfolio management. Due to the long duration of contracts, present-value models are used in life and health insurance taking into account the present value of all future profits from the business in force. An important key figure in this context is the new business value indicating the present value of all future profits expected from the insurance contracts newly concluded in the business year.

In addition, performance management also takes into account extraordinary items due to investment income or tax impacts. Since these items may have a significant influence on results but are not attributable to operating business, they are excluded when measuring operating profitability and are shown separately.

On the basis of these results it is possible to calculate the key figures of return on economic capital (RoEC) and return on embedded value (RoEV). The RoEC puts the economic result, adjusted for extraordinary items, in proportion to the tied capital. This figure measures our operating profitability. On the other hand, the RoEV indicates the total economic result as a percentage of the total available capital. The RoEV is thus an indicator of our profitability taking into account extraordinary items.

Integration of internal management tools into the preparations for Solvency II

The Solvency II project initiated by the European Commission aims at a revision of the regulatory requirements for insurance companies in Europe. In particular the level of capital requirements under the future solvency system are to be more closely linked to the specific business structure of an insurance company's risks. Since for regulatory purposes there is also the option of applying internal approaches, the Generali Deutschland Group has started at an early stage to prepare for the future requirements. Within the scope of these preparations, the internal models are continuously enhanced and internal risk-management processes are verified with a view to future requirements. In particular, for instance, the requirements changed or specified in more detail in the wake of the financial and economic crisis are also being taken into consideration on a continuous basis.

Risks involved in the future development and risk controlling

- Our risk-management system is the fundamental basis for the early recognition, systematic analysis, controlling and monitoring of the possible risks of the Generali Deutschland Group. It is vital for safeguarding the sustainable profitability of the Group.
- As a whole, and even in the light of the financial market crisis and its repercussions, there is no development emerging at present which could affect the risk-bearing capacity in a way jeopardizing existence.
- Nevertheless, in the course of the year the development of the capital market had an adverse influence on the assets, liabilities, financial position and earnings of the Generali Deutschland Group with the positive development at the end of the year causing the situation to ease noticeably.

Risk management in the Generali Deutschland Group

As an important financial services Group focussing on insurance, investments and building-society business, the Generali Deutschland Group manages a variety of risks. Risks arise, on the one hand, within the scope of our core competency, i.e. assuming the risks of our customers and, on the other hand, in the course of the general business activities of the Group. The top priority of the risk-management system is to ensure the sustainable profitability of the Group. For this purpose, possible risks of the Generali Deutschland Group are recognized early, analysed systematically and monitored in order to exclude any hazard for the Group and the individual Group companies.

Organization of risk management in the Generali Deutschland Group

The risk management of the Generali Deutschland Group distinguishes itself by closely interlinking Group risk management and risk management at the level of the Group companies. The latter are integrated into the risk-management system of the Generali Deutschland Group by means of Group-wide bodies (Risk Management Committees – RMCs).

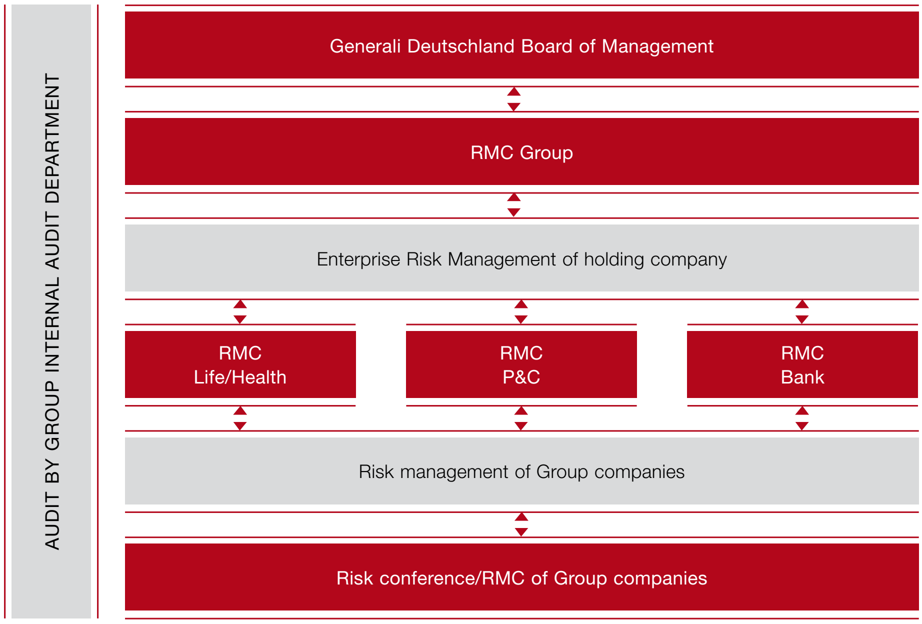
Within the Group companies, facts and findings of risk relevance are discussed in the quarterly risk reports to the Board of Management, in the regular internal RMC meetings and in various working groups and projects as well as within the scope of risk conferences held at least once a year. The Company Risk Manager is also the risk-management contact for the Board of Management of the Group company and for the Group Risk Manager.

The major risk-management findings at the level of each Group company are systematically consolidated in the regular meetings of the specific segment committees “RMC Life/Health”, “RMC Property/Casualty” and “RMC Bank”. The purpose of these Group-wide meetings which – in addition to the Executive Managers of the companies concerned and of Generali Deutschland Holding AG – are also attended by the Group Risk Manager and the persons in charge of various areas in the holding company, is to respond adequately and timely to changes of the risk situation. On the basis of a comprehensive analysis, appropriate measures of risk controlling are elaborated and their impact is analysed and monitored. This task is in particular assumed by the Group-wide Committees which ensure the systematic monitoring and verification of the initiated measures of risk controlling at segment level.

The Enterprise Risk Management (ERM) department as a centralized unit established in Generali Deutschland Holding AG is in charge of the compre-

Organization of risk management in the Generali Deutschland Group

The organizational framework structure of the risk-management system comprises the members of the Board of Management, the persons in charge of the operational areas involved in risk management, the risk managers of the individual Group companies, the Group Risk Manager and the internal audit department of the Group.



hensive identification, assessment and controlling of the risks of the holding company and the Group. ERM thus has the authority to define the guidelines and methods concerning risk management and its main target is the allocation of economic capital derived from the risk strategy and the risk-bearing capacity. At the same time, ERM is responsible for the conceptual enhancement and updating of the risk-management system at the level of the Group and the holding company. The operating tasks of the ERM department thus comprise the activities of initiating, elaborating and coordinating risk-management activities together with the risk managers of the Group companies and the RMCs. Within the scope of the quarterly meetings of the RMC Group, which is composed of the Board of Management, the Group Risk Manager and the persons in charge of various areas of Generali Deutschland Holding AG, the risk situation of the entire Generali Deutschland Group is assessed and controlled on the basis of the RMC meetings specific to the segments. Group-wide measures of risk controlling are discussed and approved at these meetings as appropriate.

Furthermore the risk situation of the Generali Deutschland Group is assessed and monitored within the scope of the quarterly risk report. Measures of risk controlling are proposed and approved as appropriate.

The Group's internal audit department as a superior body independent of processes regularly verifies the functioning of the risk-management system, advises on the enhancement of the system and documents the audit results for the Boards of Management of the Group companies and of Generali Deutschland Holding AG.

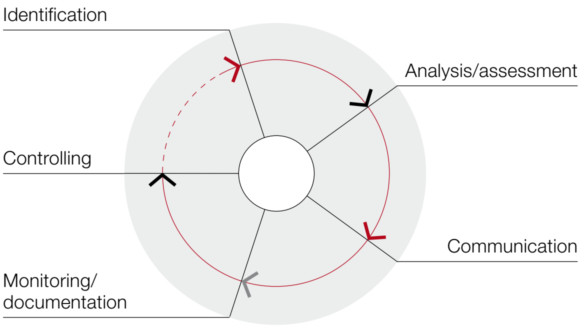
All major rules regarding the organization and processes of risk management are comprised and documented in the risk-management system. The latter is thus the basis for integrated risk monitoring and controlling.

Risk analysis is supported by regularly established scenarios.

The risk-management system of the Generali Deutschland Group

The risk-management system of the Generali Deutschland Group follows the process described below:

Risk-management process



Risk identification

The first step within the scope of the risk-management system consists in the identification of all risks which could jeopardize the durable existence of the Group or hinder the Group in reaching its business targets. Within the risk inventory process taking place at least once a year in the Group companies, in Generali Deutschland Holding AG and the Generali Deutschland Group, all risks are comprehensively and systematically registered in a risk list and thereafter aggregated into a Group-wide risk list. The risk manager of the Group company concerned is informed of any new risks occurring in the course of the year either on a regular or ad-hoc basis, depending on the urgency and, if appropriate and after coordination, these risks are included in the risk list.

Based on the categorization established in line with market standards, the identified risks are allocated to the six risk categories indicated below which, in turn, may be divided into various sub-categories and sub-types of risk.

Market risks

Market risks are composed of equity risks, interest-rate risks, property and currency risks as well as price-change risks of other investments, such as those involved in alternative investments. They describe the risk of losses that may occur in capital markets due to adverse changes of market prices or to factors having a price influence.

Credit risks

Credit risks describe possible losses that may be attributable to a durable widening of spreads or to the total or partial default or deterioration of the credit rating of issuers, contracting parties or borrowers. These risks result primarily from investments, including loans to end customers (among others under building-society business). Besides, credit risks also comprise the default of receivables under insurance business, in particular amounts receivable from policyholders, reinsurance brokers and reinsurers.

Concentration risks

Concentration risks are due to an insufficient diversification of the investment portfolio and refer to all individual investments involving a risk and having a material default potential. Concentration risks in insurance business, however, are dealt with under specific segment risks.

Liquidity risks

Liquidity risks are the risks involved in not being able to fulfil current and future payment obligations, in particular under insurance contracts, in time or for the full amount.

Specific segment risks

Life and health segment

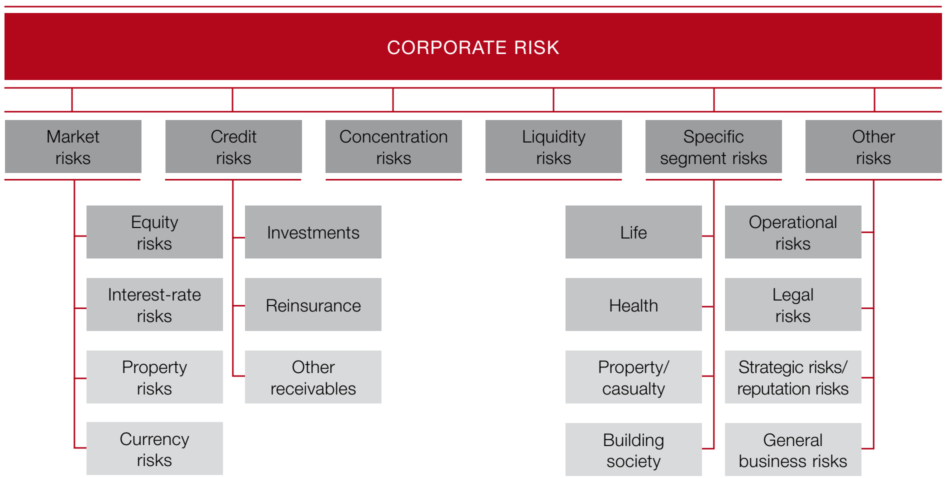
The specific segment risk of life and health insurance is composed of the biometric risk, the cost risk, the claims risk (health insurance) and the lapse risk. The risks are attributable to the fact that the possible occurrence of claims and the future cost or lapse situation may differ from assumptions. Under the healthcare reform, all persons are under the obligation of having a health insurance cover starting from January 1, 2009. Accordingly every person resident in Germany has to take out and maintain a health insurance policy at least covering the expenses of in-patient and out-patient treatment. For private health insurance this means that as far as the corresponding insurance products are concerned, insurers no longer have the right to terminate the contract of a policyholder, even in the case of the policyholder being in arrears with premium payment. This involves the risk of a rising level of outstanding premiums.

Property and casualty segment

The specific segment risk of property and casualty insurance consists of the pricing risk and the reserving risk. The premiums determined in advance have to be

Risk types and categories

On the basis of market standards, the identified risks are allocated to six different risk categories which, in turn, may be divided into various sub-categories and sub-types of risk.



sufficient so that future claims can be paid. Due to the fact that prognoses with regard to future claims are only possible to a limited extent, the amount of claims payments is not yet known with certainty when premium levels are fixed (pricing risk). Notwithstanding our prudent reserving policy, a reserving risk may arise from an insufficient level of provisions for outstanding claims involving the obligation of setting up additional provisions.

Financial services segment

The specific segment risk of building-society business consists primarily of liquidity risks or a negative change of the interest margin due to an adverse change in the behaviour of building-society customers.

Other risks

The other risks refer to losses that may arise due to the inadequacy or failure of internal procedures or systems, to human failure or as a result of external incidents. This definition also includes legal risks primarily resulting from contractual agreements or the framework of law and tax rules as well as general business risks, strategic risks and reputation risks.

Risk analysis and assessment

After their classification into specific risk categories, all identified risks are allocated to adequate risk-management processes within the risk-management system of the Generali Deutschland Group which take into account the individual nature of the risks. This ensures an appropriate analysis/assessment and monitoring of the risks.

The allocation of the risks to the four standardized risk-management processes or management routines described below follows three major criteria:

1. quantifiability of the risk
2. time horizon in which the risk may potentially contribute to jeopardizing the company's existence
3. materiality of the risk

Quantitative management process

If a risk is quantifiable and may threaten the company's existence in the short term within one year it is allocated to the quantitative management process. The necessary risk quantification is done on the basis of quantitative risk models and comprises in particular all investment, credit, concentration and specific segment risks. In addition, these risks are subject to continuous monitoring by the persons in charge of the risks. The other risks are handled on a global basis – similar to the approaches established in the market – within risk modelling as they are difficult to quantify due to an insufficient empirical basis.

Qualitative management process

Risks which cannot be quantified or cannot be quantified adequately but which may nevertheless threaten the existence of the company in the short term within one year are allocated to the purely qualitative management process. This applies, for instance, to the risk of a failure of technical equipment and of important business processes. Persons in charge have been allocated to these risks and ensure their continuous monitoring and controlling.

Strategic controlling process

The strategic controlling process informs management about risks which cannot be modelled or cannot be modelled adequately and have the potential of a long-term creeping threat to the existence of the company. These risks (such as the risks from a wrong strategic positioning) are the subject of each of the annual planning and controlling discussions.

Regular business processes

The controlling of non-material risks is part of the regular business processes under which our risk culture and our prudence in everyday corporate practice and management ensure that these risks are taken into consideration. Risks are considered to be non-material if their potential impact does not exceed defined limits and they do not represent a significant threat to the existence of the company.

Major features of the internal control system (ICS) and the risk-management system (RMS) referring to accounting

A comprehensive internal control system has been established for the accounting processes in the Generali Deutschland Group. This system comprises elements regarding both organization and processes. Examples are features such as the separation of functions, differentiated frameworks of competency and powers, authorization systems, automated controls, the four-eye principle, interface controls and the measurement of key performance indicators. The elements of the control system are, among others, documented in the work instructions and in the Group business architecture. Within the scope of risk management, the Generali Deutschland Group documents major closing processes thus fulfilling the requirements of the Savings Law No. 262 protecting investors and creditors. The Savings Law requires the correctness of financial reporting both for the full year and for the first six months. The law aims at an effective and efficient set-up of the control architecture and thus has a direct impact on the risk-management system. The relevant inherent process risks are identified and the effective and efficient implementation of controls is assessed. The objective is to ensure the consistency of financial reporting with the internal reporting and accounting information and correct measurement and recognition of accounts (true and fair view). In addition, responsibilities are clearly defined. The controls of system operations and system development – the so-called IT general controls – and the controls of the applications used in the processes – IT application controls – are included. The complete documentation of accounting processes and the directly underlying business processes are verified at least on an annual basis and the business processes of insurance and bank operations will in the future be verified at least once a year by means of independent walkthroughs and testings. Particular importance is attached to the process documentation being on an updated basis to ensure that changes regarding controls (check evidence), for instance, can be taken into account in the test of design and the test of effectiveness. The internal audit department is responsible for walkthrough and testing. The department reports the findings of its audits to Assicurazioni Generali S.p.A. Besides individual processes, the so-called overall closing processes are also documented. They give an overview of the entire closing process for each individual Group company. The above-mentioned process documentation is available to the auditors within the scope of their activities of auditing the financial statements. For the other accounting processes not covered by this procedure, the principles and procedures of the ICS are applied. These latter processes are subject to the usual auditing procedures of the internal audit department.

Communication and monitoring

Regular communication with regard to the risks identified is ensured by quarterly risk reporting from the risk manager to the Board of Management and to Generali Deutschland Holding AG. In addition, internal ad-hoc reporting has been established in order to inform management at short notice about new risks or the aggravation of risks. Regular risk reporting focuses on strategic risks and on the risks allocated to the quantitative and qualitative management processes. Reporting also covers newly identified and newly registered risks.

With regard to the quantified risks within the quantitative risk-management process, detailed statements with regard to the required capital are made. The required capital amounts for the risk drivers are shown individually and are then aggregated, taking into consideration effects of risk compensation, to determine the total required capital for the individual Group company. The total required capital is then compared with the existing capital of the Group company. In addition, various key figures referring to capital adequacy are indicated. Reporting is based on the actual reporting dates of quarterly reporting and on the planning periods. Furthermore an overall report (Group Risk Report) is established by Group aggregation on the basis of the individual company reports. The controlling of measures is presented, too. The addressees of the report are primarily the management, the company areas concerned and the Group's internal audit department. Regular reporting also takes place in the regular RMC meetings where information is exchanged across the Group on facts of relevance to risk management. As a whole, risk reporting thus ensures a systematic and orderly forwarding of risk-relevant information to decision-makers and it is an important basis for continuous risk monitoring.

Risk controlling

Risk controlling is based on standardized risk reporting providing information about the overall risk situation of the individual companies and the entire Group. The risk report also documents the initiated measures decided by the Board of Management or the competent RMC or the competent risk conference. The measures are implemented by the defined persons in charge and, if appropriate, by working groups or projects across the Group.

In addition, risk controlling is complemented by guidelines (such as investment and underwriting guidelines, guidelines on product development and on claims settlement), further instruments of analysis and existing schemes of limits. These take into account legal, economic and other restrictions. If a deviation from investment, underwriting or other guidelines turns out to be necessary because the risk situation is aggravating in the course of the year, appropriate measures will also be decided and supervised by the Board of Management or by the competent RMC or the competent risk conference. Limits are regularly monitored; violations of limits are analysed and corresponding measures initiated as appropriate. In special circumstances ad-hoc analyses are made as well.

At regular intervals the Group's internal audit department verifies the adequacy and efficient functioning of the internal control systems and existing limits and provides the Board of Management and the Group Risk Manager with adequate information about the findings of its audits.

Reporting on selected risks

Within the Generali Deutschland Group services referring to activities such as information technology, accounting, tax, claims management and investment management are rendered by centralized service companies. The risk management of these companies is integrated into the risk management of the Group and refers to the management of the risks inherent to the rendering of the services concerned. On the basis of risk reports to the Group Risk Manager and to the Group companies receiving the services it is possible to take measures ensuring that the rendering of the services does not involve material risks.

Market risks

The recovery witnessed in important sections of the capital market in the course of 2009 led to a substantial easing of the risk situation in the individual Group companies and the entire Generali Deutschland Group. Nevertheless the repercussions of the financial crisis and the uncertainty still prevailing in markets can still have an adverse impact on our assets, liabilities, financial position and earnings. These risks are attributable to the extensive investment activities inherent in our business model with a focus on the German and other European capital markets.

In the business year 2009, our underwriting provisions always had adequate coverage and a sufficient solvency level of our company existed at all times.

Given our investment strategy and due to the broad diversification of our investment portfolios, we consider that the Generali Deutschland Group is well positioned to benefit from a further recovery while at the same time limiting adverse repercussions on assets, liabilities, financial position and earnings in the wake of possible setbacks. Despite this prudent composition of the portfolio, however, it is not possible to totally avoid that in particular a persistent period of low interest rates would have an adverse impact on the risk-bearing capacity of the Group companies, primarily in the life sub-segment and – to a limited extent – in the health sub-segment. Similarly this would apply in the case of a significant rise of interest rates for the property/casualty and financial services segments. Currently the stability of capital markets depends to a particularly large extent on the adequacy of the economic and monetary measures and their sustainable impact on the economic environment. We are therefore continuously observing that impact and capital markets in order to respond in time and adequately to any unfavourable development of interest rates and to initiate counter-measures on the basis of our analyses.

The investment policy of the Generali Deutschland Group follows a conservative approach. In addition to continuously ensuring on a permanent basis an adequate mix and spread of our investment portfolio, this implies above all that we have added more risky investments, such as hedge funds and private equities, to our portfolio to an extremely limited extent only. Besides we refrain to a large extent from investments in securitizations of low credit quality and have primarily invested in bonds with state guarantees and state covers.

Due to the investment policy pursued by us and on the basis of the results of our internal models and the standard model, we do currently not see any investment risks that would affect the risk-bearing capacity in a way jeopardizing existence, although negative impacts on the assets, liabilities, financial position and earnings of the Generali Deutschland Group cannot be excluded for the future, either.

Equity risks

The favourable development of stock markets in the second half of the year contributed to enhancing the risk-bearing capacity of the Generali Deutschland Group. This situation enabled us to substantially reduce hedging from the previous year's level. Although we do not forecast a negative stock-market development similar to that experienced in 2008, we consider setbacks to be possible if the economic development falls short of expectations. Accordingly we refrained from buying shares to a substantial extent and we retain the option to take recourse to hedging transactions again.

In line with our prudent investment approach, our equity risks are controlled by an orientation of investments at broadly-based European equity indices and by means of investments in highly capitalized standard stock. In doing so we take into account the type of our payment obligations in order to benefit comprehensively from diversification effects.

Beyond this, the level of our equity investments is consistently oriented at our individual risk-bearing capacity. Especially for our Group companies in the segment of life and health insurance, the composition of earnings according to sources of earnings (investment income, assumption of underwriting risks and other sources) as well as the amount of the free provision for premium refunds and the terminal bonus reserve are the major parameters taken into consideration when determining the adequate percentage of equity investments from a risk point of view.

As at December 31, 2009 the equity percentage of our investment portfolio was approximately 4.5 percent, of which a small part was hedged.

Given prevailing uncertainties we consider a short-term decrease in share prices to be possible in the year 2010. On the basis of our high solvency and the persistently conservative percentage of equity investments in our portfolios we do not regard the risk-bearing capacity of the Generali Deutschland Group as affected to an extent jeopardizing existence. At the same time we will actively observe stock markets also in the current year in order to respond directly and adequately to any changes in market sentiment.

Property risks

Similar to the approach in the other asset classes, we also follow a defensive strategy with regard to property investments. We primarily focus on office and retail premises in good and very good locations, with investments abroad in indirect vehicles, which we had preferred in recent years for diversification purposes, being made by specialized external managers. Despite this focus, the percentage of investments abroad is still relatively small as a whole and only a fraction is invested in the very volatile markets of Western and Southern Europe.

In the light of persisting uncertainties in property markets, we will pursue a rather passive policy in 2010. New investments will primarily consist in call orders for transactions already agreed.

Of course, property markets were and still are affected by the crises. On the one hand, the credit crisis involves a sharp deterioration of financing conditions and on the other hand the economic crisis has led to sometimes massive plunges in market prices. As the portfolio continues to be dominated by German business and there is a high share of transactions agreed but not yet called, the impact remains limited, despite write-downs.

From a risk point of view it is to be underlined that all known and durable impairments had already been accounted for in the 2009 Financial Statements. The resulting decrease in asset values is not jeopardizing existence.

At the same time we dispose of a sufficient level of flexibility to enable us to participate in the market opportunities expected to arise by means of the investments already agreed but not yet called.

Interest-rate risks

We expect bond-market yields to rise slightly in the medium term. The current easing indicated by lower volatilities might, however, not be of a durable nature as the forecasts of economic developments involve substantial uncertainties. To the extent the expiry of stimulus measures under monetary and fiscal policy should lead to a surprisingly negative economic development, it is probable that interest rates will remain at their current low level. If, on the other hand, stimulus measures stopped too late, this could involve inflation risks leading to a dynamic rise in interest rates, especially in the short-term range.

In life and health insurance, the risk resulting from low interest levels will be predominant in the long term. This risk is in particular due to the fact that with regard to reinvestments, the interest conditions for specific fixed-interest durations at a risk-free rate are only within the range of the guaranteed minimum interest. Currently that risk is becoming apparent in the life and health segment to a very limited extent only. On the one hand, some parts of the investment portfolio were still hedged against further rate cuts. This was done by means of forward purchases, swaptions and constant maturity swaps (CMS) with a guaranteed minimum coupon. On the other hand, in the course of time, the lower level of technical interest is also reflected by a lower level of the average interest rate guaranteed in our insurance portfolio. In fact, the duration strategy of our bond portfolio is not only oriented at our market assessment and risk-bearing capacity but it also takes into account the extent to which our earnings depend on interest income. The situation where interest rates for short durations are at historical lows while at the same time we are maintaining liquidity leads to a creeping burden for our profitability. As a whole, however, it is becoming evident in our reinvestments and new investments that we are in a position to achieve adequate yields and we can currently state an easing of the risk situation compared to previous years.

For the property/casualty and financial services segments, the risk of rising interest rates, which would lead to a decrease in the market values of our portfolio of fixed-income investments, is of particular importance. As these investments mainly have short and medium-term durations in line with the structure of our payment obligations, a slight recovery of yields as forecast by us does not represent a major interest-rate risk and thus no material adverse impact for our risk-bearing capacity. The situation where interest rates for short durations are at historical lows while at the same time we are maintaining liquidity leads to a creeping burden for our profitability.

Bond markets are continuously monitored in order to allow us to take adequate measures on a timely basis in case the risk situation should aggravate.

Currency risks

In order to limit currency risks, our investments are focussed on products within the eurozone. Investments in foreign currencies, which as a matter of principle are of minor importance within our investment portfolio, are restricted to exposures in US dollar and British pound sterling as well as a few other currencies (in particular Swiss franc, Japanese yen and Swedish and Norwegian krona). Part of this exposure is also hedged against exchange-rate fluctuations. The price developments in foreign-exchange markets are continuously monitored in order to enable us to adjust the hedging measures on a timely basis if the necessity arises.

Due to the minor significance of investments in foreign currencies within our portfolio we currently do not see ourselves subject to any major currency risk.

Credit risks

Measured in terms of credit spreads, credit risks decreased significantly in large sections of the market in the course of the business year 2009. This had led to steeply rising values, particularly of corporate bonds. At the same time this means that these sections have become less attractive for new investments. Besides, there is the negative impact of doubts regarding the sustainable capital strength of individual countries (e.g. Ireland, Greece).

Unlike credit spreads, the actual default rates do not yet indicate a recovery trend. Besides defaults regarding redemptions of the nominal amount, there are adverse impacts from loss participations and defaults in interest payments under hybrid instruments.

Securities held by us of issuers with recognizable payment problems or insolvencies as well as subordinated loans, participation rights and silent-partner interests, where in some cases interest payments are contingent, have been written down to an adequately prudent value. Apart from this, interest defaults occurred to a minor extent in the business year 2008. Such adverse impacts cannot be excluded for the business year 2009, in particular with regard to issues of the regional state banks, without this being of material significance for the net investment income of the Generali Deutschland Group. The remaining exposure of securities of financial-sector issuers does not represent a particular threat to our risk-bearing capacity in the light of the current rescue measures of the government. In the year 2009 there were no defaults of securitized loans. At any rate, asset-backed securities (ABS) only represent a very small part of our portfolio, which we reduced at an early stage and which is limited to receivables of the highest quality.

As a whole, our bond portfolio is characterized by a consistent orientation at debtors of high credit quality and liquidity and a broad diversification of issuers. In comparison to the market, this leads to an above-average percentage of government bonds of mostly high credit quality, German mortgage-backed bonds (Pfandbriefe) and loans to banks for which there is a guarantor's liability due to the date of issue. On the other hand, the percentage of non-financial sector corporate bonds is small.

In the wake of the economic development there may be rising default rates in our mortgage portfolio. We do not expect this to have a major adverse impact on our earnings as the percentage of this asset class in our investment portfolio was reduced in the past, loan limits as a percentage of collateral are low and a large part of the loans in our portfolio has already been redeemed.

Even a further expansion of credit spreads or a future rise of default rates, provided there are no extreme scenarios, would not jeopardize the risk-bearing capacity of the Generali Deutschland Group.

Due to the function of Generali Deutschland Holding AG as the central reinsurer of the Generali Deutschland Group, credit or default risks under retrocession business are of particular importance. Since the inward reinsurance activities of Generali Deutschland are limited to the business assumed from other Group companies, the default risk involved in the amounts receivable from ceding companies/Group companies is of minor significance, as a matter of principle.

Concentration risks

The market and credit risks explained above can be of high significance for the risk situation if they occur together with accumulation or concentration risks. The Generali Deutschland Group has a professionally diversified investment portfolio. The composition of assets shows both a broad mix of asset classes and a broad diversification of issuers. Together with the focus on high-quality issuers, this portfolio diversification ensures that major concentration risks are of relevance to very few positions only. According to our assessment, the total of concentration risks is of minor significance with regard to the risk-bearing capacity. The percentage of government bonds in terms of carrying amounts is approximately 24 percent of investments. The total exposure of Greek government bonds is 0.77 percent of investments. The share of banks is about 30 percent, with approximately 64 percent of the bank exposure being underpinned by mortgage-backed bonds. The ten biggest banks, non of which has a rating below A, account for approximately 9 percent of the total investments held in the direct portfolio.

Liquidity risks

We encounter the risk of not being able to fulfil current and future payment obligations in time or for the full amount by foresighted liquidity planning. This enables us to cover the amounts payable by us on the liabilities side of our balance sheet any time by liquid and realizable funds on the assets and liabilities side, such as future profits on risk and expenses. In doing so we take into account risks that may result from both non-derivative obligations and derivative obligations on the liabilities side.

The high share of government bonds with best liquidity and the broad diversification of the investments in our portfolio ensure sufficient liquidity on a durable basis. Furthermore we dispose of a sufficient level of call and time deposits in the course of the year which allows us to fulfil all obligations any time, even in extraordinary situations.

Therefore we are currently not seeing any significant liquidity risk, neither in investments nor in underwriting business.

Specific segment risks

Within the risk-management system of our Group, particular importance is attached to underwriting risks. Besides the regular monitoring of risk experience and of the accounting bases for the calculation of premiums and underwriting provisions, there are comprehensive legal rules and guidelines regarding underwriting. The actuarial departments ensure an appropriate pricing and the setting up of adequate provisions. Despite the risk-adjusted management of the business, further risks may occur which have to be identified and limited. These include, among other, concentration risks and the risks under accumulation events and catastrophes which to some extent can be compensated within the insured portfolio and which, in addition, are covered by reinsurance (exclusively with reinsurers of high credit quality).

Specific sub-segment risks in life insurance

The specific sub-segment risk of life insurance is composed of the biometric risk, the cost risk and the lapse risk.

We regularly verify the lapse behaviour of our policyholders and the lapse experience of the insurance portfolio. A steep rise of interest rates could lead to a switch from insurance to bank products. We do, however, not expect particular liquidity risks from a changed lapse behaviour since German life insurers have turned out to be very resilient amid the crises of the recent past.

Within life insurance most products have a guarantee. Under traditional life insurance policies the accumulated capital is guaranteed. Therefore the customers of these products have not suffered any losses of their accumulated capital. Most unit-linked policies sold within the Generali Deutschland Group also have a guarantee and thus the customers' losses on the capital invested upon expiry of the contract will remain limited. The 2009 new business consisted to an extraordinary extent of single-premium business. Due to the nature of single-premium business it is difficult to make a forecast regarding the future volume of this business.

If the recovery of the economy is slow, there is the risk that consumers continue to postpone the contracting of long-term obligations such as life insurance policies and that the 2010 new business will shrink in comparison to 2009.

The biometric risks in life insurance encompass the death risk, the longevity risk, the disability risk and the long-term care risk. Mortality may be different from assumptions. Depending on the product mix within the portfolio of insurance policies in force, higher mortality leads to the realization of the death risk while lower mortality involves the longevity risk. Similarly the number of persons with a morbidity or disability (disability risk) or requiring long-term care (long-term care risk) may exceed assumptions. According to the assessment of the competent actuaries the safety margins applied by us in our biometric calculation bases are adequate and sufficient.

The cost risk consists in acquisition costs and administrative expenses covered by the premium calculation not being sufficient to cover actual costs. The competent actuaries are of the opinion that also in this regard the costs included in the calculations are adequate and sufficient.

In addition, the adequacy of the biometric assumptions and cost assumptions is regularly verified within the scope of profit apportionment for the entire portfolio.

Specific sub-segment risks in health insurance

The specific segment risk of health insurance is composed of the biometric risk, the cost risk, the claims risk and the lapse risk.

In health insurance, the biometric risk consists in a deviation of mortality from the assumptions used for calculation. The calculation bases and the assumed lapse behaviour for setting up provisions are regularly verified by actuaries.

The cost risk arises by cost charges included in the premium calculation not being sufficient. If the safety margins of the assumptions are insufficient on a durable basis, premiums are adjusted within the scope of possibilities provided for by law and taking into consideration the competitive situation. This limits the impact of increases in the biometric risk, the lapse risk and the cost risk.

The claims risk consists in premiums not being sufficient to pay specific contractually agreed benefits in the future. The amount of these benefits depends on the frequency of medical care and on the development of healthcare costs. For the future we expect further improvements in medical treatment, which may lead to higher benefit payments and thus to premium adjustments. Apart from this there is the risk of rising general inflation and an over-proportionately high inflation in the healthcare sector. This may lead to an adverse impact on the risk result which, in turn, may involve premium adjustments.

Specific segment risks in property and casualty insurance

The specific segment risk in property and casualty insurance consists of the pricing risk and the reserving risk.

The market development in property and casualty business is dominated by motor insurance, which is characterized by decreasing premium income despite a rising number of contracts. Amid relentless price competition in a saturated market we deliberately pursue the approach of a curbed price-cycle strategy. In doing so, we apply state-of-the-art methods of price determination in order to achieve maximum earnings. The fact that customers increasingly ask for more favourable offers counteracts the trend towards a complete change of the insurer. Another factor of rising importance are automatic upgrades into more favourable categories of the no-claims bonus scheme which leads to further losses in premium income.

In the field of legal expenses insurance we witnessed an increase in claims expenditure in the wake of the financial and economic crisis, similar to the development in the market. As far as premium income is concerned, however, we were in a position to substantially raise our new business compared to the previous year and we achieved growth above the market level. Due to a rising number of policy cancellations, the business in force only witnessed a slight increase. As a whole, we have been able to keep the claims and expense ratio at a constant level.

As far as distribution policy is concerned, there are market changes to be observed insofar as direct selling is gaining market share, in particular through internet-based secondary brands, and that alternative distribution channels, such as car manufacturers and car dealers are gaining importance and lead to an intensification of competition.

It is ambitious to pursue the underwriting of business with strong margins and a low claims level while simultaneously achieving growth in line with the market. Premium growth in business with retail customers is rather low due to the stagnating penetration rate. Persisting repercussions of the economic crisis and the resulting decrease in the available incomes of private households lead to a shrinking sales potential.

The claims experience of past years has shown that there may be a considerable risk of claims caused by natural hazards. We encounter these risks by means of an adequate reinsurance programme.

Building-society risks

Increase in credit risks of building-society business in the wake of economic developments

Deutsche Bausparkasse Badenia responds to the generally decreasing creditworthiness of potential borrowers and customers by continuously enhancing and consistently applying its scoring system for assessing credit quality. Stringent risk selection may lead to a decrease in the new business of immediate financing. The original loan business based on building-society contracts would be affected to a minor extent only by this development.

Other risks

Operational risks

Operational risks, which are an inevitable part of daily business activities and which, as a whole, might involve a loss potential that should not be underestimated, require consistent controlling across the company. Since operational risks can only to a limited extent be identified by means of purely quantitative methods and underpinned with capital adjusted to the risk involved, we control and limit these risks by means of our internal control system (ICS). These instruments are being enhanced by comprehensive project activities across the Group. Besides a systematic documentation of business processes involving risks, these activities encompass in particular the identification and measurement of operational risks and the control measures applied.

The occurrence of serious incidents involving the failure of buildings, staff etc. could mean a substantial jeopardy to operating processes. The potential risk exposure is high because, besides evident quantitative aspects, this could in particular jeopardize the company's reputation. In order to counteract this risk, an overall concept under the name of "emergency planning" has been developed and established which consists of the three elements of "emergency management", "crisis management" and "business continuity management" (BCM) fully interlinked with one another. This holistic concept ensures consistent and comprehensive handling across these three components and in chronological order after the occurrence of an incident. Emergency management is in charge of initiating and implementing immediate measures (alarm, evacuation etc.) once an incident has occurred. Under crisis management, an extraordinary organizational body prepares a strategy to overcome the crisis. In this context the so-called crisis task force may also use the concept and strategies of business continuity management. Under business continuity management, to overcome the crisis, BCM concepts and strategies, among others, are activated and passed on to the organizational units concerned for implementation. The target is to maintain or to re-establish the most important corporate processes and systems in the case of a crisis. The crisis management system is described in the crisis management manual.

Pandemic

Because of the spreading influenza A H1/N1 the pandemic risk has increased. For the Generali Deutschland Group as an insurance group, this risk may concern both employees and customers and may thus have an impact on regular business operations and on underwriting business. The protection of our employees focuses on preventive measures: in addition to comprehensive information about the viral disease and protection measures, various measures of hygiene were introduced on the various premises in line with the recommendations of the Robert-Koch-Institute. A variety of organizational and technical precautions were taken within the scope of Group-wide business continuity management in order to maintain regular business operations in the case of a pandemic. In health insurance, total claims expenditure may rise on a transitory basis due to the necessity of more in-patient treatment and due to a higher claims frequency as a result of the loss of independence of insurance claims. Currently we expect, however, that the impact on the level of claims expenditure will remain within normal fluctuations. We have provided our customers with detailed information on the "swine flu" through our healthcare portal on the Internet. In life insurance we have not yet witnessed an increase of claims caused by influenza A H1/N1. Since the influenza has so far taken a rather mild development we do not expect a major impact on technical business.

IT security

The IT activities of the Generali Deutschland Group are concentrated in Generali Deutschland Informatik Services GmbH (GD Informatik). By integrating GD Informatik into the risk-management system, the Generali Deutschland Group has efficient instruments at its disposal for recognizing and controlling IT risks across the Group. For the purpose of minimizing risks, measures are taken on a continuous basis to ensure the largest possible availability of hardware and software systems in the data centre of GD Informatik as well as the IT safety and protection of the data of all Group companies.

Thanks to the procedures used as a protection against computer viruses, major disturbances were again avoided in the business year 2009.

With its implemented technical and organizational measures of precaution, GD Informatik is in a position to ensure the IT operations of the Generali Deutschland Group any time.

Fraud risks

As a result of the continuous rise of white-collar crime in the insurance industry – not least due to the economic downturn – the ensuing economic and reputational losses are among the major risks of everyday business operations. In order to prevent durable damage to the company, the Generali Deutschland Group is continuously enhancing its internal control system, thereby responding to the requirement of professional fraud prevention and detection. In this context, for instance, the software for fraud detection in motor liability insurance was optimized and a comprehensive controlling system was developed in claims management. For 2010 it is planned to test software for fraud detection in property insurance. The exchange with colleagues from various lines and areas within the Group is being further intensified.

Legal risks

Legal and regulatory requirements may have a substantial impact on the Generali Deutschland Group, particularly in the case of material amendments.

Healthcare reform

The healthcare reform, which came into force on April 1, 2007 with the Act on the Reinforcement of Competition in Public Health Insurance (Gesetz zur Stärkung des Wettbewerbs in der Gesetzlichen Krankenversicherung – GKV-WSG) has led to a fundamental change of the environment for private health insurance in Germany. At the beginning of 2009 more new rules under the healthcare reform came into force meaning new challenges for private health insurance.

Starting from January 1, 2009 all private health insurers are obliged to offer a basic tariff under which they have to accept all customers applying for this cover which offers the same benefits as a cover under the public health insurance scheme. The premiums of the basic tariff are limited to the maximum premium payable under public health insurance and premiums are halved for needy customers. Furthermore, no additional premiums may be charged or exclusions agreed for previously existing diseases. Due to a shortfall in risk-adjusted premiums, this could lead to a higher claims expenditure and lower margins.

In addition, the healthcare reform also introduces the general obligation of having health insurance cover. At the latest starting from January 1, 2009 all persons in Germany have to be insured by a health policy providing at least for the reimbursement of the healthcare costs for in-patient and out-patient medical treatment. Therefore every citizen in Germany has to be either a member of the public health insurance scheme or be covered by a private health insurer. For the private health insurance companies this means that on the one hand they no longer have the right to terminate contracts with policyholders of the corresponding insurance product, even if the latter are in arrears with premium payment. On the other hand, private health insurers are also under the obligation of reaccepting former policyholders of a private health insurance contract under the basic tariff, even those customers whose contracts had been terminated for being in arrears with premium payment. Both effects could involve higher write-downs due to premiums in arrears. Since private health insurers, however, are still obliged to pay the medical bills for emergency treatment and acute diseases, this could involve a sustainably adverse impact on results. The response to the increased level of premiums in arrears in 2009 consisted of an intensification of risk checking and write-downs. The basic tariff is excluded from these underwriting guidelines because companies are under the obligation to accept customers for this tariff.

Furthermore the healthcare reform has opened up the possibility to the public health funds to offer their members optional tariffs with a binding period of up to three years. Starting from January 1, 2009 the public funds are also in a position to offer an optional tariff for daily sickness allowance. The risk involved in the optional tariffs of the public health insurers is that part of these products compete with the supplementary covers of the private health insurers and that potential customers of the private health insurance companies take out cover with their public health fund instead.

The healthcare reform represents a substantial interference with the business model of private health insurers and has involved a material deterioration of their competitive position in comparison to public health funds. The private health insurance industry responded by filing a complaint with the Federal Constitutional Court, which was dismissed by that latter court on June 10, 2009. The court senate, however, imposed the obligation on legislation to ensure that the healthcare reform will not lead to unreasonable repercussions for private health insurance customers and companies. We respond to the risks directly resulting from the healthcare reform (for new business, insurance benefits and earnings) by consistent and timely controls and by assessing and controlling the development of production, portfolio and benefits.

Another potential interference with the business model of private health insurance were considerations to abolish the two-tier health insurance system. This risk has become reduced by the coalition agreement between the CDU/CSU and FDP parties as the first result of the national elections of September 27, 2009. The coalition agreement includes a clear statement from the parties in favour of a greater choice of citizens in setting up their health insurance cover. Nevertheless there is the risk of further political interferences with the business model of private health insurers in the short term. As long as the question of the structure of the state-run social security systems is not clarified, the necessary change required for the public healthcare scheme still involves a factor of uncertainty for the business model of private health insurers. In order to make these risks controllable, the Generali Deutschland Group, together with the association of private health insurers, takes part in the political discussions aimed to find sustainable and future-oriented solutions.

Court complaints and settlements

In the 1990s Deutsche Bausparkasse Badenia AG (Badenia) financed freehold apartments sold by various distribution companies as investment property. Some of the purchasers demand from Badenia to be released from the loan obligation and/or to be paid damages. As at December 31, 2009 a total of 706 court proceedings in this matter were pending. In 536 proceedings final court orders have already been issued, of which 521 in favour of and 15 against Badenia. In addition, Badenia has concluded settlements with investors in about 2,300 cases for economic reasons. It has thus enabled many debtors to make a new financial start. The development in jurisdiction is not yet terminated. The recognizable risks have been adequately taken into consideration.

To cover the credit risks involved in these cases, Generali Deutschland Holding AG has assumed a guarantee for part of the business of Badenia involving a risk. Due to this measure and to measures at the level of Badenia itself, sufficient precautions have been taken for these risks on the basis of the facts currently known.

Implementation of MaRisk VA

With the publication of the circular letter 3/2009 (VA) of January 22, 2009 – the regulatory minimum requirements regarding risk management (MaRisk VA) – the rules of sections 64a and 104s of the Insurance Regulatory Act were put into more concrete terms by the regulatory authority. A more flexible and practice-oriented framework was created for the set-up of risk management. Risk management as defined by this circular letter comprises the determination of an adequate risk strategy consistent with the business strategy chosen, appropriate rules regarding organization and processes, the establishment of an adequate internal controlling and monitoring system, the set-up of an internal audit department and the introduction of internal controls.

The course already followed in the past by the Generali Deutschland Group with a view to a continuous development of risk management was consistently pursued, taking specifically into account the MaRisk VA. The extensive activities to implement MaRisk were consolidated within the Generali Deutschland Group and coordinated by Generali Deutschland Holding AG. The major elements of MaRisk VA have been implemented and existing processes have been adjusted accordingly.

All Group companies and the Group as a whole have developed or comprehensively revised their risk strategies on the basis of their individual business strategies. Elements of business and risk strategy in general and risks – classified by risk categories – are discussed in detail. The targets defined under the risk strategies are reflected in the concept of risk-bearing capacity and in the limit system under implementation; these represent the basis for risk controlling. With a view to the required separation of functions, an organizational framework was developed through which conflicts of interest will be avoided, as a matter of principle. The Enterprise Risk Management department centralized in Generali Deutschland Holding AG assumes a major part of the independent risk controlling function on the basis of its authority for determining guidelines and methods. In order to enhance the transparency of business processes – in particular those involving material risks – a comprehensive concept of process documentation, the so-called Group business architecture, was implemented. This architecture represents a set of tools which will in the future be used both for process optimizations and for audits by the internal audit department. Processes, interfaces, responsibilities as well as risks and controls are clearly defined. For serious incidents which might jeopardize business processes, an emergency plan was developed which is described under operational risks.

Our remuneration system is oriented at the sustainable success of the company. Any misguided incentives to run inappropriate risks are avoided. The remuneration system is regularly checked and enhanced, if necessary, to fulfil legal or regulatory requirements.

Regarding outsourced services and functions, a risk-analysis process was set up which ensures adequate controlling.

The basis for the overall risk awareness in our company is the integration of all business areas into the preparation of the risk inventory. Besides, there are various activities through which risk management is visualized to all employees and embedded as an integrated part into everyday thinking and acting. We aim to further enhance the risk culture in our company. The target is to create a high level of risk awareness in every single employee.

Special court proceedings

Within the scope of domination and profit-transfer agreements concluded with subsidiaries in previous years and within the so-called squeeze-out procedure, indemnity offers were made to former shareholders of subsidiaries, in particular of AachenMünchener Lebensversicherung AG, AachenMünchener Versicherung AG and Volksfürsorge Holding AG (today Generali Beteiligungs- und Verwaltungs-AG). Furthermore, on the basis of profit-transfer agreements, the shareholders of the companies involved were also offered compensation for no longer receiving a dividend from the companies concerned. Former shareholders of the subsidiaries filed applications for special court proceedings to verify the adequacy of our offer of indemnity and compensation. In some proceedings, legally binding court decisions are still pending. In the event of the company losing its case, it may become obliged to make payments in addition to the indemnities and compensations already paid to all minority shareholders.

Federal Supreme Court ruling on minimum surrender values

In 2006 the consumer association Verbraucherzentrale Hamburg filed a complaint with the Regional Court Aachen against AachenMünchener Lebensversicherung AG in order to obtain higher surrender values for a small number of former customers who had terminated their contract ahead of expiry. The basis for these complaints is the ruling by the Federal Supreme Court (BGH) of October 12, 2005 on minimum surrender values. In March 2008, the Regional Court Aachen separated the complaint into 14 individual court proceedings. The issues under dispute are the statute of limitations, the deduction applied for premature termination, the calculation of the surrender value and the question of whether the consumer association had the right to file the complaint. Early in 2009, the Regional Court Aachen issued orders in favour of AachenMünchener Lebensversicherung AG in two of these individual proceedings. In another proceeding, the Regional Court Aachen ruled that the Verbraucherzentrale Hamburg had no right to file the complaint. The other proceedings are still pending at the court of first instance. Similar proceedings against competitor companies are being monitored.

Instalment clause

Another legal risk could result from the acknowledgement of a competitor within the scope of a legal dispute with a consumer association at the Federal Supreme Court under which the competitor has undertaken not to raise an additional charge for premium payment by instalments for a Riester contract without indicating an effective interest rate. If the legal considerations arising in the course of these proceedings were also applied to other insurance products it would become necessary to adjust the products and forms for contracts with a deferred volume of maturity above the threshold of immateriality as defined by section 499 para. 3 of the German Civil Code (BGB). With a view to a legally compliant set-up, the companies will adjust their products for new business. With regard to insurance contracts concluded in the past, there could be a risk involved in further cases of litigation referring to the validness of such additional charges to the extent these were agreed in the contracts concerned.

Complaint by the consumer association Verbraucherzentrale Hamburg

At year-end 2007 the consumer association Verbraucherzentrale Hamburg filed a complaint against four life insurers – among which Generali Lebensversicherung AG – with the Regional Court Hamburg. The complaint was filed on the grounds of an alleged intransparency of insurance conditions, in particular against the deduction of a lapse fee and against the amount of the surrender value in the case of cancellations. The background of the complaint are the rulings by the Federal Supreme Court of 2001 and 2005. It refers to contracts concluded after 2001 and before January 1, 2008. On November 20, 2009 a court order was issued by the court of first instance. According to the Regional Court Hamburg, the clauses regarding the deduction of a lapse charge and on the amount of the surrender value in the case of cancellation are invalid. In the opinion of the court it is not sufficient to refer in the clauses to the so-called table of surrender values as the set-up of this table is intransparent. Therefore the court also considers the clauses themselves to be invalid. In its ruling the Regional Court Hamburg goes beyond the requirements of the Federal Supreme Court in its previous rulings. The three parallel proceedings against competitors had a similar outcome. The court orders are not final and will be reviewed by the instance of appeal.

Act on the Modernization of Accounting Law

The Act on the Modernization of Accounting Law (Bilanzrechtsmodernisierungsgesetz – BilMoG) was published in the Official German Gazette (Bundesgesetzblatt) on May 28, 2009 and involves changes, among others, regarding the recognition and measurement of self-developed non-current intangible assets, provisions (with the exception of underwriting provisions) and deferred tax. The new rules of the BilMoG have to be fully applied for the first time in the 2010 Financial Statements based on the HGB local German accounting rules. There may be risks involved in issues of doubt regarding the interpretation of the law. We are observing and accompanying the discussions in the technical bodies concerned and among the interested public.

Strategic and general business risks

Activity programme and IT migration of Generali Versicherungen

After the formal completion of the merger of Generali and Volksfürsorge Versicherungen, a major risk lies in the achievement of strategic targets. Therefore the Board of Management of Generali Versicherungen has initiated an activity programme under which the most important strategic directions of impact of the new company are controlled in various partial projects. The projects range from the achievement of growth and cost-cutting targets, the implementation of the business model in casualty business to the creation of a new shared corporate identity and the fulfilment of legal requirements. At year-end 2009 the first strategy projects were completed and are now further pursued as implementation projects. On the other hand, new projects are included in the activity programme which are derived from the current strategy discussion.

Besides the implementation of the strategy, the IT migration involves a recognizable risk potential for the success of the company. Therefore all migration issues were consolidated in a specific IT controlling team, which – in addition to the Board of Management of Generali Versicherungen – also comprises representatives of Generali Deutschland Holding AG and of the Group's service companies. As a major step towards the full implementation of the "New Generali" project, the consolidation of the IT systems for property/casualty business of the former Generali and Volksfürsorge Versicherungen and the ensuing migration of the portfolio data into a leading target system was successfully completed. In order to counteract the risks resulting from a delay in the implementation of migration activities, extensive system and application tests were carried out and professional project management was implemented. After the successful rollout of the consolidated systems and data, sales networks now have all new property/casualty products at their disposal on a continuous basis. Besides, the consolidation of the IT systems and the harmonization of processes have already led to the realization of synergies.

For the purpose of an early recognition and initiation of countermeasures with regard to interdependencies and implementation risks between IT and strategy issues, a regular exchange of information has been established between the two bodies.

Bank channel

Under the existing distribution agreement, Commerzbank will sell products of provision for the Generali Group until and including August 2010. Within the scope of our project on the strategic orientation of the bank channel, a variety of measures were developed and initiated in 2009 in order to compensate part of the business volume lost and to reinforce this channel. In 2009 some first activities were launched to intensify existing cooperations and distribution processes were developed and their implementation started for winning new bank partners.

Solvency requirements

All Group companies subject to solvency requirements showed a sufficient solvency in compliance with statutory regulations. On the basis of the Group solvency of the Generali Deutschland Group, the total of the existing own funds of € 5,521 m (previous year: 5,056 m) is by € 2,016 m (previous year: 1,715 m) or 58 percent (previous year: 51 percent) in excess of the required level. On that basis the calculated solvency ratio in the Group is 158 percent (previous year: 151 percent), including valuation reserves.

The Generali Deutschland Group is no longer regarded as a financial conglomerate by the financial services regulator BaFin and is therefore exempted from regulatory provisions applicable to financial conglomerates. Therefore, since 2008 the calculations required under the solvency rules for financial conglomerates no longer have to be filed. We will, however, continue to voluntarily prepare a solvency calculation on a financial-conglomerate basis and submit it to the BaFin. As a result, it will no longer be necessary in the future to deduct

a) interests in credit institutions, financial service institutions and financial companies nor
b) receivables under participation rights and subordinated loans from the entities indicated under a) above

at Group and company level for solvency calculation.

In preparing for the future requirements under Solvency II, the Generali Deutschland Group has implemented – as already described – an internal risk model. On the basis of that risk model, the Group has a sufficient available capital in order to fulfil the economic capital requirements.

Outlook and enhancement of risk management

The enhancement of risk management in the Generali Deutschland Group is a continuous process. Besides new elements of business administration, the new requirements arising in the context of the European system of insurance regulation (Solvency II) are also regularly integrated into the risk-management system of the Generali Deutschland Group and consistently applied. Simultaneously last year the requirements resulting from the 9th Amendment of the Insurance Regulatory Act (VAG) and from MaRisk VA were implemented to the largest possible extent. The implementation concept of the Generali Deutschland Group is oriented at the three-pillar structure established under Solvency II. On the basis of this three-pillar structure, the further development of internal systems for risk measurement and controlling, the optimization of processes and transparent reporting are continuously being pushed forward.

As a whole, there is no development emerging at present which could affect the risk-bearing capacity in a way jeopardizing existence, even though the assets, liabilities, financial position and earnings of the Generali Deutschland Group have been negatively influenced by the financial crisis and its repercussions. Following the recovery of financial markets, in particular in the second half of 2009, the assets, liabilities, financial position and earnings of the Generali Deutschland Group have nevertheless improved significantly.

Outlook

- The recovery of the global economy is expected to continue. After a dynamic start in 2010, growth will, however, probably slow down in the further course of the year as fiscal programmes expire.
- For international stock markets, positive one-digit percentage returns are anticipated.
- On the basis of our good operating development and our success in insurance business, the Generali Deutschland Group is therefore looking at the future with confidence.

Expectations for 2010 regarding the economic environment

We expect a further recovery of the global economy in 2010. The fiscal and monetary measures introduced will keep having a supporting impact in the coming months. Besides, in most regions the stock cycle is anticipated not to become fully effective until the first few months of 2010.

It is assumed, however, that in the further course of the year the economic development will become less dynamic. With stimulus programmes expiring, structural problems – such as the high debt of U.S. households curbing consumer spending, the low utilization of production capacities leading to low investments by companies and a more restrictive granting of bank loans – will get the upper hand again, thus triggering another phase of economic weakness. Another slide into recession, however, is not to be expected. As a whole, all important industrial countries will presumably achieve positive growth rates in 2010. But the potential growth figures are not yet expected to be reached in 2010 and 2011.

Development in financial markets

Chances are good for the recent positive development in international stock markets to continue in the first few months of the current year. Prices have not been exaggerated so far, the profit trend for the next twelve months is going upwards in nearly all markets and economic indicators are expected to support this development in the first quarter because the stimulus packages continue to be effective and stocks in the cyclic business segments are beginning to be replenished. The decisive point is, however, that investors are still lacking in serious alternative investments to stocks. Fixed-income short-term investments are close to zero interest rates for the time being, and this trend is not expected to change before the second half of this year because of the present low-inflation environment. With the economic stimulus packages expiring, the economy apparently losing in dynamics and a change in interest policy approaching, the economic recovery will presumably slow down in the course of the year. In total, in 2010 we are expecting positive, yet below-average profits from international stocks in the single-digit percentage range. For 2011, an increasingly stable business environment is anticipated to bring about a slightly more positive trend, which should reach historic average levels again.

The sustainable economic recovery and concerns about escalating national deficits will be the key factors on the international bond markets in 2010. Accordingly, we are expecting a continued moderate yield increase of long-term government bonds. The imminent normalization of the key lending rates expected for the second half of the year should also result in higher rates at the short end of the curve. Consequently, earnings from government bonds will remain below average for the whole of 2010. In the subsequent year, yields are expected to increase further and therefore coupon earnings will almost be set off by price losses. On the other hand we have identified a certain potential for a further reduction of risk premiums in the field of corporate bonds, emerging market bonds and other fixed-income assets involving risks. This restriction should protect risky fixed-income securities to a certain extent against a general yield increase. Accordingly, solid earnings are expected from this asset class in 2010.

GDV expects premium income to decrease by 0.5% in 2010

Insurance business expects slight decline in premium income

In view of the general economic imponderabilities, any forecast of the development of our industry in the business years to come is subject to a great deal of uncertainty. The German Insurance Association GDV expects premium income to decrease by 0.5 percent in 2010 compared to 2009. This decline will mainly be due to the difficult situation of the overall economy which will primarily have an impact on consumer spending. In the next few years, additional curbing effects are again expected from intense competition and market saturation in property and casualty insurance.

The 2010 business development in life insurance will mainly depend on the future course of the financial and economic crisis and the development of single premium business. Although it can be assumed that the income available to private households will remain at fairly constant levels, the general reluctance of large sections of the population regarding private investments will become even stronger. On the other hand, the ever growing importance of funded individual provision for old age and the lifelong benefits guaranteed by life insurers will have a rather positive effect on the demand for life policies. In addition, life insurance has even gained in attractiveness based on the current turmoil in financial markets. As a result, especially Riester policies and the basic pension business should grow in 2010 at the same rates as in the past few years. The classical endowment and pension insurance with high guaranteed payments has also gained new impetus. On the other hand, unit-linked insurance products will lose some of their dynamics. Despite the urgent need for comprehensive, individual provision for old age, the demand for funded old-age provision in Germany has, however, not yet reached adequate levels.

The GDV believes that the trend towards a declining new business in terms of regular premiums will be stopped in the year 2010, and that new policies in this area will almost reach previous year levels. Due to the extraordinary development in 2009, however, estimates regarding single-premium business are quite uncertain. Depending on the scenario, the growth forecast for 2010 ranges between plus 17 and minus 7.5 percent. When assuming equal levels in single-premium business as in the year before, the life insurance industry will most likely suffer a 3 percent decrease in premium income in 2010, which will also be due to the expiry of policies.

The economic environment also determines the development of the private health insurers. The ongoing difficult situation of the overall economy affecting private households will negatively impact the net new business in full health covers.

No major changes are to be expected for the time being as regards the relationship between private health insurers and the public health scheme. Although the general environment of health policy may improve in the next few years, this alone will not positively influence the premium development. Government subsidies for the national health scheme (€ 15.7 bn in 2010 alone) distort competition, whereas, on the other hand, the Citizens Relief Act has provided for a higher tax deductibility of health insurance and long-term care insurance premiums since the beginning of this year. In

The market expects a negative premium development in life insurance

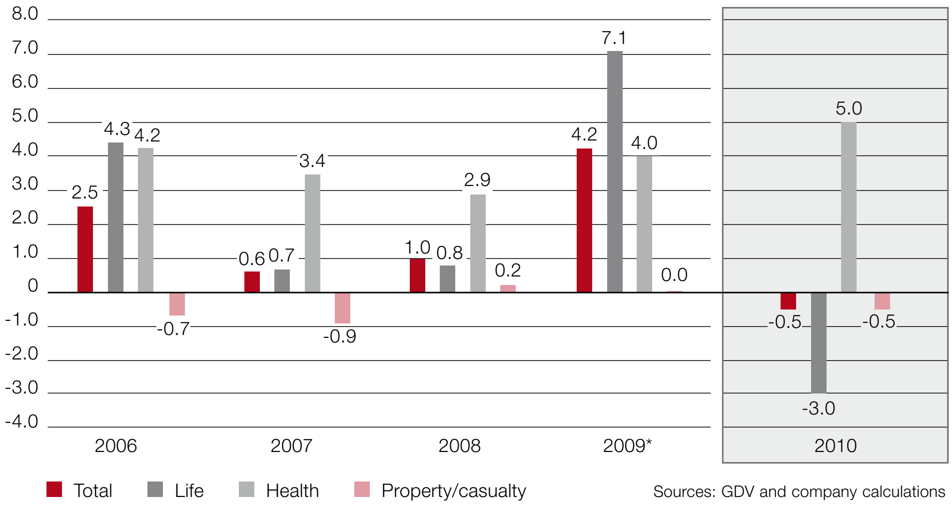
-3.0%

total, it can be assumed that the net increase of about 70,000 to 80,000 persons with a full health cover will remain significantly below the numbers recorded at the beginning of this decade. The fact, however, that the three-year waiting period which had to be observed since 2007 by persons intending to change to private health insurance expires for the first time on February 2, 2010 should set positive impulses. The development of supplementary policies will be rather restrained in 2010 again in view of the ongoing economic crisis.

As a result of increasing healthcare costs, premiums for existing health insurance policies will have to be raised again. As in 2009, we are expecting increases in claims and benefits in the mean single-digit range. In total, therefore, a 5 percent premium growth is to be

Premium growth by lines of business

Figures in %, including pension schemes and pension funds



* preliminary figures

Sources: GDV and company calculations

Health insurance will continue to grow in 2010

+5.0%

expected in private health insurance business, which will result from higher numbers of new policy holders to a minor degree only (approx. 1 percentage point).

In property and casualty insurance, the current economic decline will hardly have an impact as far as private households are concerned. However, the need of trade and industry to obtain insurance coverage will be significantly affected by the financial and economic crisis. Price sensitivity will also increase considerably in this segment. At the same time, the long-term trends of high market penetration and ongoing price competition will continue to be characteristic of the entire property/casualty business. In motor insurance, premium income has continuously decreased since 2005. This was not only due to price variations, but mainly to the migration of policyholders to higher no-claims bonus classes and cheaper tariff groups. However, the GDV believes that the price decline will not continue in 2010, and that a turning point might be reached. But this will have no impact on permanent premium erosion. The current economic slump and the associated uncertainty among consumers will contribute to a further decline in general demand. In particular, consumer demand for new cars will be bound to collapse in 2010, after temporarily high numbers of new vehicles registered in connection with the scrapping premium. Amid the development expected in the automotive industry, it is assumed that motor insurance will witness a decrease in premium income of about 1 percent in 2010. In property insurance for retail customers (in particular homeowners and householders insurance), where premium development is primarily influenced by adjustments of premiums and sums insured, premium income is expected to grow by 1.5 percent. All in all, the industry proceeds from the assumption that the premium volume in property and casualty insurance will decrease only slightly by 0.5 percent compared to the previous year's level.

Building society contracts are an important element for financing the purchase and refurbishment of residential property because they offer stable interest rates and a fixed calculation. In the case of rising interest rates, this advantage of building society contracts could boost business.

The environment is favourable for the acquisition of residential property: low interest rates, moderate prices for land, construction work and property, government subsidies – not only for residential property as a means of providing for retirement, but also a large number of programmes at the federal, state and local level – make it easier to become a homeowner.

On the other hand, decreasing real earnings, an instable labour market and, last but not least, the financial crisis have curbed the consumers' willingness to make long-term, binding investments. One indicator of this trend is the decreasing number of building permissions granted in the past few years. The possibility of an imminent turnaround is indicated by the increasing number of construction permits in the second half of 2009. Regardless of the development of new building construction, the refurbishment market will continue to grow strongly and give new impetus to building societies – mainly because of the increased limit for unsecured loans of € 30,000. Statutory requirements, climate protection measures and rising energy costs combined with the need to increase self-supply with energy and the growing popularity of regenerative energy will most likely raise the number of building projects involving conversion, enlargement and extension or renovation of properties. Not only the property owners, but also more and more tenants make higher demands on their living environment and are prepared to perform the corresponding measures. Last but not least, the high numbers of properties to be inherited in the next few years constitute a considerable potential for modernization.

A stimulus for increasing the homeowner base is provided by the stronger integration of residential property into the subsidized Riester scheme. Residential property as a means of providing for retirement offers market potentials for the building societies. But as this is a complex type of contract, potential customers need to be given comprehensive advice.

Favourable environment for the acquisition of residential property

Focus of the Generali Deutschland Group

The Generali Deutschland Group is excellently positioned in the German primary insurance market. A vital element for the successful development of our insurance activities is the consistent orientation of our strong brands towards their relevant distribution channels. Our business model creates the basis for stable and sustainably successful structures in the Group. In addition, this model is oriented at giving these structures an efficient shape and at cutting costs. In the past few years, we have successfully implemented restructuring measures, created larger units and reduced redundant areas. We will continue to benefit from these cost savings.

In the next few years, we will continue to consolidate our strengths and to sustainably focus on the successful diversity of our distribution channels, which is unique in the German market. In addition, we are consistently working on the enhancement of our processes and structures.

The consistent enhancement of our proximity to markets and distribution channels as well as further developments specific to the business fields, such as those within our product strategy, will remain the central tasks of our Group companies in the year 2010. Furthermore, the orientation towards customers and services will continue to be in our focus. We will use our full distribution capacity in order to expand the strong position in our markets. To achieve this target, the IT support for distribution activities will be sustainably improved and a standardized online platform will be established and upgraded for our fieldstaff.

The Generali Deutschland Group will benefit from the fact that we had already started to create future-oriented and stable structures before the onset of the financial and economic crisis. As a result of the crisis, our customers will rely on safe investments when providing for old age. Being a Group with sound financial strength and a high distribution capacity, we will be able to further improve our competitive position as the second largest primary insurer in the German market on this basis.

In the current year it will be crucial to make use of the initiated changes to open up additional synergies and to further increase our profitability and enhance our distribution strength. We are convinced that these goals can be achieved by the measures already taken.

We will use our full distribution capacity to enhance the strong position in our markets

Growth in life above market average

Life insurance accounts for approx. 65 percent of the total premium income of the Generali Deutschland Group. The environment and development trends in this segment are therefore of special importance to the Group's success. Life insurance certainly is a long-term growth market due to the demographic situation, the structural financing problems of the state-run retirement schemes and the growing awareness of the necessity for supplementary old-age provision on a private or corporate basis.

We satisfy all requirements for successful positioning, based on our broad and comprehensive product range and the quality of our fieldstaff networks. This applies to all three tiers of old-age provision and the additional coverage of biometric risks.

The basic pension cover of the first tier has become firmly established as a product of supplementary retirement provision in particular for the self-employed, for earners of high incomes and for persons approaching retirement age. We offer a complete product line and expect a further long-term boost in demand.

In the sustainable growth market of corporate old-age provision (second tier) it is crucial both to advise employers on all aspects of corporate pensions and to provide high-quality and individual consulting to every single employee. These are services which we can ensure through our sales networks as a provider of all vehicles of corporate pension provision.

Generali Deutschland provides a comprehensive product range for all three tiers of retirement savings

The merger of our pension funds and the consolidation of their core competencies will strengthen the basis for a successful future in this business segment. Both partners have a longstanding experience and offer attractive solutions, especially in the field of outsourcing corporate pension schemes.

Also with regard to the Riester pensions of the second tier we expect demand to rise further as the target group of persons eligible for state incentives has not yet been fully penetrated. As the market leader we will benefit particularly from this development. Being an established provider of unit-linked and conventional Riester pensions, we are expecting above-average growth in this segment as well.

The provision products of the third tier, which comprise endowment life insurance and private pension insurance, continue to be attractive for customers. In the wake of the financial market crisis customers have come to appreciate the safety of the guarantees granted by life insurers. Apart from the benefits guaranteed on a long-term basis, the additional cover of biometric risks is another unique selling proposition of life insurance. The trend towards pension covers will continue in new business, also due to taxation aspects.

As 2009, the year 2010 will be characterized by high single-premium business. For the reinvestment of maturity benefits, flexible solutions in terms of insurance and deposits are being offered by our life insurers.

We anticipate that the attractiveness of fund investments will rise again in the medium term. For tax reasons, unit-linked insurance will be more attractive than direct fund investments starting from 2009. Even though customer interest in unit-linked insurance has temporarily decreased as a result of plunging stock-market prices, we expect that in the medium term there will be a persistent trend towards unit-linked products, with a rising demand especially for innovative covers. As the market leader in unit-linked life insurance we are excellently positioned to offer our customers any requested risk-yield profile. Risk-adverse customers have the possibility of taking out traditional products. Mixed types of cover, such as a traditional product with a unit-linked profit bonus and hybrid products with a premium guarantee, provide opportunities while simultaneously offering a basic guarantee. Our product range entails flexible investments in different funds of excellent quality.

We also expect growth momentum from covers for purely biometric risks, such as term life or occupational disability insurance. Term life insurance with differentiated pricing provides comprehensive cover for surviving dependents. In the long run, there will be a stronger demand for occupational disability covers because the state has largely withdrawn from providing this benefit and the market is not saturated yet. Our product structure takes account of the fact that especially young persons starting their professional career need attractive prices in order to be able to insure their existential risk.

In the growing senior market we will increasingly position ourselves with products of long-term care insurance. Amid ongoing discussions about possible reforms of the state-run long-term care scheme we are anticipating strong impulses in this segment. The development of objective quality criteria for care services and the competition thus arising between the providers of long-term care services will underline the necessity for private cover. Apart from stand-alone policies we are also offering a system of supplementary covers and optional modules from which tailor-made product packages can be set up.

We will benefit from the growth opportunities opening up in the wake of the demographic development and the gradual restructuring of the social security schemes by making use of our innovative product development oriented at specific target groups and by means of our strong distribution networks. The diversity of our distribution channels gives us access to a broad range of customers. For that purpose we provide all distribution channels with product concepts geared to their target groups.

In the year 2010 and the following years we will again achieve stronger growth than the life insurance market. In doing so we will reinforce and expand our top position in Riester pensions, unit-linked life insurance and term life insurance.

New Government in favour of reinforcing the two-tier healthcare system

Health insurers on course for growth

The new conservative-liberal government, which was elected last autumn, clearly endorses the promotion of the two-tier health system consisting of private health insurance and the public health scheme. In its coalition treaty, the new government already announced that it will liberalize the possibility of changing to private health insurance by revoking the three-year restriction for employees. Accordingly, the income of an employee would have to exceed the upper annual salary limit for only one year before being allowed to take out a full private health cover.

The coalition treaty also announced the beginning of a funded long-term care scheme. In addition, the federal government will review the controversial rules concerning the basic tariff, which may be amended.

According to plans, optional and additional tariffs in the public health scheme will be strictly limited. In addition, the health pool will remain in place at least until 2011. In the long term, however, the government is planning on transforming the public scheme into an organization that provides for more autonomous premiums as well as regional differences and non-income-related employee contributions with a tax-funded compensation for social hardship.

Based on the new political environment and also amid the first signs of an economic recovery in Germany, the private health insurance industry expects to grow in the year 2010. The health insurers of Generali Deutschland and their powerful sales networks are optimally positioned and anticipate that they will again achieve growth above the market average.

Development in property and casualty insurance for retail customers continues to be stable

As private households have remained economically stable so far, the business proves to be quite sustainable especially as regards property and casualty insurance for retail customers.

However, price sensitivity on the part of customers continues to be very high. Therefore, fierce competition will decisively influence the market also in 2010, given the low potential for new business. At the same time, uncertainties concerning the consequences of the economic crisis prevail.

This applies to both motor insurance and to the other classes of property and casualty business.

The development in motor insurance continues to be characterized by high price sensitivity on the part of the customers, although first signs on the market indicate an attenuation of the price decline. The slump in new vehicle registrations that is expected to follow the end of the scrapping premium will impact the business in 2010.

The companies of the Generali Deutschland Group are well prepared for the challenges in this market environment.

The Generali Deutschland Group addresses intense price competition by a differentiated product policy

Innovative products and the use of modern pricing methods guarantee high customer benefits while optimizing profitability. Intense price competition is addressed by our companies by means of a differentiated product policy.

In total, property and casualty insurance for retail customers has been highly profitable in recent years. The attractiveness of these lines of business and the shrinking potential for new business in the long term will lead to a further intensification of competition. Future success in retail business will primarily depend on a targeted customer approach and an integrated view of customers, taking into account their individual life and risk situation. In this context, the companies of the Generali Deutschland Group are already well positioned today, thanks to their comprehensive product range including assistance modules.

Our core business with corporate customers is focused on small and medium-sized enterprises. In this context it is regularly analysed which growth lines have future perspectives and which lines are particularly profitable. Operating in and developing the business fields and trades identified represents an attractive extension of the overall business portfolio of the Group. The underwriting of industrial business involving high sums is not a business activity in which the Generali Deutschland Group operates.

Based on the extensive specialized and technical know-how of the Group's personnel, we are able to adapt our product range to our customer's need at short term.

In 2009, new motor tariffs with high benefits were introduced by all Group companies. The harmonization of the property and casualty products of the merged Generali and Volksfürsorge Versicherungen is now completed. It streamlines our product range and considerably reduces the efforts to be made to develop products tailored to the market. The products of AachenMünchener were modernized in the field of liability covers for corporate clients and enhanced with additional performance features. With a new personal accident insurance tariff, CosmosDirekt was able to significantly improve its accident assistance benefits.

Besides the envisaged product modernization in motor, AachenMünchener will also adjust its 'Vermögenssicherungspolice' property cover to the current requirements of sales networks and market developments. In addition, AachenMünchener and Generali Versicherung are planning on modernizing their property products for corporate customers. With a new flexible product, Generali Versicherung will also expand its homeowners insurance product range.

Against the background of current developments and based on our customer-oriented initiatives in property and casualty insurance we proceed from the assumption that in the business year 2010 our development will be in line with the market.

Profitability as a core task of Deutsche Bausparkasse Badenia

Deutsche Bausparkasse Badenia is strategically well prepared for the future. Attractive products, a high quality of customer and sales service, a lean organization, efficient processes and a stringent risk and cost management ensure an adequate profitability.

The good product quality and the fact that our sales networks are convinced of the building-society products have laid the foundations for Badenia's new business growth above the market level in 2009. The products, the ongoing successful partnership with Deutsche Vermögensberatung and the strong growth of the refurbishment market will give Badenia new business impulses leading to an expected stable new business in 2010, without accounting for the expiry of the cooperation with Commerzbank.

The persistent optimization and acceleration of business processes will be continued. In this context, Badenia will automate more credit and contract-portfolio processes and will integrate the applications of its sales network and operations. Further improvements in telephone and document handling services are carried out in parallel where ambitious service levels are the guiding line.

Persistently prudent approach in investment policy

In contrast to last year, the financial markets started in a friendly, supportive environment in 2010. Continuing business confidence is covering up the risks involved in dynamically growing public debt. In addition, the recently published economic data are still positively influenced by the effects of fiscal programmes. We believe that the end of these programmes may be accompanied by disillusionment, which may result in renewed discussions about the development of inflation and the economic crisis.

For this reason, we do not believe that the stock market boom will continue steadily in the second half of this year. For the year as a whole, the development is expected to be slightly positive, reaching a single-digit performance. Fixed-income securities are expected to yield a moderate increase in base interest rates and – throughout the year – almost stable credit spreads.

On the basis of these expectations, we initially want to keep our market-neutral equity exposure which we will adjust to possible – temporary – downswings in the short term by taking adequate hedging measures. As regards fixed-income securities, we will concentrate on non-financial corporates to ensure the diversification of issuer groups for as long as credit spreads remain above historical averages. Another focus will be on covered bonds of the neighbouring European markets. Investments in real property and private equity will not be extended beyond the existing commitments.

Earnings expected to improve further

The diversity of brands and distribution channels in the Generali Deutschland Group and the intensive exploitation of the advantages inherent to a strong Group are the basis for a successful development also in the future. Due to our good market position in business with retail customers and small to medium-sized commercial clients, the strong advisory capacity of our fieldstaff networks and distribution partners and the positioning of our brands we expect further market-share gains in insurance business and premium growth above the market average.

These expectations regarding our core business activities still have to be seen against the background of the environment of international capital markets which we will be faced with in the current year. Based on our good operative development and the success in insurance business, we look confidently ahead and believe that, in line with the business year 2009, the earnings position will continue to be positive in the coming years.

Provided there are no extraordinary claims and capital markets are not affected by substantial and sustained adverse developments in the current year we proceed from the assumption that in 2010 we will reach a Group net profit of more than € 360 m. For the subsequent years we expect Group earnings to rise continuously.

The total comprehensive income in compliance with IAS 1 will to a major extent depend on the development of the revaluation reserve. In 2010 we anticipate a slight improvement of the reserve position for shares and moderate decreases in bond prices. As a whole, the other comprehensive income is expected to only change slightly and therefore the total comprehensive income should develop in line with the Group's net profit.

Group targets 2010 through 2012 on the basis of internal management parameters

The following gives an outline of the Group targets for the period 2010 through 2012. We refer to the parameters on which our internal management and planning are based. These parameters are growth targets, the new business value (for life and health insurance), the combined ratio, the cost target and the Group net profit under IFRS accounting.

Group targets 2010 through 2012

	Actual 2009	Targets 2010	Outlook 2011/2012
Premium development life	+5.1%	growth above market level	growth above market level
Premium development health	+7.3%	growth above market level	growth above market level
Premium development property/casualty	-0.8%	growth at market level	growth at market level
New business value[1]	€ 187 m	> € 170 m	slight rise in subsequent years
Combined ratio[2]	95.6 %	95–96 %	95 %
Total costs[3]	€ 1,610 m	< € 1,600 m	< € 1,570 m
Group net profit under IFRS	€ 341 m	> € 360 m	continuous increase in subsequent years

1 life and health insurance; acc. to MCEV, after capital cost
2 combined ratio of claims and expenses in property and casualty insurance; without consideration of extraordinary claims
3 net, without commissions

Information and report in compliance with section 315 para. 4 HGB

The subscribed capital of the company amounts to € 137,420,784.64 and is divided into 53,679,994 unit shares to the bearer (bearer shares). All shares grant the same rights, i.e. there are no different categories of shares.

Under the Articles of Association there are no restrictions referring to voting rights or to the transfer of shares. The Board of Management is not aware of any such restrictions based on agreements between shareholders. No shares have been issued with special rights conferring powers of control.

Assicurazioni Generali S.p.A., Trieste/Italy, indirectly held a stake of 93.02 percent in Generali Deutschland Holding AG on the reporting date. Out of that percentage a direct stake of 80.19 percent and an indirect stake of 5.1 percent are held by Generali Beteiligungs-GmbH, Aachen.

The company has not been informed of other direct or indirect shareholdings in its capital exceeding 10 percent of the voting rights.

The Supervisory Board is responsible for appointing and removing members of the Board of Management according to the legal provisions in sections 30 ff. of the Co-Determination Act (MitbestG) in conjunction with sections 84, 85 of the Companies Act (AktG) and the rules of art. 7 para. 1 of the Articles of Association. The Supervisory Board also determines the number of members in the Board of Management. The Board of Management is composed of three members. According to section 119 para. 1 no. 5 AktG the authority for amending the Articles of Association lies with the General Meeting, which takes its resolutions in compliance with section 179 AktG. The authority to resolve amendments of the Articles of Association which merely refer to the wording has been transferred to the company's Supervisory Board in line with article 19 of the Articles of Association.

The Board of Management manages the company in its own responsibility (section 76 AktG) and represents the company in court and out of court (section 78 AktG). Pursuant to article 7 para. 3 of the Articles of Association, the company is represented by two members of the Board of Management or by one member of the Board of Management acting together with a "Prokurist" (authorized representative). The Board of Management is supervised by the Supervisory Board to which management tasks cannot be transferred but which may resolve that specific transactions can only be carried out by the Board of Management with the approval of the Supervisory Board.

Pursuant to article 5 para. 4 of the Articles of Association the Board of Management is authorized until May 18, 2014 to increase the share capital, with the approval of the Supervisory Board, by up to € 68,710,392.32 by issuing, in one single or several partial amounts, a total number of up to 26,839,997 new unit shares to the bearer against contribution in cash or in kind (authorized capital). In the case of a capital increase against a contribution in kind the Board of Management is authorized to exclude the subscription right of shareholders with the approval of the Supervisory Board. In the case of a capital increase against a contribution in cash a subscription right is to be granted to the shareholders. The shares may also be taken over by credit institutions which undertake to offer them to the shareholders for subscription. The Board of Management is authorized, however, to exclude the subscription right of shareholders with the approval of the Supervisory Board, if at the moment when the issue price is finally determined, which should be as close as possible to the moment the shares are placed, that issue price is not materially below the stock-market price. This authorization to exclude subscription rights is subject to the condition that the total shares issued with the exclusion of subscription rights pursuant to section 186 para. 3 sent. 4 AktG within the five-year authorization period do not exceed 10 percent of the share capital, neither at the time the authorization becomes effective nor at the time it is exercised. The disposal of treasury stock is to be taken into account when calculating the 10 percent limit of the share capital if this disposal is based on an authorization pursuant to section 186 para. 3 sent. 4 AktG, which is applicable at the moment this authorization becomes effective or on an authorization replacing such latter authorization, and the subscription right is excluded. Furthermore the Board of Management is authorized to exempt residual amounts from the statutory subscription right of shareholders with the approval of the Supervisory Board. The Board of Management is authorized to determine, with the approval of the Supervisory Board, all further conditions for the issue of new shares, in particular the issue price. Finally the Supervisory Board is authorized to change the wording of the Articles of Association to reflect the extent of the capital increase from authorized capital.

The Board of Management has the possibility of acquiring company shares as treasury stock within the scope of the legal provisions of section 71 AktG. In particular, by resolution of May 19, 2009 the General Meeting authorized the Board of Management pursuant to section 71 para. 1 item 8 AktG to acquire shares of the company, with the approval of the Supervisory Board, until October 31, 2010. This authorization is restricted to the acquisition of shares representing a share of € 13,742,077.44 of the company's share capital; this equals close to 10 percent of the existing share capital of € 137,420,784.64. The authorization shall not be used for the purpose of trading with company shares. The authorization may be exercised, directly by the company or by third parties commissioned by the company, in one single or several partial amounts or in pursuing one or several purposes. The shares acquired, together with the other treasury stock held by the company or attributable to the company in compliance with sections 71d or 71e AktG shall at no time exceed 10 percent of the share capital. The acquisition may be done, as decided by the Board of Management, on the stock exchange or by a public offer to the company's shareholders or by a public invitation addressed to the company's shareholders to make sales offers.

If the shares are acquired on the stock exchange, the consideration per share paid by the company (without ancillary acquisition costs) shall not exceed or fall short of the opening price on the three stock market trading days before assuming the obligation to acquire company shares by more than 5 percent. The opening price is determined by the opening auction in Xetra trading (or a similar system replacing the latter).

If the acquisition is made by a public offer to all shareholders of the company or by a public invitation to the shareholders of the company to make sales offers, the purchase or sales price offered or the upper and lower limits of the range of the purchase or sales price per share (without ancillary acquisition costs) shall not exceed or fall short of the average closing price in Xetra trading (or a similar system replacing the latter) which is applicable on the three stock market trading days preceding the publication of the offer or the invitation to make sales offers and which has been determined by the closing auction by more than 10 percent. The volume of the offer or of the invitation to make sales offers can be limited. To the extent the total acceptance of the offer or the offers made upon an invitation to submit sales offers exceeds or falls short of this limitation, the acquisition or acceptance has to be done in proportion to the shares offered. It is possible to provide for a preferential acquisition or preferential acceptance of quantities of up to 100 shares of the company offered for acquisition per shareholder of the company. The purchase offer or the invitation to submit sales offers may be subject to further conditions. The provisions of the Securities Acquisition Act and the Securities Takeover Act have to be observed to the extent they are applicable.

The Board of Management is authorized, with the approval of the Supervisory Board, to use the shares of the company acquired on the basis of this authorization for all legally admissible purposes and in particular for the following:

1. The shares acquired may be withdrawn without the withdrawal or the withdrawal procedure requiring a further resolution at the General Meeting. The withdrawal may be limited to part of the shares acquired. The authorization for withdrawal can be made use of several times. The withdrawal may be made in such a way that the share capital is not changed but that instead the percentage of the remaining shares in the share capital is increased pursuant to section 8 para. 3 AktG (section 237 para. 3 no. 3 AktG). The Board of Management is authorized to amend the number of shares indi-

cated in the Articles of Association in line with the extent to which the capital is reduced as a result of the withdrawal.
2. The acquired shares may be sold against a consideration in kind, in particular in the context of mergers or of the acquisition of companies, stakes in companies or in parts of companies.
3. The acquired shares may be disposed of other than on the stock exchange or by an offer to the shareholders at a price not falling materially short of the stock-market price of the company's shares at the time of the disposal. In that case, the total of the number of shares to be sold and of the new shares issued since the granting of the authorization, with exclusion of the subscription right pursuant to section 186 para. 3 sent. 4 AktG, shall not exceed 10 percent of the company's share capital at the time the resolution was taken at the General Meeting.

The authorizations under 1. through 3. may be used in one single or various partial amounts.

The shareholders' right to subscribe the company's own shares is excluded to the extent these shares are used within the scope of the authorizations indicated under 2. and 3.

Finally there is a conditional capital set up because of the domination agreements concluded with subsidiary companies in 1997 for the purpose of compensating minority shareholders. In this context reference is made to the information in the Notes on p. 172.

Generali Deutschland is party to two sales cooperation agreements – in favour of Group companies – which are of material importance for the Group and which include provisions for the case of a change of control. Under one of the agreements, which expires in 2010, the sales cooperation may be terminated in the case of a change of control in Generali Deutschland or Assicurazioni Generali S.p.A. Under the other agreement, the exclusiveness agreed in favour of the Generali Deutschland Group may be terminated in the case of a change of control in Generali Deutschland or Assicurazioni Generali S.p.A., but only if additional measures are announced, decided or initiated which have a material impact on the business activities of the Group companies concerned or on the distribution of their products. No agreements have been concluded by the company with members of the Board of Management or with employees providing for compensation in the case of a takeover bid.

Corporate Governance Statement pursuant to section 289a HGB

Our Corporate Governance Statement pursuant to section 289a HGB is published on the Internet at www.generali-deutschland.de in the "Investor Relations" section.

Basic structure of the remuneration of the members of the Board of Management and of the Supervisory Board

With regard to the remuneration of the members of the Board of Management and the Supervisory Board, reference is made to the statements in the chapter "Corporate Governance" on p. 17 ff. in order to avoid presentation redundancies. That remuneration report is also an integrated part of the Management Report.

Chap. 3
Consolidated Financial Statements

Pages 090–197

Consolidated Statement of Comprehensive Income for the period January 1–December 31, 2009

Consolidated Income Statement

	Note	€'000	€'000	2009 €'000	2008 €'000
1. Gross premiums written				**12,418,870**	**11,907,586**
2. Net premiums earned	6		12,096,156		11,601,603
3. Investment income (net)	7				
a) income from shares in equity-method enterprises		78,209			50,282
b) other investment income		2,959,297			807,218
			3,037,506		857,500
4. Other income	8		381,595		432,057
				15,515,257	**12,891,160**
5. Net claims and benefits	9				
a) life/health		-9,631,924			-7,152,494
b) property/casualty		-1,952,483			-1,930,085
			-11,584,407		-9,082,579
6. Net operating expenses	10		-2,536,229		-2,620,530
7. Other expenditure	11		-895,634		-1,191,500
				-15,016,270	**-12,894,609**
8. Result before goodwill amortization				**498,987**	**-3,449**
9. Goodwill amortization	15			**–**	**-800**
10. Earnings before tax and finance costs				**498,987**	**-4,249**
11. Finance costs				**-16,456**	**-16,724**
12. Tax	12			**-141,982**	**25,300**
13. Net profit				**340,549**	**4,327**
a) of which attributable to the equity holders of the parent				327,113	1,933
b) of which minority interests				13,436	2,394

	Note	2009 €	2008 €
14. Earnings per share	13		
a) diluted		6.09	0.04
b) basic		6.09	0.04

Other comprehensive income

	Note	2009 €'000	2009 €'000	2009 €'000	2008 €'000
13. Net profit				**340,549**	**4,327**
15. Other comprehensive income	12				
Gains and losses from the revaluation of available-for-sale financial assets					
Reclassification due to the realization of gains and losses		84,048			441,214
Change during the period		123,800			-615,718
			207,848		-174,504
Change of other comprehensive income from equity-method enterprises					
Change during the period			672		-5,660
Change from cash-flow hedges					
Reclassification due to the realization of gains and losses		-658			-658
Change during the period		-6,132			-4,079
			-6,790		-4,737
Foreign exchange differences			-665		1,938
				201,065	**-182,963**
16. Total comprehensive income				**541,614**	**-178,636**
a) of which attributable to the equity holders of the parent				527,931	-178,967
b) of which minority interests				13,683	331

Consolidated Income for the period October 1–December 31, 2009

			2009	2008
	€'000	€'000	€'000	€'000
1. Gross premiums written			**3,069,448**	**3,035,428**
2. Net premiums earned		3,208,932		3,216,388
3. Investment income (net)				
a) income from shares in equity-method enterprises	19,577			9,725
b) other investment income	956,995			-278,228
		976,572		-268,503
4. Other income		128,752		146,293
			4,314,256	**3,094,178**
5. Net claims and benefits				
a) life/health	-2,662,673			-1,361,738
b) property/casualty	-505,184			-434,764
		-3,167,857		-1,796,502
6. Net operating expenses		-693,497		-926,077
7. Other expenditure		-315,987		-492,062
			-4,177,341	**-3,214,641**
8. Result before goodwill amortization			**136,915**	**-120,463**
9. Goodwill amortization			**–**	**-800**
10. Earnings before tax and finance costs			**136,915**	**-121,263**
11. Finance costs			**-4,114**	**-4,114**
12. Tax			**-54,057**	**70,935**
13. Net profit/loss			**78,744**	**-54,442**
a) of which attributable to the equity holders of the parent			72,793	-55,511
b) of which minority interests			5,951	1,069
			2009	2008
			€	€
14. Earnings per share				
a) diluted			1.35	-1.03
b) basic			1.35	-1.03

Consolidated Balance Sheet as at December 31, 2009 – Assets

	Note		2009	2008
		€'000	€'000	€'000
A. Owner-occupied property/tangible assets	14		**1,033,196**	**1,039,377**
B. Intangible assets	15			
I. Goodwill		269,389		269,389
II. PVFP of insurance contracts		64,613		87,596
III. Other intangible assets		64,267		85,423
			398,269	**442,408**
C. Deferred acquisition costs	16		**7,868,847**	**7,834,165**
D. Investments				
I. Investment property	17	2,275,706		2,284,853
II. Shares in equity-method enterprises	18	512,613		526,436
III. Financial assets				
1. loans and receivables	19	39,392,259		41,141,231
2. available for sale	20	36,758,553		31,173,079
3. financial assets at fair value through profit or loss	21			
a) financial assets at fair value through profit or loss (not held for trading)		832,544		776,310
b) held for trading		25,903		286,016
		77,009,259		73,376,636
			79,797,578	**76,187,925**
E. Investments for the account and at the risk of life insurance policyholders	22		**10,424,408**	**7,361,720**
F. Receivables	23		**2,290,565**	**2,212,625**
G. Tax assets	34			
I. for current tax		280,856		384,145
II. for deferred tax		15,361		92,066
			296,217	**476,211**
H. Reinsurers' shares in underwriting provisions			**1,480,536**	**1,508,471**
I. Other assets			**261,343**	**269,014**
J. Inventories	24		**10,747**	**10,411**
K. Non-current assets held for sale and discontinued operations				
I. Non-current assets held for sale	25	12,571		10,650
II. Discontinued operations	35	–		–
			12,571	**10,650**
L. Current-account balances with credit institutions, cheques and cash in hand			**954,995**	**669,038**
Total assets			**104,829,272**	**98,022,015**

Consolidated Balance Sheet as at December 31, 2009 – Equity and Liabilities

	Note	€'000	2009 €'000	2008 €'000
A. Group equity	26			
I. Subscribed capital		137,421		137,421
II. Capital reserves		1,310,347		1,309,573
III. Revaluation reserve		456,927		264,193
IV. Profit carried forward		1,776,726		1,943,832
V. Reserve from foreign currency translation		-2,277		-1,214
VI. Net profit attributable to the equity holders of the parent		327,113		1,933
VII. Minority interests		17,812		97,082
			4,024,069	**3,752,820**
B. Underwriting provisions				
I. Unearned premiums	27	473,449		480,456
II. Provision for future policy benefits	28	66,858,340		64,084,147
III. Provision for outstanding claims	29	4,745,530		4,664,791
IV. Provision for premium refunds	30	5,309,407		4,688,887
V. Other underwriting provisions		29,887		30,123
			77,416,613	**73,948,404**
C. Underwriting provisions concerning unit-linked life insurance			**10,322,944**	**7,305,688**
D. Other provisions				
I. Provisions for pensions and similar commitments	31	1,942,277		1,904,448
II. Tax provisions		391,968		292,232
III. Other provisions	32	483,678		652,657
			2,817,923	**2,849,337**
E. Payables	33			
I. Subordinated liabilities		231,534		212,597
II. Bonds and loans		172,833		211,670
III. Other payables		9,346,607		9,156,254
			9,750,974	**9,580,521**
F. Tax liabilities	34			
I. for current tax		64,283		77,051
II. for deferred tax		431,743		507,449
			496,026	**584,500**
G. Other liabilities			**723**	**745**
Total equity and liabilities			**104,829,272**	**98,022,015**

Consolidated Statement of Changes in Equity

	Subscribed capital	Capital reserve	Revaluation reserve		
			Gains and losses from the revaluation of available-for-sale financial assets	Change of other comprehensive income from equity-method enterprises	Change from cash-flow hedges
	€'000	€'000	€'000	€'000	€'000
31.12.2008	137,421	1,309,573	256,339	2,914	4,940
Total comprehensive income[1]	—	—	207,592	673	-6,790
Dividend to shareholders	—	—	—	—	—
Change of consolidation scope	—	—	-8,741	—	—
Share-based payment	—	774	—	—	—
31.12.2009	**137,421**	**1,310,347**	**455,190**	**3,587**	**-1,850**
31.12.2007	137,421	1,308,177	407,887	8,574	9,677
Total comprehensive income[2]	—	—	-172,572	-5,660	-4,737
Dividend to shareholders	—	—	—	—	—
Change of consolidation scope	—	—	21,024	—	—
Share-based payment	—	1,396	—	—	—
31.12.2008	**137,421**	**1,309,573**	**256,339**	**2,914**	**4,940**

1 The amount which in the business year 2009 is attributable to “gains and losses from the revaluation of available-for-sale financial assets” includes reclassifications due to the realization of gains and losses of an amount of € 84,048 thousand (after tax) and other changes of an amount of € 123,800 thousand (after tax). The amounts include minority interest of € 256 thousand. The deferred tax attributable to the item amounts to € -74,989 thousand. The change in the provision for deferred premium refunds is € -1,030,561 thousand.
In the business year 2009, a deferred tax of € 2,886 thousand and € 253 thousand was attributable to the items “change from cash-flow hedges” and “foreign exchange differences” respectively. The change in the provision for deferred premium refunds is € 4,854 thousand.

2 In the business year 2008 the item “gains and losses from the revaluation of available-for-sale financial assets” includes reclassifications due to the realization of gains and losses of € 441,214 thousand (after tax) and other changes of an amount of € -615,718 thousand (after tax). The amounts include minority interest of € -1,933 thousand. The deferred tax attributable to that item is € 37,782 thousand. The change in the provision for deferred premium refunds is € 984,399 thousand.
The deferred tax attributable to the items “change from cash-flow hedges” and “foreign exchange differences” had a deferred tax impact of € 1,653 thousand and € -263 thousand respectively in the business year 2008. The change in the provision for deferred premium refunds is € -5,393 thousand.

The Board of Management and the Supervisory Board propose to the General Meeting of Generali Deutschland Holding AG to be held on May 27, 2010 to distribute a dividend of € 2.90 for each unit share entitled to dividends.

Reserve from foreign currency translation	Profit carried fw. and net profit	Minority interests	Equity
€'000	€'000	€'000	€'000
-1,214	1,945,765	97,082	**3,752,820**
-635	327,091	13,683	**541,614**
—	-155,672	-10,215	**-165,887**
-428	-13,345	-82,738	**-105,252**
—	—	—	**774**
-2,277	**2,103,839**	**17,812**	**4,024,069**
-2,951	2,099,240	175,503	**4,143,528**
2,066	1,936	331	**-178,636**
—	-155,672	-2,212	**-157,884**
-329	261	-76,540	**-55,584**
—	—	—	**1,396**
-1,214	**1,945,765**	**97,082**	**3,752,820**

Statement of Cash Flows

	2009 €'000	2008 €'000
Net profit	340,549	4,327
Change of underwriting provisions (net)	5,545,779	-1,614,976
Change of deferred acquisition costs	-34,682	-36,894
Change of reinsurance deposits receivable and payable as well as current accounts receivable and payable	-2,571	-195,147
Change of financial assets held for trading	106,054	-215,839
Change of other amounts receivable and payable	339,986	-448,061
Realized capital gains/losses from the disposal of investments and of plant and equipment	-814,939	12,545
Change of deferred tax assets/liabilities	-70,677	-95,493
Change of other balance-sheet items	-18,784	-35,504
Profits/losses due to deconsolidation	-3,981	-13,860
Adjustment for investment income and expenditure not involving cash movements	-740,608	6,239,406
Cash flow due to operating activities	**4,646,126**	**3,600,504**
Receipts due to the disposal of affiliated and associated enterprises	8,482	4,059
Payments due to the acquisition of affiliated and associated enterprises	-15,237	-262,466
Receipts due to the disposal of other investments	28,093,559	18,057,298
Payments due to the acquisition of other investments	-30,717,735	-19,627,555
Receipts due to the disposal of investments under unit-linked life insurance	228,483	704,958
Payments due to the acquisition of investments under unit-linked life insurance	-1,617,751	-2,016,405
Other receipts	41,728	266,050
Other payments	-89,129	-439,390
Cash flow due to investing activities	**-4,067,600**	**-3,313,451**
Change of bonds, loans and subordinated liabilities	-37,089	-6,628
Receipts due to capital increase	-89,300	10,688
Dividend payment	-165,887	-157,884
Cash flow due to financing activities	**-292,276**	**-153,824**
Impact of currency translation on cash position	-293	178
Change of the cash position due to the acquisition/disposal of consolidated subsidiaries	—	—
Cash position at the beginning of the business year	669,038	535,631
Change of the cash position	286,250	133,229
Cash position at the end of the business year	**954,995**	**669,038**

The cash position corresponds to the balance-sheet line item of "Current-account balances with credit institutions, cheques and cash in hand". As at the reporting date, out of the amount of liquid resources included in the cash position, € 300,000 thousand (previous year: 300,000 thousand) are part of the tied funds and therefore that part of the cash position can only be disposed of with the approval of a trustee.

Cash Flows

	2009 €'000	2008 €'000
Dividends received	330,058	398,402
Interest received	2,984,335	3,001,325
Interest paid	-38,993	-34,410
Tax paid	-11,384	-183,601

Notes

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Notes to the Consolidated Financial Statements 2009

1 Accounting regulations

The Consolidated Financial Statements have been established on the basis of section 315a para. 1 of the German Commercial Code (HGB) in conjunction with art. 4 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 regarding the adoption of the International Financial Reporting Standards (IFRSs) as published by the International Accounting Standards Board (IASB) and endorsed by the European Union.

Indications of standards in the Consolidated Financial Statements always refer to the version applied in preparing the Consolidated Financial Statements.

Accounting regulations applied for the first time

IFRS 8 “Operating Segments”

In November 2006 the IASB published the new standard IFRS 8. That standard was adopted as European law in November 2007 and is applied to business years starting on or after January 1, 2009. The standard requires the disclosure of financial or descriptive information about reportable segments. In compliance with IFRS 8, operating segments have to be defined in accordance with internal reporting (management approach). Segment information is presented in line with the same internal valuation criteria that are applied to regular internal management information. The standard replaces IAS 14 “Segment Reporting” which required a risk and reward approach. The implementation of IFRS 8 does not have a material impact.

IFRS 2 “Share-based Payment”

In January 2008 the IASB published a revised standard IFRS 2 which was endorsed as European law in December of the same year. The clarification under IFRS 2 with regard to the vesting conditions and cancellation of stock-option plans ahead of schedule has to be applied starting from January 1, 2009. The revision of the standard has no impact on the Consolidated Financial Statements.

IAS 1 “Presentation of Financial Statements”

In December 2007 the IASB published a revised standard IAS 1. The most important amendments of IAS 1, which has to be applied starting from January 1, 2009 at the latest and which was endorsed as European law by the European Union (EU) in December 2008, consist of the rules on the presentation of the financial statements, a definition of the statements comprised in a complete set of financial statements, the definition and presentation of the income for the period, the definition and presentation of the statement of changes in equity and the presentation of dividends. On the one hand, the revised standard leads to a change in the presentation of the previous income statement. The new income statement may either be presented in one table as statement of comprehensive income (one-step approach) or in two tables (two-step approach) as an income statement in its previous form plus a supplementary statement of other comprehensive income. On the other hand the revised version of IAS 1 provides for a change in the presentation of the statement of changes in equity. In addition, it is required to disclose income tax related to each component of the other comprehensive income. Furthermore the enterprise has to disclose all reclassification adjustments recognized in income which in previous years had been included in other income. IAS 1 thus has an impact on the presentation of the balance sheet, the statement of comprehensive income, the statement of changes in equity and the Notes. The statement of comprehensive income is presented in two statements (two-step approach) in the Consolidated Financial Statements.

IAS 23 "Borrowing Costs"

On March 29, 2007 the IASB issued a revised version of IAS 23 which is of mandatory application for business years starting on or after January 1, 2009. The standard was endorsed by the EU on December 10, 2008. Pursuant to the revised IAS 23 borrowing costs attributable to the acquisition, construction or production of a qualifying asset have to be capitalized on a mandatory basis. Previously there had been the options of either recognizing these borrowing costs as an expense or to capitalize them. The amendments have no impact on the Consolidated Financial Statements.

IFRS 7 "Financial Instruments: Disclosures"

In March 2009 the IASB issued amendments to IFRS 7. The amendments have to applied for business years starting on or after January 1, 2009. The amendments were endorsed as European Law on November 27, 2009 by the EU. They refer to the information used to determine fair values and to the liquidity risk. For determining the fair values in the Notes, a classification based on a three-level hierarchy has to be indicated for each category of financial instruments and additional disclosures are required with regard to the liquidity risk. In this context, information has to be provided on maturity dates and on the amount of the cash flows presented. With regard to the disclosures required for the controlling of the liquidity risk, an explicit distinction must be made between non-derivative and derivative financial liabilities. The amendments do not have a material impact on the assets, liabilities, financial position and earnings of the Generali Deutschland Group and they were applied in the Notes to the Consolidated Financial Statements.

IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement"

Also in March 2009 the IASB issued amendments to IFRIC 9 and IAS 39 of mandatory application for business years closed after June 30, 2009. The amendments were adopted by the EU on November 27, 2009. In these amendments it is clarified that an enterprise wanting to reclassify specific financial instruments from the "measured at fair value through profit or loss" category has to assess whether the embedded derivatives have to be separated and, if applicable, recognized separately in the financial statements. If, however, it is not possible to measure the fair value of the derivative to be separated, the entire hybrid instrument has to remain in the "measured at fair value through profit or loss" category. The implementation of IFRIC 9 does not have an impact on the Consolidated Financial Statements.

IAS 32 "Financial Instruments: Presentation"

In February 2008 the IASB issued amendments to IAS 32. The amendments were adopted by the EU on January 21, 2009. The revised IAS 32 indicates two exceptions from capital classification. These mean that in the future specific liabilities are no longer to be shown as debt capital but instead as equity in the IFRS financial statements. This refers to both callable instruments and to financial instruments from which a payment obligation may arise in the case of company liquidity if they are also the most subordinated equity class. The revised standard was applied starting from January 1, 2009. In doing so, the basic structure of the IFRS capital classification was not changed. The implementation of the amendments to IAS 32 does not have a material impact on the Consolidated Financial Statements.

IFRIC 13 "Customer Loyalty Programmes"

In June 2007 IFRIC 13 was published by the IASB. In December of the following year the interpretation was endorsed as European law with first-time adoption for business years beginning after December 31, 2008. IFRIC 13 deals with the recognition of obligations under premium credits and bonus programmes within the scope of customer loyalty programmes. The implementation of IFRIC 13 does not have a material impact on the Consolidated Financial Statements.

IFRIC 14, IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

In July 2007 the IASB published IFRIC 14, IAS 19. The EU adopted the corresponding rules in the year 2008. They have to be applied to business years starting after December 31, 2008. IFRIC 14 indicates general rules for determining the maximum limit for the surplus of a pension fund to be recognized as an asset under IAS 19. In the closed business year these rules were not of relevance for the company and therefore had no impact on the Consolidated Financial Statements.

IFRS 1 and IAS 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"

On May 22, 2008 the IASB published amendments to IFRS 1 and IAS 27. These were adopted by the EU on January 23, 2009. The amendments are applicable for business years starting on or after January 1, 2009. The amendments provide concrete details as to the retroactive measurement of acquisition costs for investments in subsidiaries, jointly controlled entities or associates in the case of the first-time application of IFRSs. The implementation of the amendments have no material impact on the Consolidated Financial Statements.

"Improvements to IFRSs"

Within the scope of its annual IFRS improvement project, the IASB issued an amendment standard on May 22, 2008. This standard was endorsed by the EU on January 23, 2009. The amendment standard introduced a number of amendments to existing standards which, as a general rule, refer to the elimination of inconsistencies in or between existing standards or to editorial clarifications. Unless otherwise specified in the standard concerned, the amendments become for the most part applicable for business years starting on or after January 1, 2009. The implementation of the amendments has no material impact on the Consolidated Financial Statements.

Major accounting standards already published and endorsed by the European Union (EU) but not to be applied until a later date

We plan the first-time adoption of each of the standards and interpretations indicated below once they come into force.

Revised IFRS 3 “Business Combinations”

On January 10, 2008 the IASB issued a revised version of IFRS 3. The application of this revised standard is mandatory for business years starting on or after July 1, 2009. The standard was adopted by the Commission Regulation (EC) of June 3, 2009. The revised standard IFRS 3 comprises the following changes:

- Non-controlling interests are measured either at their proportionate share of the net identifiable assets or at fair value.
- Acquisition-related costs under a business combination have to be recognized as expenses.
- In a business combination achieved in stages, the previously held interests in the acquiree shall be remeasured upon obtaining control with the resulting gain or loss being recognized in income. The goodwill is thereafter determined as the difference between the remeasured carrying amount of the interest plus the purchase price paid for the acquisition of the new interest less net assets acquired.
- Within the scope of a subsequent measurement, no adjustment of the goodwill is possible to take account of any adjustments to the acquisition costs depending on future events and having to be recognized as a liability on the date of acquisition.
- Pre-existing relationships are not part of the acquisition of the entity.
- The rules regarding rights transferred to the entity before its acquisition and now re-acquired by the acquirer are defined more concretely.

The Generali Deutschland Group does not expect a major impact on the future Consolidated Financial Statements.

Revised IAS 27 “Consolidated and Separate Financial Statements”

On January 10, 2008 the IASB issued an amended version of IAS 27. The amended standard is of mandatory application for business years starting on or after July 1, 2009. The standard was endorsed by the Commission Regulation (EC) of June 3, 2009. The revised IAS 27 includes rules on the determination of minority interests and on recognition in case the control of a subsidiary is lost. According to this standard, changes in the ownership interest of the parent in a subsidiary due to the acquisition of minority interests or the disposal of interests to minorities without loss of control must be accounted for as equity transactions. Disposals of interest leading to a loss of control, however, must be recognized in income. The Generali Deutschland Group does not expect a major impact on the future Consolidated Financial Statements.

IAS 39 “Financial Instruments: Recognition and Measurement – Hedged items”

On July 31, 2008, the IASB issued amendments to IAS 39. Application is mandatory for business years starting on or after July 1, 2009. The standard was endorsed by the Commission Regulation (EC) of September 15, 2009. The revised IAS 39 deals with inflation risks in hedged items in specific cases and the designation of options with their intrinsic or fair value. The amendments do not have a material impact on the Consolidated Financial Statements.

IAS 32 "Financial Instruments: Classification of Rights Issues"

In October 2009, the IASB issued amendments to IAS 32 which were endorsed as European Law in December 2009. The amendments have to be applied for business years starting on or after February 1, 2010. The revised rules refer to recognition by the issuers of subscription rights, options and warrants for the acquisition of a fixed number of equity instruments denominated in a currency different from the functional currency of the issuer. The Generali Deutschland Group does not expect a major impact on the future Consolidated Financial Statements.

IFRS 1 "First-Time Adoption of International Financial Reporting Standards"

Furthermore, the IASB amended IFRS 1 on November 27, 2008. The amendments were endorsed by the European Parliament on November 25, 2009 and are applicable for business years starting after December 31, 2009. The amendments mainly refer to changes in the structure of the standard. The material requirements remain unchanged. The amendments will have no impact on the Consolidated Financial Statements.

IFRIC 12 "Service Concession Arrangements"

In November 2006 IFRIC 12 was issued by the IASB and endorsed as European law in March 2009. According to European law, the interpretation is applicable for business years starting on or after March 29, 2009. IFRIC 12 contains clarifications regarding the distinction of the various stages of a service concession arrangement and for the recognition of the corresponding expenditure and revenues. As this interpretation is not of relevance for the Generali Deutschland Group, no impact is expected on the Consolidated Financial Statements.

IFRIC 15 "Agreements for the Construction of Real Estate"

On July 3, 2008 IFRIC 15 was issued by the IASB and endorsed by the European Parliament on July 22, 2009. The interpretation has to be applied for the first time for business years starting after December 31, 2009. The fundamental issue of IFRIC 15 is whether an agreement is set up in such a way that IAS 11 "Construction Contracts" is applicable or whether there are features prevailing that lead to the application of IAS 18 "Revenue". The amendments will not have an impact for the Generali Deutschland Group.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

Also in July 2008 IFRIC 16 was published by the IASB and endorsed as European law in June 2009. The interpretation has to be applied for the first time for business years starting on or after June 30, 2009. IFRIC 16 includes precise rules regarding the qualification of the hedged net investment in a foreign operation. The amendments have no impact for the Generali Deutschland Group.

IFRIC 17 "Distributions of Non-cash Assets to Owners"

IFRIC 17 was published in November 2008 and endorsed as European law in November 2009. The interpretation has to be applied for the first time for business years starting after October 31, 2009. The interpretation includes regulations on when the liability to pay a dividend shall be recognized and on the measurement of that dividend. Furthermore IFRIC 17 also deals with the accounting for any difference between the carrying amount of the assets distributed and the carrying amount of the liability. The

Generali Deutschland Group does not expect a material impact on future Consolidated Financial Statements.

IFRIC 18 "Transfers of Assets from Customers"

In January 2009 the IASB published IFRIC 18. The endorsement as European law was on November 27, 2009. The interpretation has to be applied prospectively to transfers of assets made after October 31, 2009. IFRIC 18 clarifies the recognition of the transfer of property and equipment or of the consideration for the construction or acquisition of property and equipment by a customer. The Generali Deutschland Group does not expect a material impact on the future Consolidated Financial Statements.

Major accounting standards already published but not yet of mandatory application for not having been endorsed yet by the European Union (EU)

IFRS 9 "Financial Instruments"

On November 12, 2009 the IASB published IFRS 9 "Financial Instruments" as a standard covering the classification and measurement of financial assets. IFRS 9 must be applied for business years starting on or after January 1, 2013. Pursuant to IFRS 9 all financial assets currently in the scope of IAS 39 "Financial Instruments: Recognition and Measurement" will be divided into two classifications only – those measured at amortized cost and those measured at fair value. Value changes of equity investments have to be recognized in income, apart from some exceptions. This represents the first of three phases (classification and measurement, impairment, hedging) of the project to replace IAS 39. As a matter of principle, the changed classification will involve regroupings of investments measured at fair value and those measured at cost. Furthermore, there will be an increasing level of gains and losses recognized in income from value changes of equity investments which will lead to volatile earnings. The endorsement by the European Union has been postponed until further notice. Against this background it is not possible to give a final assessment of the impact.

IFRS 1 "First-Time Adoption of International Financial Reporting Standards"

Furthermore the IASB amended IFRS 1 in July 2009. The amendments have to be applied for business years starting on or after January 1, 2010. The amendments refer primarily to exemptions for specific first-time adopters of IFRS. There will be no impact on the Consolidated Financial Statements as these rules are not of relevance to the Generali Deutschland Group.

IFRS 2 "Share-based Payment"

In June 2009 the IASB published amendments to IFRS 2. The amendments clarify the presentation of cash-settled share-based payment arrangements by individual subsidiaries in their separate financial statements if compensation is paid by the parent or another entity in the group. The amendments have to be applied for business years starting on or after January 1, 2010. The amendments will have no impact for the Generali Deutschland Group.

IAS 24 "Related Party Disclosures"

In November 2009 the IASB published a revised version of IAS 24. The rules have to be applied for business years starting on or after January 1, 2011. With the amendments, relief regarding the disclosures of state-controlled entities is included in the standard. Furthermore the definition of a related party was clarified in more detail. The Generali Deutschland Group does not expect a material impact on the future Consolidated Financial Statements.

"Improvements to IFRSs"

Within the scope of its annual IFRS improvement project, the IASB issued another amendment standard in April 2009 which again introduced a number of amendments to existing standards. As a general rule, they refer to the elimination of inconsistencies in or between existing standards or to editorial clarifications. The amendments will be applicable at the earliest for business years starting on or after July 1, 2009. The Generali Deutschland Group does not expect a material impact on the future Consolidated Financial Statements.

IFRIC 14 "Repayment of a Minimum Funding Requirement"

On November 26, 2009 the IASB published amendments to IFRIC 14 which have to be applied for business years starting on or after January 1, 2011. The amendments refer to cases where an entity is subject to fulfilling minimum funding requirements and makes prepayments in order to fulfil these requirements. The amendments now allow the capitalization of prepayments for minimum funding contributions as an asset. The Generali Deutschland Group does not expect an impact on the future Consolidated Financial Statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

On November 26, 2009 IFRIC 19 was published by the IASB. The interpretation has to be applied for business years starting on or after July 1, 2010. IFRIC 19 clarifies the requirements for cases where an entity fully or partially settles a financial liability by issuing shares or other equity instruments. The Generali Deutschland Group is not expecting a material impact on the future Consolidated Financial Statements.

Major accounting standards published as exposure drafts

IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures": Derecognition of Financial Assets

On March 31, 2009 the IASB issued a draft of amendments regarding the rules for the derecognition of financial assets (exposure draft ED/2009/3 Derecognition – Proposed amendments to IAS 39 and IFRS 7). The proposed amendments will replace the existing rules of IAS 39 on the derecognition of financial assets by an approach similar to the previous one and aiming at a simplification and harmonization with US-GAAP.

The proposed approach is different from the existing IAS 39 in that it is limited to the element of control. The currently applicable IAS 39 also takes into account a combination of the following elements:

- a test to evaluate the extent of risks and rewards retained;
- specific pass-through requirements referring to payment flows;
- the requirement for a transferor (in a transfer that fails derecognition) to recognize and measure a financial asset to the extent of its involvement.

The proposed amendments refer to the derecognition rules for financial liabilities in order to make them more consistent with the IFRS framework.

The proposed amendments to IFRS 7 are to enhance the disclosures in the Notes to improve the valuation of risk exposures and of the earnings impact of the transferred financial assets of a company.

Replacement of IAS 39, phase II "Financial Instruments: Amortized cost and impairment"

On November 5, 2009 the IASB issued an exposure draft on the measurement of financial assets at amortized cost and the determination of impairments (ED/2009/12). This draft represents phase II of the project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The exposure draft proposes to replace the existing incurred loss model by the expected loss model.

The standard is not expected to become of mandatory application before January 1, 2013. Voluntary early adoption in or after 2010 is expected to be admissible. The adoption of the model proposed in the draft will, as a matter of principle, lead to an earlier recognition of expected losses. Due to the interrelations between this exposure draft and IFRS 9 "Financial Instruments" whose adoption by the EU has at least been postponed, a final assessment of the impact is not possible.

2 Consolidation

Consolidation scope

Pursuant to IAS 27 in conjunction with SIC 12, the Consolidated Financial Statements as at December 31, 2009 comprise Generali Deutschland Holding AG as well as 60 subsidiaries and 24 investment funds. In addition, five companies are included by the equity method. These are companies on which the Generali Deutschland Group may exercise a material influence. Furthermore stakes in six jointly controlled companies are included by the equity method in compliance with IAS 31.

On p. 160 of this Report, a table showing the major subsidiaries and the companies included by the equity method provides information on the consolidation scope. A complete list of the shareholdings is disclosed in the electronic version of the Official German Gazette (Bundesanzeiger) pursuant to section 313 para. 2 HGB.

Consolidation principles

Subsidiaries are consolidated if the Generali Deutschland Group, directly or indirectly, holds a majority of votes. In addition, companies and/or special purpose entities are consolidated in compliance with the rules of SIC 12. A business combination exists if the Generali Deutschland Group obtains control of another enterprise. In compliance with IFRS 3 "Business Combinations", a business combination is accounted for by the purchase method. This method requires that all identifiable assets, liabilities and contingent liabilities of the acquired company are measured at their fair value at the moment of acquisition. The acquisition costs of a company purchase result from the fair value of the consideration plus all costs directly attributable to the business combination. If the acquisition costs exceed the Group's share in the fair value of the subsidiary's net assets, the difference is capitalized as goodwill. Negative goodwill is reassessed and recognized in profit or loss in the period of acquisition. Non-Group interests in the net assets of the subsidiary are shown separately in the balance sheet.

IFRS 3 does not include rules on the recognition of the acquisition of minority interests in the financial statements in respect of business combinations with regard to companies already controlled by Generali Deutschland. On the basis of the single unit theory, the acquisition of additional stakes in subsidiaries already being part of the consolidation scope is regarded as a pure capital transaction between the parent and the outside shareholder. The acquisition of minority stakes does not lead to a revaluation of assets and liabilities. The positive goodwill resulting from acquisition costs and the carrying amount of the minority stake leads to a reduction of the equity capital without recognition in income.

Interests in associated enterprises where Generali Deutschland has a material influence are, as a matter of principle, measured at equity. The requirement for the consolidation of these enterprises is the exercise of a material influence by the Generali Deutschland Group. It is assumed that there is a material influence if the Generali Deutschland Group holds at least 20 percent of the voting rights in the enterprise. Interests in jointly controlled enterprises are also included by the equity method. These latter enterprises are jointly run by the Generali Deutschland Group together with an enterprise not included in the Consolidated Financial Statements of Generali Deutschland. For the measurement of the stakes in jointly controlled companies, the option of IAS 31.38 is adopted. The annual financial statements of the enterprises included by the equity method are adjusted to comply with the consistent measurement criteria of the Group. Upon acquisition of an interest, any difference between the acquisition costs of the interest and the interest attributable to the Group in the net assets of enterprises measured at equity has to be recognized in the balance sheet in line with IFRS 3. Any resulting goodwill is included in the carrying amount of the interest but, pursuant to the provisions of IFRS 3, it is not amortized on a scheduled basis. Negative goodwill is released to income in the period of acquisition. For associated enterprises and jointly controlled enterprises no publicly quoted market prices are available. The interest held in associates and jointly controlled entities is at least 20 percent. In those cases where interests of more than 20 percent are not recognized as associates there is either a dominant majority shareholder or the contract terms show that there is no material influence. Some associated enterprises are not included by the equity method because they are not material. The financial statements included by the equity method are prepared as at the reporting date of Generali Deutschland, i.e. December 31. Funds with a different reporting date are included on the basis of interim financial statements established as at December 31.

Inter-Group amounts receivable and payable, expenditure and income as well as inter-Group results are eliminated.

Foreign currency translation

The Consolidated Financial Statements of Generali Deutschland are established in euro, the functional currency of the Group. The translation of business transactions in a currency different from the functional currency is done at the exchange rate applicable at the date of the transaction.

Monetary assets and liabilities are translated in the balance sheet by applying the exchange rate applicable at the balance-sheet date.

As at the balance-sheet date, non-monetary assets and liabilities measured at amortized cost are translated at the historical exchange rate applicable on the day of the first entry in the books, while non-monetary assets and liabilities measured at fair value are translated at the exchange rate applicable at the balance-sheet date.

Gains and losses from foreign currency translation are recognized under other income and other expenditure respectively.

Exchange-rate fluctuations under non-monetary equity instruments measured at fair value are dealt with, on a consistent basis, either in equity in the other comprehensive income, or recognized in income, depending on the measurement applied to the instrument.

The financial reporting figures of subsidiaries and investment funds establishing their financial statements in a currency different from the functional currency of Generali Deutschland are translated into euro at the exchange rate of the balance-sheet date as far as assets and liabilities are concerned and at the average exchange rate of the year as far as income and expenditure are concerned. Differences from foreign currency translation are dealt with in equity in the reserve for foreign-currency translation.

Estimates and assumptions

The preparation of the Consolidated Financial Statements requires estimates and assumptions which have an impact on line items of the balance sheet and of the income statement as well as on the other financial commitments and contingent liabilities of the Generali Deutschland Group. Estimates and assumptions are applied especially in determining the provisions for outstanding claims, the provision for future policy benefits, the fair value and the impairment of financial instruments and other specific balance-sheet items, goodwill, deferred acquisition costs, the present value of future profits (PVFP) of insurance contracts, deferred tax and the provisions for pensions and similar commitments. Estimates are principally based on reasonable premises which are updated annually. Nevertheless, due to their very nature estimates involve uncertainties which may lead to differences between the actual figures and the estimates. Therefore estimates may have an increasing or decreasing impact on earnings.

In life insurance, at contract inception, mortality, interest and costs – and in health insurance also lapses – are in principle fixed as assumptions for the full duration of the contract. For accounting in compliance with US-GAAP these assumptions as well as the assumptions regarding future lapses are verified at each reporting date and adjusted, as necessary. The resulting impacts are reflected in the true-up values in the balance-sheet line items of the present value of future profits (PVFP-value) of insurance contracts, deferred acquisition costs, terminal bonus reserve (TBR) and unearned revenue reserve (URR). As part of the provision for future policy benefits, the TBR represents the provision for financing maturity bonuses and the URR represents the provision for premium components not yet earned.

In health insurance, the provision for future policy benefits includes an ageing provision primarily set up to compensate health costs rising with age. While the premiums remain stable during the contract term, independent of age, the health risk and the corresponding health expenditure change in the course of time. As a result of the long contract terms, the assumptions involve uncertainties.

In property and casualty insurance, provisions are set up for outstanding claims referring to the payment obligations towards policyholders and ceding companies the amount or due date of which are uncertain. The provisions for outstanding claims are measured on the basis of best estimates of the amounts expected to be paid. The actual claims payments may be higher or lower. The resulting run-off profits or losses, taking into account the shares of reinsurers, are recognized in income.

The measurements of the assumptions and estimates on which other items of the balance sheet and income statement are based are explained in the section referring to the general methods of accounting and measurement or directly in the notes referring to these individual items.

3 Methods of accounting and measurement

The annual financial statements covered by the Consolidated Financial Statements are established as at the balance-sheet date of Generali Deutschland, i.e. December 31. Special funds with a different balance-sheet date are consolidated on the basis of interim statements prepared as at December 31. The financial statements of Generali Deutschland and of the subsidiaries and special funds included in the Consolidated Financial Statements are established on a consistent basis in line with IAS/IFRS accounting and measurement principles. For transactions under insurance business for which IFRS 4 does not include a specific rule for recognition in the balance sheet, the rules of US-GAAP are applied in compliance with IFRS 4.13.

If there is no standard or interpretation explicitly applying to a business transaction, the Generali Deutschland Group, in compliance with IAS 8, applies standards referring to similar transactions. All figures in the Notes are rounded to full thousand euro amounts (€'000).

Owner-occupied property and **tangible assets** are recognized at acquisition or construction costs reduced by scheduled write-downs and impairment.

Owner-occupied property only comprises property mainly used by its owner. Buildings are written down on a straight-line basis over their useful life. For residential buildings the useful life is between 80 and 100 years, for commercial buildings 25 to 60 years. If the realizable value of land and buildings falls below the carrying amount, impairment write-downs are made regardless of the duration of the impairment. As a matter of principle, the realizable value of property occupied by the Group is determined by means of a modified capitalized earnings value procedure, taking into account the long-term use of the property by the Group.

As a general rule, the property of the Group is measured within a period of five years by external experts (appointed by official authorities) under a multi-year plan.

The tangible assets mainly comprise plant and equipment. Depreciations on tangible assets are on a straight-line basis over their useful life. Impairment write-downs are made in the case of impairment. For the insurance companies of the Group, write-downs are allocated to the income statement line items of investment income, claims and benefits, operating expenses and other expenditure.

The **intangible assets** are composed of the goodwill, the present value of the future profits (PVFP-value) of insurance contracts and of other intangible assets.

The goodwill shown is the positive difference between the purchase price of the acquired enterprise and the Group's share in the fair value of net assets of the subsidiary after the disclosure of unrealized capital gains and losses at the moment of the purchase. Under IFRS 3, goodwill from acquisitions is no longer amortized on a scheduled basis but it is recognized in the balance sheet at acquisition costs less accumulated impairment amortization. At least once a year, goodwill is subject to an impairment test on the basis of cash-generating units. Generali Deutschland identifies the legal units as cash-generating units. In order to determine any impairment, the realizable amount of the cash-generating unit concerned is compared to its carrying amount (including goodwill). If the carrying amount (including goodwill) of the cash-generating unit exceeds its realizable value, the goodwill is reduced accordingly. Impairment losses are not reversed. Impairment amortization on goodwill is shown as a separate line item in the income statement. Negative goodwill from first-time consolidation has to be immediately recognized in profit or loss in line with IFRS 3 after a reassessment.

The PVFP-value of insurance contracts, which has to be recognized in the balance sheet upon the first-time consolidation of insurance companies, is amortized on the same basis as the profits, on which its calculation is based, are earned. The value is verified at least once a year. If there is an impairment, the realizable amount is written down.

The other intangible assets shown include acquired and self-developed software and other acquired intangible assets. The acquired software and the other acquired intangible assets with a finite useful life are measured at amortized acquisition costs. Self-developed software is measured at amortized production costs. Impairment tests are made if there are indications of an impairment. If there is an impairment the realizable amount is written down.

For the other acquired intangible assets with an infinite useful life there is no regular depreciation in compliance with IAS 38. Instead they are tested for impairment at least once a year. These assets include, among others, the right to the exclusive use of a distribution channel and a preemption right to acquire interests in this distribution channel. After an analysis of all relevant factors, the useful life was qualified as infinite. The value is verified within the scope of the annual impairment test by comparing the realizable amount with the carrying amount.

Software depreciation is on a straight-line basis over its useful life of a maximum of five years (acquired software) and eight years (self-developed software). For the insurance companies, depreciation is allocated to the income statement line items of net investment income, claims and benefits, operating expenses and other expenditure.

The **deferred acquisition costs** include commissions and other expenses directly incurred when acquiring insurance policies. The acquisition costs of life insurance policies are spread over the term of the contracts, taking into account the interest yield, at the same proportion as the profit margin in each individual year bears to the total profit margin to be expected from the contracts. In long-term health insurance, acquisition costs are written down over the total average contract term in proportion to premium income. The calculation parameters are regularly adjusted to the current situation. For property and casualty insurance the write-downs are also made in proportion to premium income over the contract term, the maximum period being five years.

Investment property is recognized at acquisition or construction costs less accumulated scheduled and unscheduled depreciation and accumulated impairment. The write-down modalities and measurement principles for investment property are the same as those applied for owner-occupied property. Investment property only includes the property mainly occupied by third parties.

Shares in equity-method enterprises refer to associated enterprises on which the Generali Deutschland Group may exercise a material influence and to jointly controlled companies operated together with other partner companies. A material influence is assumed to exist if at least 20 percent of the voting rights are attributable to the Generali Deutschland Group. An enterprise is jointly operated if there is a contractually agreed shared control of the economic business activities of the joint venture.

Financial instruments are recognized in the balance sheet once the Generali Deutschland Group becomes a party to the contractual rules of the financial instrument. Financial instruments are all kinds of legal transactions in the form of contracts or agreements which directly of indirectly aim at the exchange of means of payment. Financial instruments can be subdivided into financial assets and financial liabilities.

Financial instruments are derecognized, as a matter of principle, if the requirement of a transfer of the risks and rewards of ownership is fulfilled. The transfer of the risks and rewards is regarded on a consolidated basis. Furthermore financial instruments are derecognized if the control of a financial instrument is transferred to the contracting party.

When interest and currency swaps are taken out, hedge accounting is applied if the corresponding criteria are fulfilled.

As a matter of principle, the measurement of financial instruments is determined on the basis of the settlement date. Financial instruments are categorized by "loans and receivables", "available for sale" and "financial assets at fair value through profit or loss".

Apart from a break-down by categories, financial instruments are categorized by classes having a uniform risk character to the extent disclosures in this detail are required. The classes have been determined on the basis of measurement categories and subcategories as follows:

- "Loans and receivables"
  mortgage loans, building loans, loans and advance payments on policies, debt securities and loans, registered bonds, other loans, deposits with credit institutions and deposits with ceding companies
- "Available-for-sale financial assets"
  variable-yield securities, fixed-income securities and other securities
- "Financial assets and liabilities at fair value through profit of loss"
  financial assets at fair value through profit or loss (not held for trading), assets and liabilities held for trading

Besides, a separate class was created for hedging transactions. In analogy with IDW RS HFA 24, the detail of the classes indicated pursuant to IFRS 7 may vary depending on the disclosure required.

Loans and receivables are recognized at amortized cost; agios and disagios are, as a matter of principle, amortized on a pro-rata basis by applying the effective interest method. This class only includes financial assets not quoted in an active market. A market is assumed to be an active market if prices are available any time and can be put on an objective basis by transactions taking place regularly, i.e. in an organized market as defined by the Securities Trading Act.

Impairments are recognized in income. Impairment losses are recognized if there is objective evidence of impairment. This includes, for instance, substantial financial distress of the issuer or breach of contract. To the extent there is no evidence of an impairment of individual financial assets tested, these are classified within groups of similar credit-risk features. The assessment is then made on a portfolio basis. As a matter of principle the necessary information on the market values of loans and receivables is determined on the basis of discounted cash flows.

Available-for-sale financial assets are, as a matter of principle, recognized in the Consolidated Financial Statements at their fair value at the balance-sheet date. For listed financial assets that value is the stock-market value. For financial assets not listed the fair value is determined on the basis of discounted cash flows. Difference amounts between the fair value and amortized cost are directly taken to equity in other comprehensive income, after deduction of deferred tax and deferred premium refunds, where applicable. In the case of impairments, the impairment loss is recognized in income. In the Generali Deutschland Group equity instruments are regarded as impaired if the fair value is below historical acquisition costs for a period of more than six months or falls at least 20 percent short of such costs. Under IAS 39 it is not allowed to adjust the acquisition-cost basis and therefore impairment tests are always based on historical costs. Furthermore, under IFRIC 10, impairment losses recognized in interim financial statements for equity instruments are not reversed in the financial statements for the full year. Write-ups of equity instruments recognized in income are not admissible. If there is objective evidence of an impairment of debt instruments as defined by IAS 39, the impairment losses are recognized by write-downs. Write-ups through profit or loss are made for debt instruments up to the maximum amount of amortized cost only in those cases where the fair value has risen sustainably. This is regularly tested by adequate analyses. All financial assets are allocated to this category, unless another category is applicable.

The line item of **financial assets at fair value through profit or loss** has two sub-items. These are the **financial assets at fair value through profit or loss (not held for trading)** and those **held for trading**. They are recognized at their fair value. For listed financial assets the fair value is the stock-market value. For non-listed financial assets the fair value is determined by recognized valuation methods (in particular the PVFP method or the option-price model). To the extent the fair value is attributable to a change of the credit risk, this is indicated separately for financial instruments to which the requirement of IFRS 7 is applicable. The credit risk is considered to be the risk of one of the contracting parties of a financial asset suffering a financial loss if the obligation is not fulfilled. This includes, for instance, a change in the rating of the issuer. Any changes of the fair value are recognized through profit or loss. **The financial assets at fair value through profit or loss (not held for trading)** include hybrid instruments, in particular. Among others these comprise annual-call zero bonds, debt securities with embedded swaptions as well as credit-linked notes. Because of the application of the fair-value option, hybrid instruments are not separated for recognition in the balance sheet in order to avoid an inconsistent recognition of the different components in the statement of comprehensive income (accounting mismatch). If there is an option, the fair-value option is adopted which is consistent with the internal risk management and investment guidelines.

As a matter of principle, the financial assets held for trading are stand-alone derivatives.

Investments for the account and at the risk of life insurance policyholders are measured at fair value as at the balance-sheet date. Unrealized gains and losses from determining the fair value lead directly to an increase or reduction of the corresponding provision for future policy benefits.

Receivables, including receivables under reinsurance business, are recognized at amortized cost taking into account any redemptions and adequate value adjustments. Write-downs are made if there is objective evidence of impairment. This includes, for instance, an imminent insolvency or other financial distress of the debtor. The impairment loss is recognized in income.

Tax assets/liabilities comprise both the tax assets/liabilities for current tax and the tax assets/liabilities for deferred tax. Deferred tax is set up in the case of temporary measurement differences between the tax balance sheet and the IFRS balance sheet.

Tax assets are measured at the amount of the expected refund for tax paid in excess. They are shown as current tax assets. Taxes not yet paid are shown as current tax liabilities.

Deferred tax assets/deferred tax liabilities have to be determined at those tax rates that will be applicable upon the realization of the future tax asset/liability. Due to the uncertainties involved in the future tax development, the tax rates applicable on the balance-sheet date are used to determine deferred tax. The calculation takes into account uniform tax rates for the Group.

The **reinsurers' shares in underwriting provisions** are determined on the basis of the reinsurance treaties. Reinsurance treaties are measured at their conclusion without recognition in income. In the business year 2009 no retrospective reinsurance treaties were concluded. On the basis of FAS 113/IFRS 4 no profits had to be set up as a liability item to be amortized over the treaty term.

The **other assets** mainly comprise accrued and deferred items as well as prepaid insurance benefits. They are recognized at amortized cost. In addition, the other assets include interest and currency swaps for which **hedge accounting** is applied, if the corresponding criteria are fulfilled. Currently only cash flows are hedged in the Consolidated Financial Statements of the Generali Deutschland Group. In the case of effective hedging, changes in the fair value of the derivative hedging instruments are shown in the cash-flow hedge reserve as part of the revaluation reserve under equity. The changes are not recognized in income until the offsetting profit or loss of the host contract is realized and recognized. In cases of partially ineffective hedging, the proportionate share of the change in the fair value of the hedging instrument is immediately recognized in income.

Inventories mainly include property acquired by Group companies for the purpose of resale at short notice. Pursuant to IAS 2 these are, as a matter of principle, measured at cost. In addition, non-scheduled write-downs are made as necessary if the expected realizable amount falls short of the carrying amount as at the balance-sheet date.

The balance-sheet line item of **non-current assets held for sale and discontinued operations** can be divided into two sub-items. The sub-item of **non-current assets held for sale** includes property planned to be sold within the next twelve months. The disposals take place for strategic reasons. They are recognized at the lower of their carrying amount or fair value less costs to sell. The carrying amount is determined by means of the cost per acquisition model. The sub-item of **discontinued operations** comprises company components which were sold or classified as held for sale.

Current-account balances with credit institutions, cheques and cash in hand are measured at amortized cost.

Under IFRS 4 the previous accounting policy in respect of underwriting items can largely be maintained if the insurance contracts include a significant insurance risk and the adequacy of provisions is regularly verified. This also applies to insurance contracts where no significant insurance risk is assumed but where a discretionary profit bonus is granted. The Generali Deutschland Group has checked the contracts of its insurance portfolio as to whether they include a significant risk. Most of the contracts in the portfolio have a significant risk as defined by IFRS 4. For a small part of the contracts within the portfolio this is not the case. These are contracts under which no significant insurance risk has been assumed and no discretionary participation features are granted (so-called investment contracts). Pursuant to the provisions of IAS 39 Financial Instruments these contracts are recognized at amortized cost.

To the extent the Generali Deutschland Group holds a co-insurance interest, the measurement of underwriting items is based on the information provided by the leading co-insurer.

Unearned premiums are, as a matter of principle, determined for each individual insurance contract on a daily pro-rata basis.

The recognition of **provisions for future policy benefits** in the balance sheet is determined in accordance with actuarial principles on the basis of the present value of future benefits to be paid by the insurer less the present value of future net premiums. If policyholders participate in profits in proportion to the profit contribution of their contracts (natural profit participation) the provision for future policy benefits is determined in line with prudent calculation bases contractually agreed and in compliance with FAS 120.

If policyholders themselves bear the investment risk (such as in the case of unit-linked products) the underwriting provision of unit-linked life insurance reflects the current investment position as at the balance-sheet date (based on FAS 97). The underwriting items for Riester policies are determined according to the rules of FAS 97.

For determining the provision for future policy benefits in health insurance, FAS 60 is applied, as a matter of principle. In this context, calculation bases with security margins are used. Under the applied prospective-unlocking principle, the calculation bases stipulated at the beginning of the contract are maintained until premiums for the contract are adjusted. The new calculation bases then remain applicable until the next adjustment date.

The **provision for outstanding claims** comprises the future payment obligations for claims where the amount of the insurance claim and/or the due date for payment have not yet been determined. The provision takes into account both claims already known at the balance-sheet date and claims incurred but not yet reported to the insurer as well as claims settlement expenses. With the exception of the annuity provision, provisions for outstanding claims are not discounted.

The provision for outstanding claims is fixed at the amount of the realistic estimate of the settlement amount. For determining the provision, use is made of statistical estimation procedures.

The **provision for premium refunds** includes amounts of profit-related and not profit-related policyholder bonuses allocated to policyholders on the basis of statutory or contractual regulations. In addition, it includes the amounts attributable to policyholders from the accumulated measurement differences between local HGB accounting and IFRS accounting (so-called deferred premium refunds). For the life insurers the allocation to deferred premium refunds is 90 percent after tax, for the health insurers 80 percent after tax. The remaining share not attributable to policyholders is recognized in equity. The discretionary participation feature as defined by IFRS 4 for insurance contracts is represented by the profit-related and the deferred provision for premium refunds.

IFRS 4 provides for a **liability adequacy test for liabilities under insurance contracts**. This adequacy test gives an assessment as to whether it is necessary to increase the carrying amount of underwriting provisions on the basis of a verification of future cash flows or whether the carrying amount of the corresponding deferred acquisition costs has to be decreased. The adequacy of the liabilities in respect of the underwriting provisions of the life insurers is verified by means of the loss recognition test and in respect of the underwriting provisions of the property and casualty insurers by means of the premium deficiency test, taking into account investment income in compliance with FAS 60. As far as the underwriting provisions of the health insurers are concerned, current best-estimate calculation bases are applied to determine the present value of future benefits, settlement and administration costs on the one hand and the present value of future premiums on the other hand. The adequacy of these margins is verified on a regular basis. If adequacy is no longer ensured it is possible to adjust premiums (prospective unlocking principle).

Pension provisions are recognized in the balance sheet in compliance with IAS 19 as the balance of the present value of the obligations as at the reporting date plus unrecognized actuarial gains or losses less unrecognized past service cost. The provision is reduced for the fair value amount of plan assets. The target value of the obligation equals the present value of the accumulated benefits as at the reporting date of the persons entitled. The measurement of the target value of the obligation, the current service cost attributable to the individual years and the unrecognized past service cost is determined by the method of current single premiums. Under that method, the fictitious part of the final benefit accumulated in the business year is financed by a fictitious premium in order to build up the final obligation. The target amount of the pension obligation as at a reference date equals the present value of the accumulated part of the pension obligation.

The difference between the actual development in the business year and the assumptions determined at the beginning of the business year leads to actuarial gains and losses. The balance of the gains and losses of the previous year and the business year less the gains and losses amortized in the business year are not recognized in income by application of the corridor method unless a threshold value of 10 percent of the maximum of the target value of the obligation and the fair value of the plan assets is exceeded. Gains and losses outside the corridor are spread over the average remaining service time of active employees on a straight-line basis and recognized in income.

The provision for pensions refers to the **defined-benefit obligations** of the employer under the pension schemes existing in each subsidiary. The employee is promised a pension by the company which focuses on a defined benefit rather than the contributions to be paid by the company for financing.

In addition, there are **defined-contribution benefits** in the Group under which the obligation is fulfilled by the payment of a defined contribution to an insurance company or a pension fund. The contributions are recognized as expenditure in the reporting period.

The **provision for commitments similar to pensions** encompasses the provisions for early retirement, part-time schemes for employees close to retirement age and anniversaries. Actuarial gains and losses as well as unrecognized past service cost are recognized in income in the year they arise. In addition, the other provisions due in the long term are measured in line with the pension provision.

The measurement of the provision for pensions and similar commitments is based on the 2005 guiding tables of Prof. Dr. Klaus Heubeck and on the fluctuation probabilities specific to the enterprise and the expected increases of salaries, pension entitlements and pension payments. The interest rate used for discounting is oriented at the yield applicable at the reporting date to long-term corporate bonds of issuers having an excellent credit quality.

Other provisions are set up as a liability if there are current legal obligations or obligations in fact existing towards third parties which result from past events, for which a reliable estimate of the amount of the obligation is possible and the use of the provision is probable. The provision is not set off against claims for reimbursement. The amount of the other provisions mainly includes provisions for restructuring and litigation. They are set up at the amount that will probably be required. The uncertainty involved in determining the provision for litigation costs is primarily attributable to the fact that it is difficult, as a matter of principle, to calculate the development of litigation cases.

Provisions for restructuring are set up if the Generali Deutschland Group has a detailed official plan of the restructuring measures and has already started to implement the plan or has published material details of the restructuring. For expenditure related to future operations (such as costs for the transfer of personnel) no provisions for restructuring costs are set up as a liability. The uncertainty involved in determining restructuring provisions mainly depends on which restructuring measures will be applied and when they will be applied.

Payables are mainly recognized at amortized cost. The payables also include derivatives carried as a liability which are recognized at fair value. Furthermore changes of the fair value are recognized in income. For derivatives used within the scope of cash-flow hedge accounting, this only applies to the ineffective portions of the hedge relationship.

The **premiums written** include, as a matter of principle, all regular and single premiums as well as premium instalments plus instalment charges having become due in the business year under direct business and assumed reinsurance business. For life insurance contracts recognized in accordance with FAS 97, only that part of the premium paid by customers which covers the assumption of the risk and current expenses is recognized under gross premiums written. Furthermore for such products any changes of the unearned revenue reserves are recognized in earned premiums. Payments received in respect of receivables for premiums written off or cancelled in previous business years as well as income from winding up or reducing lump-sum write-downs are added to premiums written. Individual and lump-sum write-downs of receivables for premiums and insurance tax, however, are deducted from premiums written. The change of unearned premiums reflects the periodical delimitation of the premium income.

In respect of **investment income** a distinction is made between income from interests in equity-method enterprises and other investment income. The income from equity-method enterprises measured at equity includes the attributable share in the net profit. The other investment income includes ordinary investment income and expenditure, capital gains and losses as well as gains and losses due to write-ups and write-downs. Interest income and expenditure are recognized on an accrual basis by applying the effective-interest method. Ordinary investment income also includes the dividends from shares. In respect of dividends the cash-method basis is applied.

Claims and benefits include the payments (including terminal bonuses in life insurance) for claims settled in the business year which occurred both in the business year and in previous years. In addition, claims and benefits comprise the change of the provision for outstanding claims, including the annuity provision. The change of the provision for future policy benefits (including unearned premiums) and the terminal bonus reserve are also comprised in net claims and benefits. The expenditure for profit-related and not profit-related premium refunds as well as for deferred premium refunds also includes the directly allocated policyholder bonus, the allocation to the provision for premium refunds under commercial-code accounting and the change of deferred premium refunds, which is recognized in income.

The other profit participations in the life segment include interest on the accumulated capital amount and the change of the investment position financed by profit bonuses.

Leases

A Group company is the contracting party of a leasing contract recognized according to the rules of IAS 17 “Operating Leases”.

Share-based payment

The fair value of the stock options granted by Assicurazioni Generali S.p.A. to selected executives of our Group is determined on the basis of an option-price model which at the moment of granting does not only take into account factors such as the exercise price, the life of the options, the current price of the underlying shares, the expected volatility of the share price, the dividends expected on the shares and the risk-free interest rate, but also the specific characteristics of the option plan itself. Another factor taken into consideration is the possibility of early exercise. The binomial pricing model separately estimates the option value and the exercise probability. Therefore the fair value of the granted equity instruments reflects market conditions. The cost of the options is spread over the vesting period and recognized as personnel expenditure with the offsetting entry in equity.

Classes of insurance

The Generali Deutschland Group operates in direct business and assumes reinsurance business in the classes of insurance indicated below:

- life insurance
- health insurance
- personal accident insurance
- general liability insurance
- motor insurance
- aviation insurance
- legal expenses insurance
- fire insurance
- housebreaking, burglary and robbery insurance
- burst pipe insurance
- glass insurance
- storm insurance
- householders insurance
- homeowners insurance
- hailstorm insurance (only assumed reinsurance business)
- livestock insurance
- engineering insurance
- transit insurance
- marine insurance
- credit and fidelity insurance (only assumed reinsurance business)
- extended coverage (EC) insurance
- business interruption insurance
- travel assistance insurance
- aircraft and spacecraft liability insurance
- other property and casualty insurance

4 Segment reporting

Consolidated Income Statement for the period January 1–December 31, 2009

	Life/health		Property/casualty	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
1. Gross premiums written				
from insurance business with other segments	10,110	29,903	—	—
from insurance business with external third parties	9,382,938	8,844,904	3,035,932	3,062,682
	9,393,048	**8,874,807**	**3,035,932**	**3,062,682**
2. Net premiums earned	9,138,865	8,641,746	2,967,401	2,989,760
3. Investment income (net)	2,555,405	646,394	291,128	29,251
4. Other income	264,614	489,145	545,592	450,845
5. Net claims and benefits	-9,647,174	-7,179,449	-1,952,483	-1,930,046
6. Net operating expenses	-1,651,304	-1,742,515	-889,766	-899,288
7. Other expenditure	-459,712	-874,571	-693,896	-658,995
8. Result before goodwill amortization	200,694	-19,250	267,976	-18,473
9. Goodwill amortization	—	—	—	—
10. Earnings before tax and finance costs	200,694	-19,250	267,976	-18,473
11. Finance costs	-16,456	-16,457	—	—
12. Tax	-57,316	30,497	-69,220	8,183
13. Net profit/loss	**126,922**	**-5,210**	**198,756**	**-10,290**

The segment reporting of the Generali Deutschland Group is based on IFRS 8 “Operating Segments”. The application of this standard is mandatory for business years starting on or after January 1, 2009. IFRS 8 requires the identification of operating segments on the basis of internal reporting (management approach). Accordingly segment information is based on the amounts internally reported to the chief operating decision maker, independent of the methods of accounting and measurement used in the finan-

Financial services		Other/consolidation		Group	
2009	2008	2009	2008	2009	2008
€'000	€'000	€'000	€'000	€'000	€'000
—	—	-10,110	-29,903	—	—
—	—	—	—	12,418,870	11,907,586
—	**—**	**-10,110**	**-29,903**	**12,418,870**	**11,907,586**
—	—	-10,110	-29,903	12,096,156	11,601,603
205,483	207,294	-14,510	-25,439	3,037,506	857,500
133,280	150,132	-561,891	-658,065	381,595	432,057
—	—	15,250	26,916	-11,584,407	-9,082,579
—	—	4,841	21,273	-2,536,229	-2,620,530
-304,722	-328,175	562,696	670,241	-895,634	-1,191,500
34,041	29,251	-3,724	5,023	498,987	-3,449
—	-800	—	—	—	-800
34,041	28,451	-3,724	5,023	498,987	-4,249
—	-267	—	—	-16,456	-16,724
-11,802	-2,236	-3,644	-11,144	-141,982	25,300
22,239	**25,948**	**-7,368**	**-6,121**	**340,549**	**4,327**

cial statements. As defined by IFRS 8.5, an operating segment is a component of an entity which engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment reporting Consolidated Balance Sheet as at December 31, 2009 – Assets

	Life/health		Property/casualty	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
A. Owner-occupied property/tangible assets	571,298	586,437	382,364	363,494
B. Intangible assets	276,904	316,595	109,008	107,784
C. Deferred acquisition costs	7,626,825	7,576,179	242,022	257,986
D. Investments	69,013,915	66,015,484	6,313,656	5,795,588
E. Investments for the account and at the risk of life insurance policyholders	10,424,408	7,361,720	—	—
F. Receivables	1,785,062	1,785,174	635,140	622,099
G. Tax assets	81,550	196,514	194,535	251,887
H. Reinsurers' shares in underwriting provisions	1,189,493	1,173,294	291,043	335,177
I. Other assets	222,068	212,936	17,560	32,631
J. Inventories	2,893	4,988	735	673
K. Non-current assets held for sale and discontinued operations	12,449	10,586	122	64
L. Current-account balances with credit institutions, cheques and cash in hand	916,460	559,910	34,552	50,046
Total segment assets	**92,123,325**	**85,799,817**	**8,220,737**	**7,817,429**

We made a segmentation by the operating segments of "life/health", "property/casualty" and "financial services". The segment "other" includes those companies which cannot be allocated to any other segment. This concerns Generali Deutschland Informatik Services GmbH and Generali Deutschland Services GmbH.

The "financial services" segment comprises those companies operating in the field of managing financial investments. In addition to Deutsche Bausparkasse Badenia, these companies also include Generali Deutschland Immobilien GmbH.

Financial services		Other/consolidation		Group	
2009	2008	2009	2008	2009	2008
€'000	€'000	€'000	€'000	€'000	€'000
36,706	37,050	42,828	52,396	1,033,196	1,039,377
1,526	1,492	10,831	16,537	398,269	442,408
—	—	—	—	7,868,847	7,834,165
4,797,256	4,770,619	-327,249	-393,766	79,797,578	76,187,925
—	—	—	—	10,424,408	7,361,720
137,267	134,730	-266,904	-329,378	2,290,565	2,212,625
20,132	27,810	—	—	296,217	476,211
—	—	—	—	1,480,536	1,508,471
345	240	21,370	23,207	261,343	269,014
6,239	3,891	880	859	10,747	10,411
—	—	—	—	12,571	10,650
3,257	58,708	726	374	954,995	669,038
5,002,728	**5,034,540**	**-517,518**	**-629,771**	**104,829,272**	**98,022,015**

There are profit-transfer agreements existing between Generali Deutschland and its major subsidiaries. In segment reporting, the expenditure under profit transfers is regarded as appropriation of results, which means that the segments are adjusted for this expenditure. The elimination is done in the consolidation column.

Segment reporting Consolidated Balance Sheet as at December 31, 2009 – Equity and Liabilities

	Life/health		Property/casualty	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
B. Underwriting provisions	73,478,322	69,973,529	4,222,676	4,244,010
C. Underwriting provisions concerning unit-linked life insurance	10,322,944	7,305,688	—	—
D. Other provisions	1,653,116	1,694,320	904,996	868,067
E. Payables	5,014,648	5,061,599	486,476	309,437
F. Tax liabilities	315,976	363,148	210,024	250,113
G. Other liabilities	720	744	3	1
Total segment liabilities	**90,785,726**	**84,399,028**	**5,824,175**	**5,671,628**

The individual segments are shown after consolidation of the internal transactions within the segment, but before consolidation across segments. Therefore the balance between segment assets and segment liabilities does not allow conclusions with regard to the equity allocated to the activity. Turnovers and prepayments between the segments are settled on the basis of market prices.

	Financial services		Other/consolidation		Group	
	2009	2008	2009	2008	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000
	—	—	-284,385	-269,135	77,416,613	73,948,404
	—	—	—	—	10,322,944	7,305,688
	158,411	165,541	101,400	121,409	2,817,923	2,849,337
	4,331,505	4,359,115	-81,655	-149,630	9,750,974	9,580,521
	9,099	8,669	-39,073	-37,430	496,026	584,500
	—	—	—	—	723	745
	4,499,015	**4,533,325**	**-303,713**	**-334,786**	**100,805,203**	**94,269,195**

	2009	2008
Equity	4,024,069	3,752,820
Total equity and liabilities	**104,829,272**	**98,022,015**

5 Risk management

The focus of the business activities of the Generali Deutschland Group is the distribution and management of insurance products in all established classes of life, health as well as property and casualty insurance, primarily in direct business. Assumed reinsurance business is written to a very limited extent only. In addition, our Group operates in financial services with a focus on building-society business.

Within the scope of insurance business and the investment activities closely related to that business, the Group assumes in particular specific segment risks or underwriting risks (including the risks of building-society business) as well as market and credit risks. In addition, there may be concentration and liquidity risks.

The Group encounters these risks with a variety of measures.

Our Group companies have a sufficient level of own funds and fulfil all regulatory requirements in this regard. Furthermore the results obtained under the QIS methodology (methodology for a standard model of the EU commission) and the results of our internal risk model indicate that we have a very good level of economic capital.

For the Generali Deutschland Group, the **specific segment risks** are subdivided into the underwriting risks of the life and health as well as property/casualty insurance segments, on the one hand, and the building-society risks involved in the financial services segment, on the other hand.

The underwriting risk lies in the possibility that payment flows of material importance for insurance business and the values recognized on that basis may differ from the levels assumed in calculation. While, as a general rule, premiums are agreed at the beginning of the insurance period, the benefits – which are agreed in the contract and often have to be paid over a long period of time or at a specific moment in time – are subject to certain uncertainties when the contract is concluded and therefore involve the corresponding risks. These risks include the risks of change, error and fortuity:

- The risk of change consists in future changes of risk factors. This may be due to changes of the calculation bases or to a changing composition of the portfolio.
- The risk of error exists in particular for new types of insurance cover when established findings regarding the risk to be covered are not yet available.
- The fortuity risk refers to the possible deviations of claims and benefits from the figures on which calculations had been based because fortuitously there is a particularly high/low number of insurance claims and/or because fortuitously there are individual claims and benefits of a particularly high/low amount (fortuitous fluctuations). The smaller the insurance portfolio, the higher the fortuity risk.

The building-society risk of the Generali Deutschland Group refers to Deutsche Bausparkasse Badenia and consists primarily of liquidity risks and/or a negative change of the interest margin as a result of adverse changes in customer behaviour (e.g. low savings level, no loans taken out).

Market risks are composed of equity risks, interest-rate risks and currency risks and they describe the risk of losses that may occur in capital markets due to adverse changes of market prices or to other factors having a price influence.

Credit risks are the risks involved in possible losses attributable to a durable widening of spread or to the total or partial default of issuers, contracting parties or borrowers. These risks are primarily involved in investments, including loans to end-customers (among others under building-society business). Furthermore, credit risks also include the default of receivables under insurance business, in particular amounts receivable from policyholders, intermediaries and reinsurers.

Concentration risks are due to an insufficient diversification of the investment portfolio and refer to all individual investments involving a risk and having a default potential that is sufficiently big to jeopardize the financial position or the solvency of the Group and/or the Group companies. Concentration risks in insurance business are dealt with under the specific segment risks.

Liquidity risks refer to the risks involved in not being able to fulfil current and future payment obligations in time or for the full amount, in particular payment obligations under insurance contracts.

Management of specific segment risks

Underwriting risks in life insurance and sensitivity analysis

The activities of the Generali Deutschland Group in life insurance focus on endowment and pension covers with a guaranteed interest and a discretionary profit bonus, term life insurance and unit-linked insurance products. In pension insurance the Group also sells products giving customers the option of choosing a lump-sum capital payment instead of a pension. Life insurance is based on assuming the individual risks of policyholders and on balancing these risks within the portfolio and over time.

Besides interest assumptions, premium calculation is based on assumptions of future mortalities, disabilities and other biometric probabilities as well as future costs. Lapses are not a calculation factor for the pricing of life insurance policies. The specific segment risk in life insurance is composed of the biometric risk, the cost risk and the lapse risk. The risks are attributable to the fact that the claims as well as the future cost and lapse situation may differ from assumptions:

- The moment of payment under term and endowment life covers or the frequency of payments under disability, pension and long-term care contracts is linked to biometric triggers. Depending on the type of insurance, there are death, longevity, disability or long-term care risks.
- A cost risk exists for all life insurance covers where the development of acquisition costs and administrative expenses included in the premium calculation may differ from assumptions.
- The lapse risk is defined by the deviation of actual lapses from the expected lapse experience due to different assumptions when the contract was concluded.

As a result of the above risks, the calculation bases and our expectations regarding lapse experience may turn out to be insufficient. The life insurers of the Generali Deutschland Group apply various instruments to counteract such development.

- In premium calculation, the Group companies use prudently determined biometric calculation bases with adequate security margins. The adequacy of the calculation bases is verified annually by the actuary in charge. Underwriting provisions are determined on the basis of updated assumptions ("best estimate") regarding biometrics, lapses and costs. To the extent the company has no individual experience that is sufficient as an assumption basis also for the future, use is made of generally available tables.
- The life insurance portfolios of the Generali Deutschland Group consist primarily of long-term contracts with a discretionary profit bonus. Minor changes in the assumptions regarding biometrics, interest and costs are absorbed by the margins existing within the calculation bases. If these security margins are not needed in terms of present values, they generate profits which are allocated to the policyholders and the insurer in line with the legal rules applicable in Germany. Therefore the impact of changes in risk, cost and/or interest expectations on earnings is limited as a result

of the adjustment of assumptions regarding the future profit bonus of policyholders. In the case of a future loss to be expected from part of the insurance portfolio, the acquisition costs, which are expected not to be amortized in the future, will be written down and, if necessary, reserves will be increased (loss recognition).

By concluding reinsurance agreements, especially the fluctuation risk (within the existing portfolio the risk has shown a different behaviour in terms of statistical fluctuations even though the calculation bases are still valid) in the case of small portfolios, the risk of error in covers for new risks and the concentration risk are passed on to third parties.

We regularly monitor the lapse behaviour of our policyholders and the lapse experience of the portfolio insured.

In order to minimize risk concentrations, the insurance portfolio is monitored on the basis of actuarial analyses and external expertise with regard to death/longevity, disability and long-term care risks. Concentrations of insurance risks are reduced by a broad product range in different customer segments.

The measures referring to investments are described under market, credit, liquidity and concentration risks.

In the case of policies with a death risk, a lower mortality than assumed in the calculation bases leads to an increase in profits; in the case of pension covers with a longevity risk, profits decrease at the least, in particular during the period of pension payment. If the disability risk increases, the high direct surpluses under occupational disability policies, which as a general rule are used to decrease premiums, are reduced. In the case of policies where the Generali Deutschland Group bears the investment risk, a decrease in the expected investment income below the overall yield assumed could lead to a reduction of the future gross margins expected under the contracts. If these should become insufficient to cover the future amortization of deferred acquisition costs, the latter would be written off and, if necessary, would lead to an allocation to reserves and thus to a higher expenditure. This applies to a limited extent only to unit-linked policies where the investment risk is borne by the policyholder. In the case of these policies an expenditure would only arise in the case of insufficient future risk and cost margins. These impacts on gross earnings can be distributed between policyholder and insurer by making use of the deferred and free provision for premium refunds. Furthermore, in the case of a durable change of future acquisition costs mainly incurred upon conclusion of the contract, the part of the premium calculated for that purpose would be adjusted accordingly for new contracts and thus no durable impact on earnings is to be expected in this regard. Besides, a durable change of future acquisition costs could lead to an adjustment of the bonus from cost profits. The future expectations regarding the margins of interest, mortality, lapse and costs are regularly verified and taken into account, with an impact on earnings, in the business year within the scope of true-ups.

A change of assumptions regarding interest, mortality and lapses can have an impact on deferred acquisition costs, the terminal bonus reserve and the provision for future policy benefits (including the provision for unearned premiums). These amounts are determined by modelling similar to the modelling also applied for the amounts actually recognized in the financial statements. If interest assumptions increased by 100 base points (bp), the total positive earnings impact on the balance-sheet line items indicated above would be € 5,331.19 thousand (previous year: 18,081.93 thousand) or, before allocation to the provision for premiums refunds and tax, € 88,311.35 thousand (previous year: 182,918.44 thousand). If, however, interest assumptions decreased by

100 bp, the adverse earnings impact would be € 97,929.97 thousand (previous year: 117,865.59 thousand) or, before allocation to the provision for premium refunds and tax, € 766,366.24 thousand (previous year: 895,318.81 thousand) with regard to the above-mentioned line items of the balance sheet. A reduction of mortality by 10 percent leads to an improvement of earnings by € 4,708.82 thousand (previous year: 4,210.81 thousand) or, before allocation to the provision for premium refunds and tax, by € 53,338.15 thousand (previous year: 55,547.04 thousand). An increase in mortality by 10 percent leads to a deterioration in earnings by € 4,077.28 thousand or, before allocation to the provision for premium refunds and tax, of € 61,046.55 thousand. The share of death risk is thus higher than the share of longevity risks.

Insurance products may include the following major options for policyholders and with regard to the guarantees granted by the insurer to the extent these were agreed when the contract was concluded:

- possibility to surrender the contract or to have it exempted from premium payment as well as the granting of a guaranteed interest;
- increase in the benefit insured (primarily dynamic increases, guaranteed possibility of taking out additional cover in the case of specific changes in the life situation) without an additional health check – mainly on the calculation bases then applicable in respect of biometrics and guaranteed interest;
- in the case of deferred annuity covers the policyholder may choose the payment of a lump-sum instead of starting to receive a pension (lump-sum option);
- in the case of unit-linked products the policyholder may choose the transfer of fund interests instead of receiving the counter value of the fund interest upon contract termination (option to receive benefit in kind).

A separate recognition of the existing options in the balance sheet is only done if this is required by IFRS 4 for insurance contracts.

Underwriting risks in health insurance

The health insurance contracts of the Generali Deutschland Group are mainly long-term contracts covering sickness costs, daily hospitalization allowance, daily sickness cost allowance and long-term care. This business is almost exclusively operated in a way similar to life insurance as defined by the Insurance Regulatory Act. For health insurance contracts operated in a way similar to life insurance business, a regular cancellation of the contract by the insurer is excluded in order to protect the policyholder (at the latest starting from the fourth year of insurance). Under the healthcare reform, all private health insurers became obliged to offer a basic tariff starting from January 1, 2009 under which they have to accept all customers applying for this cover which offers the same benefits as a cover under the public health insurance scheme. The premiums of the basic tariff are limited to the maximum premium payable under public health insurance and premiums are halved for needy customers. Furthermore, no additional premiums may be charged or exclusions agreed for previously existing diseases. Due to a shortfall in risk-adjusted premiums, this could lead to a higher claims expenditure and lower margins. In addition, the healthcare reform also introduces the general obligation of having health insurance cover. As a result, all persons in Germany have to take out and maintain a health insurance policy providing at least for the reimbursement of the healthcare costs for in-patient and out-patient medical treatment. For the private health insurance companies this means that they do not have the right to terminate contracts with policyholders of the corresponding insurance product, even if the latter are in arrears with premium payment. This involves the risk of a rising level of premium receivables in arrears. Insurers have the legal right and obligation (based on section 12b VAG) to verify annually whether there is a difference between the required benefits and the calculated benefits in respect of the individual monitoring units consisting of groups of specific tariffs and persons. If this verification shows a difference above the limit defined in the tariff (in our portfolios 5 percent as a general rule) the premiums and calculation bases are checked by the insurer and are adjusted, as necessary, with the approval of an independent trustee and applied to business in force and to new business. Furthermore, for all tariffs calculated in a way similar to life insurance, the insurer has to annually compare the calculated mortalities with recently published mortality probabilities when looking at the present values. If the comparison to be submitted to the Regulatory Authority and to the trustee shows a deviation of more than 5 percent for a tariff, the company has to check all premiums of this tariff and adjust them, with the approval of the trustee, for business in force and new business.

The adjustment possibility refers to all calculation bases. As a result, change requirements in respect of claims amounts and claims frequencies (with the exception of increases due to ageing which are already covered by calculation) and also in respect of the age and gender sensitivity of risks, mortality and lapse probabilities and the expenses of the individual tariffs and groups of persons lead to the necessary premium adjustments on a rather timely basis.

The possibility of premium adjustment also concerns the interest rate as a calculation basis. Taking into account past experience and future expectations, a technical interest rate of 4.5 percent is applied for contracts concluded by December 31, 2008. For contracts taken out starting from January 1, 2009 the expected interest rate assumption is 3.5 percent. Calculations have shown that even with a lower investment return it is possible to cover future benefits and costs by means of the provision for future policy benefits and by future premium income.

Provisions are taken into account by applying the prospective unlocking principle each time premium adjustments are made, i.e. they are maintained despite the change in assumptions, and thus the provision as at the reporting date is adequate. Experience shows that changes already having an impact in the period before the next adjustment can be absorbed by earnings from other margins and by a variation of the profit bonus.

Underwriting risks in property and casualty insurance and sensitivity analysis

The specific segment risk of property and casualty insurance consists of the pricing risk and the reserving risk. The premiums determined in advance have to be sufficient so that future claims can be paid. Since claims can only be forecast to a limited extent, the extent of claims payments, however, is not yet known with certainty when premium levels are fixed (pricing risk). The reserving risk arises due to the fact that, despite the principle of prudent reserving, claims reserves may turn out to be insufficient which leads to the obligation of setting up additional reserves. Besides, the insurer may be affected by an unfavourable concentration of claims at one location. Examples for this are adverse climatic conditions, such as storms or floods, which induce a high claims expenditure.

The property and casualty insurers of our Group encounter these risks by making active use of the instruments of premium differentiation and underwriting policy. Basically this means that for risks with a tendency of a higher risk exposure a correspondingly higher premium is calculated. In addition, within the scope of underwriting policy, such risks are assumed to a limited extent only (e.g. by agreeing deductibles) or underwriting the risk is refused. Underwriting may be prohibited for specific risks or on a local basis. Furthermore the portfolio of insured risks is influenced by the wording of insurance terms and conditions and by the agreement of specific clauses.

The Group's nation-wide presence in Germany and the various different locations of the Group companies reduce the geographical concentration of insurance risks. Besides, the Generali Deutschland Group offers its products in all established lines of insurance and customer segments (retail customers and small to medium-sized businesses) in order to achieve a balanced risk portfolio. The front inside cover shows the mix of business lines in the Generali Deutschland Group. We deliberately do not write industrial business involving high sums insured in order to avoid volatile risks. Finally the risks assumed are protected by the set-up of our outward reinsurance programme.

To ensure that the benefits promised can be paid any time, appropriate provisions are set up which are continuously checked by means of actuarial methods with regard to their adequacy by lines of business. This also allows conclusions concerning the quality of the risks written, their distribution across individual insurance classes involving a different risk exposure and the assumptions regarding future claims payments. In addition, our portfolios are subject to an active claims management. Thanks to optimized claims settlement, active claims management is in a position to respond both to the requirements of claimants and to minimize the expenditure for the collective of policyholders. During the period from 2002 through 2009 our net claims ratios developed as follows:

Claims ratios (net)*

2009	2008	2007	2006	2005	2004	2003	2002
65.6	**64.3**	**64.9**	**65.0**	**65.6**	**66.9**	**68.0**	**78.0**

Figures in %

* net claims expenditure as a percentage of net premiums earned

Despite our prudent underwriting policy and active claims management, the claims ratio increased, primarily as a result of a higher claims frequency attributable to weather conditions.

The run-off result of our provision for outstanding claims developed as follows over the period indicated:

Run-off ratio of the provision for outstanding claims on Jan. 1 of each year*

2009	2008	2007	2006	2005	2004	2003	2002
10.5	**10.1**	**10.7**	**8.4**	**8.7**	**8.7**	**8.4**	**6.4**

Figures in %

* net run-off result as a percentage of the original net provision for outstanding claims

The increase in the run-off ratio is primarily attributable to the classes of motor liability, personal accident and legal expenses insurance.

In property and casualty insurance the monitoring and controlling of the reserving risk is principally done by means of an analysis of the claims reserve on the basis of actuarial methods. In respect of the annuity provision, which is part of the provision for outstanding claims, we also observe the development of interest rates since a decrease of the expected net investment income below the guaranteed interest rate may lead to allocations to provisions. A corresponding sensitivity analysis at year-end 2009 shows that a rise of interest rates by 100 bp would lead to an expected positive earnings impact of € 1,880 thousand or, before tax, of € 2,740 thousand. If, however, interest is assumed to decrease by 100 bp, a negative impact on earnings of € -2,340 thousand or, before tax, of € -3,400 thousand is to be expected. The calculation of the annuity provision is based on the latest annuity tables.

Besides the reserving risk, the pricing risk may have an influence on the result in property and casualty insurance, in particular if the number of claims occurred and/or the average claims amount deviate substantially from expectations and/or the assumptions on which calculation is based. By means of internal risk models combined with actuarial controlling these risks are continuously monitored.

In order to limit the impact on earnings, adequate reinsurance instruments are applied. In addition there is the possibility of adjusting premiums.

Risks of building-society business

To control the risks of building-society business – in particular the risks referring to liquidity and interest margins – the major parameters of the building society contracts and quotas are regularly monitored in compliance with the Building-Society Decree (BSpKV) while liquidity and cash flows are verified in compliance with MaRisk (BA). Regular simulations taking into account stress scenarios allow an early recognition of risks and the taking of countermeasures.

Besides, the safety of the building-society system with its legal environment has proved to be especially reliable amid the financial crisis.

Management of market risks

Equity and interest-rate risks as well as sensitivity analysis

For all lines of business of the Generali Deutschland Group, market risks are a major source of earnings volatility and they are the dominant risk for the life insurance companies. The controlling and monitoring of these risks is a central task of risk management as a whole with the target of defining a portfolio structure explicitly taking into account the risk-bearing capacity of the company concerned, on the one hand, and – subject to this constraint – providing an optimized earnings potential, on the other hand.

Interest-rate risks are due to the different durations for which capital is tied as an asset or a liability. The guaranteed benefits and the persistently low interest level for reinvestments are the reason why this risk is regarded as particularly crucial. Risk controlling responding to these requirements consists of a mix of instruments applied in 2009 and in previous years:

1. prolongation of the duration of new investments
2. forward purchases of fixed-income securities
3. use of hybrid instruments
4. hedging transactions by means of derivatives.

At the same time, the possibility of rising interest rates is also taken into consideration in appropriate scenarios in order to avoid negative repercussions for our Group.

In our yield expectation regarding the bond market we assume that, after the historically low interest level, there will be a noticeable easing for all durations in the coming years, with the economic development having a material influence. After the very positive development of stock markets in the course of 2009 following the sharp price drops in the wake of the economic crisis, we consider that there is the possibility of setbacks in stock-market prices, especially in the first half of 2010. This applies above all if the world-wide economic stimulus programmes are reduced or stopped or if the positive economic expectations are not fulfilled. The assumptions on which our core scenarios are based involve uncertainties. In order to respond adequately to the forecasting risk, we continuously monitor and analyse capital markets in order to recognize adverse developments early, analyse them and take timely and adequate measures if the risk situation should aggravate.

For the Generali Deutschland Group, the repercussions of the financial crisis and in particular the ensuing negative market developments in the first six months led to adverse impacts in the course of 2009. It was possible to reduce these consequences thanks to our conservative investment policy and the broad mix and spread of our investments. In addition, we succeeded in benefiting from the positive development involved in the brightening of economic expectations in the second half and particularly towards the end of the year and to markedly enhance the risk-bearing capacity.

Besides regular risk monitoring, risk-management activities for the early recognition of the possible repercussions of market-price fluctuations also comprise the calculation of sensitivities and the application of stress tests. These sensitivity analyses are based on capital-market fluctuations derived from historical data. Analyses are made regarding the impact on earnings and equity of share-price fluctuations by +/- 10 percent and +/- 35 percent and of shiftings in the interest-structure curve by +/- 100 bp and +/- 200 bp.

Impact of the change of major risk variables on earnings and equity

		Impact on market values		Impact on Group result*		Impact on equity	
		2009	2008	2009	2008	2009	2008
		€'000	€'000	€'000	€'000	€'000	€'000
Change of share price	-35%	-1,290,734	-1,257,860	-115,289	-341,783	-212,930	-226,643
	-10%	-368,781	-359,388	-4,306	-76,910	-60,837	-64,755
	+10%	368,781	359,388	58	70,767	60,837	64,755
	+35%	1,290,734	1,257,860	91	222,032	212,930	226,643
Change of interest rate	-200 BP	8,475,992	7,863,464	28,615	24,612	548,067	390,586
	-100 BP	4,069,294	3,772,784	14,005	11,433	262,665	186,346
	+100 BP	-3,725,748	-3,459,608	-12,219	-10,159	-238,740	-168,923
	+200 BP	-7,118,042	-6,608,208	-24,317	-19,255	-455,196	-320,635

* impact on Group result calculated without taking into account the decree on minimum allocations

The basis were the investment portfolios at year-end 2009. In this context, investments with a share-price sensitivity are all the shares of the direct and indirect portfolio of the category of “available-for-sale financial assets”.

Investments with an interest-rate sensitivity include fixed-income securities of the category of “available-for-sale financial assets”, “loans and receivables” and “financial assets at fair value through profit or loss (not held for trading)”.

Because of the turmoil in financial markets in the course of the business year 2008 we also simulated extreme market fluctuations. The findings in these simulations were within the range expected by us. Any possible impact would not affect the risk-bearing capacity of the Generali Deutschland Group in a way jeopardizing its existence.

Currency risks

Currency risks are in particular involved in international equity, bond and property investments. In order to adequately limit currency risks, we focus our investments on products within the eurozone. In those cases where investments in foreign currencies are made, these are of relatively minor importance. Besides exposures in US dollars, these investments are limited to few additional currencies (in particular British pound, Swiss franc, Japanese yen, Swedish and Norwegian krona). Furthermore, part of these exposures is hedged against exchange-rate fluctuations which leads to the corresponding reduction of the relevant risk exposure. By continuously monitoring foreign exchange markets we are in a position to adjust hedging on a timely and adequate basis.

As a result, the impact of foreign exchange fluctuations on earnings and equity is of minor significance and we therefore do currently not see important foreign exchange risks for our Group.

Management of credit risks

Credit risks and the management of the risks were issues of relevance particularly in the financial crisis whose repercussions were still noticeable well into the year 2009. To the extent the consequences of the financial crisis were being coped with, credit markets recovered visibly and therefore, in the course of the year, spreads reduced markedly from their historical highs at year-end 2008. Nevertheless historical averages have not yet been reached. Within the scope of its overall credit-risk management, the Generali Deutschland Group pursues the long-term strategy of assuming credit risks to a very limited extent only. We attach importance to a good credit quality of debtors and verify this on the basis of rating categories customary in the market. To the extent we add corporate portfolios to our investments, we do so on a broadly spread basis in order to minimize any default risks and we also demand an adequate return premium in order to encounter the higher risks.

Credit risks as a whole and the default risk of financial instruments and of receivables, in particular from policyholders and intermediaries, are continuously monitored within risk management. The default ratio of receivables from policyholders and intermediaries was an average 4 percent in the period from 2007 through 2009.

In the primary insurance companies, credit risks may also be involved in receivables from reinsurers. In outward reinsurance, especially in business relations with a long run-off, we attach importance to the good financial soundness of our contracting partners which is under continuous scrutiny. The assessment of the credit quality of our cessionaires is based on the requirements of the 4th Financial-Market Promotion Act and on the recommendations for verifying the efficiency and solvency of reinsurers in line with the circular letter R 1/97 of the Insurer Regulator. In addition to our own analyses based on our expertise in the market, we also make active use of the assessments of rating agencies of international renown.

Last year the situation in credit markets eased noticeably. The securities held by us of issuers with recognizable payment problems as well as subordinated loans, participation rights and silent-partner interests, where interest payments in some cases are conditional, were written down to levels we consider to be adequate. Apart from this, interest defaults from subordinated loans, participation rights and silent-partner interests occurred to a minor extent in the business year 2008. Such adverse impacts cannot be excluded for the business year 2009, in particular with regard to issues of the regional state banks, without this being of material significance for the net investment income of the Generali Deutschland Group. Due to the economic development of individual credit institutions there might be similar developments in the business year 2010 which would be of minor importance for the net investment income of the Generali Deutschland Group, provided there are no extreme developments, which would, however, appear to be extremely improbable against the background of state interventions. In the business year 2009 there were no defaults of securitized loans. Our investments in asset-backed securities (ABS), which were reduced at an early stage and limited to receivables of the highest quality, are of minor significance.

In property financing we limit credit risks by granting new loans almost exclusively to retail customers. Also in the light of the economic environment we do not expect a significant change in credit risks. Given the already small amount of business, any possible impact would not be of significance. The portfolio of commercial loans was sold for the most part in previous years.

Since July 1, 2007 Deutsche Bausparkasse Badenia AG has been the central provider of property financing in the Generali Deutschland Group. The company monitors the risk of borrower default on the one hand by establishing limits fixed within its business and risk strategy. On the other hand controlling is, in particular, ensured by

- the scoring of applications when loans are granted;
- an automated dunning procedure;
- a classification of risks under the loan portfolio;
- analyses regarding the development of payments in arrears and write-downs and
- regular analyses of causes and weaknesses within the scope of the handling of problem loans.

Investments showing negative features are submitted to intensive management. Starting from three instalments in arrears, financing transactions are classified as “problem loans”. Under the property financing of the insurance companies, credit risks are limited by granting new loans almost exclusively to retail customers. The portfolio of commercial loans was sold for the most part in previous years.

The risk provisions for all areas of customer loan business are determined on the basis of the development of payments in arrears and the value development of collateral. In respect of deferred default risks, provisions are set up in accordance with past experience.

The tables on p. 138–141 below give an overview of the structure of financial instruments and receivables with regard to due dates, impairment and rating classes.

Collateral

The main collateral for liabilities are the guarantee assets (Sicherungsvermögen) as defined by section 66 of the Insurance Regulatory Act (VAG) amounting to € 73,187,377 thousand (previous year: 70,384,889 thousand). In order to guarantee the obligations towards policyholders, this part of the assets is internally kept as separate assets. In the case of an insolvency the other creditors have no access to the guarantee assets. In life and health insurance, the guarantee assets are supervised by an independent trustee.

Management of concentration risk

In order to reduce the portfolio risk, a broad mix and spread of the individual asset classes is observed. The concentration risk is limited by means of investment guidelines; it is continuously monitored and is comparatively low, as a whole. Besides, investments in assets with a higher risk exposure are allowed to a limited extent only. In individual cases we apply hedge accounting in the Consolidated Financial Statements for the accounting of hedging transactions under which financial instruments with an offsetting risk structure are recognized as one single measurement unit.

Management of liquidity risks

We encounter the risk of not being able to fulfil current and future payment obligations in time or for the full amount by foresighted liquidity planning. This enables us to cover the amounts payable by us on the liabilities side of our balance sheet any time by liquid and realizable funds on the assets and liabilities side.

Credit quality of financial assets

	Financial assets which are neither overdue nor impaired in their individual value		Financial assets which are overdue but not impaired in their individual value	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Loans and receivables				
Mortgage loans	2,310,921	2,679,919	70,475	113,609
Building loans	2,954,982	2,959,645	—	—
Loans and advance payments on policies	659,230	678,956	—	—
Debt securities and loans	16,063,435	16,800,409	—	—
Registered bonds	13,815,793	13,142,217	—	—
Other loans	992,740	1,401,120	—	—
Deposits with credit institutions	2,089,727	2,990,727	—	—
Deposits with ceding companies	14,617	15,290	—	—
Available for sale				
Fixed-income securities				
Government bonds	15,958,060	14,913,585	—	—
Other bonds	14,702,820	9,127,811	—	—
Other securities	9,987	9,013	—	—
Financial assets at fair value through profit or loss (not held for trading)	832,544	776,310	—	—
Total	**70,404,856**	**65,495,002**	**70,475**	**113,609**

Credit quality of financial assets

	Gross carrying amount		Individual write-downs	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Receivables under insurance business				
from policyholders	413,691	414,995	-57,971	-39,150
from insurance intermediaries	216,822	198,974	-3,092	-3,078
Accounts receivable	84,996	61,697	—	—
Reinsurers' share in underwriting provisions	1,480,536	1,508,471	—	—
Other receivables (insofar as financial assets)				
Accrued interest and rent	1,347,394	1,267,068	—	—
Receivables under investments	83,602	80,061	-7,704	-7,110
Other receivables	240,202	192,838	-74,582	-59,317
Total	**3,867,243**	**3,724,104**	**-143,349**	**-108,655**

The maximum credit exposure of financial assets equals the carrying amount.

	Financial assets which are impaired in their individual value		Lump-sum write-downs		Carrying amounts		Total impairments through profit or loss	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000
	23,454	29,930	-10,168	-7,415	2,394,682	2,816,043	-18,148	-25,816
	248,287	277,052	-42,366	-37,728	3,160,903	3,198,969	-24,170	-16,880
	—	—	—	—	659,230	678,956	—	-1
	—	—	—	—	16,063,435	16,800,409	—	—
	—	97,500	—	—	13,815,793	13,239,717	—	-292,500
	201,132	—	—	—	1,193,872	1,401,120	-20,610	—
	—	—	—	—	2,089,727	2,990,727	—	—
	—	—	—	—	14,617	15,290	—	—
	—	—	—	—	15,958,060	14,913,585	—	—
	—	11,710	—	—	14,702,820	9,139,521	-2,564	-15,200
	—	—	—	—	9,987	9,013	—	—
	—	—	—	—	832,544	776,310	—	—
	472,873	**416,192**	**-52,534**	**-45,143**	**70,895,670**	**65,979,660**	**-65,492**	**-350,397**

	Lump-sum write-downs		Carrying amounts		Total impairments through profit or loss	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000
	-32,585	-34,327	323,135	341,518	-22,179	-8,311
	-14,882	-11,452	198,848	184,444	-15,160	-8,565
	—	—	84,996	61,697	—	-13
	—	—	1,480,536	1,508,471	—	—
	—	—	1,347,394	1,267,068	—	—
	—	—	75,898	72,951	-1,111	-1,682
	-16,774	-16,852	148,846	116,669	-22,574	-6,757
	-64,241	**-62,631**	**3,659,653**	**3,552,818**	**-61,024**	**-25,328**

Age analysis of financial assets which are overdue but not individually impaired

	2009 €'000	2008 €'000
Loans and receivables, mortgage loans		
Up to 90 days	47,209	92,795
90 days – 1 year	14,719	13,314
1 – 2 years	8,547	7,500
More than 2 years	—	—
Total	**70,475**	**113,609**

Rating classes of financial assets neither overdue nor individually impaired

	AAA €'000	AA €'000
Loans and receivables		
Mortgage loans	—	2,310,921
Building loans	—	2,954,982
Loans and advance payments on policies	—	659,230
Debt securities and loans	7,337,413	4,736,217
Registered bonds	12,016,645	457,599
Other loans	—	155,839
Available for sale		
Fixed-income securities		
Government bonds	6,593,975	5,179,578
Other bonds	7,115,980	2,275,663
Other securities	—	—
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss (not held for trading)	—	—
Trading	—	—
Total	**33,064,013**	**18,730,029**

For more details regarding capital and performance management reference is made to chap. 1 on p. 28 f.

A	BBB	BB	B and lower	Not rated	Total
€'000	€'000	€'000	€'000	€'000	€'000
—	—	—	—	—	2,310,921
—	—	—	—	—	2,954,982
—	—	—	—	—	659,230
3,765,907	212,769	—	—	11,129	16,063,435
1,341,549	—	—	—	—	13,815,793
661,787	175,094	—	—	20	992,740
3,514,774	669,733	—	—	—	15,958,060
3,574,502	1,558,159	40,510	34,401	103,605	14,702,820
—	—	—	—	9,987	9,987
824,457	7,181	—	—	906	832,544
—	—	—	—	25,903	25,903
13,682,976	**2,622,936**	**40,510**	**34,401**	**151,550**	**68,326,415**

Supplementary information on the Statement of Comprehensive Income 2009

6 Earned premiums (net)*

	Life/health 2009 €'000	Life/health 2008 €'000	Property/casualty 2009 €'000	Property/casualty 2008 €'000	Total 2009 €'000	Total 2008 €'000
Total premiums	11,814,094	11,177,024	3,035,932	3,062,682	14,850,026	14,239,706
less: savings portions (in acc. with FAS 97)	-2,254,174	-2,316,077	—	—	-2,254,174	-2,316,077
less: premiums of investment contracts (in acc. with IAS 39)	-176,982	-16,043	—	—	-176,982	-16,043
Gross premiums written (under Income Statement)	**9,382,938**	**8,844,904**	**3,035,932**	**3,062,682**	**12,418,870**	**11,907,586**
Reinsurance premiums ceded	-176,584	-165,359	-75,479	-76,130	-252,063	-241,489
Net premiums written	**9,206,354**	**8,679,545**	**2,960,453**	**2,986,552**	**12,166,807**	**11,666,097**
Change of gross unearned premiums	-812	-481	7,818	3,463	7,006	2,982
Change of premium components carried as a liability	-76,786	-67,221	—	—	-76,786	-67,221
Change of the reinsurers' share in gross unearned premiums	—	—	-871	-255	-871	-255
Earned premiums (net)	**9,128,756**	**8,611,843**	**2,967,400**	**2,989,760**	**12,096,156**	**11,601,603**

* fully consolidated figures

Gross premiums written of direct insurance business

	2009 €'000	2008 €'000
Life insurance business	**7,401,986**	**6,999,486**
Health insurance business	**1,980,220**	**1,844,683**
Property/casualty insurance business		
Motor insurance	1,105,019	1,156,855
General liability insurance	415,474	416,802
Personal accident insurance	470,344	466,050
Householders insurance	231,245	230,716
Fire insurance	47,060	47,803
Homeowners insurance	270,662	255,895
Legal expenses insurance	192,431	189,448
Other classes	298,863	293,247
Total property/casualty	**3,031,098**	**3,056,816**
Gross premiums written, direct business	**12,413,304**	**11,900,985**

Out of the directly written gross premiums, 0.5 percent (previous year: 0.5 percent) are attributable to foreign countries. The gross premiums written of assumed reinsurance business amount to € 5,566 thousand (previous year: 6,601 thousand).

Unit-linked products where the policyholder bears the investment risk and Riester policies are, as a matter of principle, recognized in compliance with the standard FAS 97.

Contracts under which no significant insurance risk is assumed and no discretionary participation features are paid are recognized in compliance with the rules of IAS 39.

7 Investment income (net, by segments)*

	Life/health		Property/casualty	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
I. Investment property	135,487	136,604	1,397	20,998
II. Equity-method investments	-8,082	2,497	81,748	41,562
III. Financial assets				
1. loans and receivables	1,579,354	1,241,264	79,586	45,888
2. available for sale				
a) variable yield	-219,287	-1,638,582	42,486	-200,659
b) fixed interest	1,194,947	1,021,555	117,834	75,447
3. financial assets at fair value through profit or loss				
a) financial assets at fair value through profit or loss (not held for trading)	91,708	-14,820	1,615	-1,167
b) held for trading	-223,782	303,130	-31,258	36,596
IV. Investments for the account and at the risk of life insurance policyholders	140,993	-241,005	—	—
Expenditure for the management of investments, interest expenditure and other investment expenditure	-138,240	-165,997	-16,253	-16,032
Total	**2,553,098**	**644,646**	**277,155**	**2,633**

* fully consolidated figures

Financial services/other		Group	
2009	2008	2009	2008
€'000	€'000	€'000	€'000
—	—	136,884	157,602
4,543	6,223	78,209	50,282
182,968	181,714	1,841,908	1,468,866
1,349	613	-175,452	-1,838,628
18,790	22,481	1,331,571	1,119,483
—	—	93,323	-15,987
-110	-155	-255,150	339,571
—	—	140,993	-241,005
-287	-655	-154,780	-182,684
207,253	**210,221**	**3,037,506**	**857,500**

Investment income (net, by types of income and expenditure)

	Ordinary income		Write-ups and unrealized capital gains[5]	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
I. Investment property[1,2]	161,786	164,971	—	6,896
II. Shares in enterprises measured at equity	88,823	48,364	—	—
III. Financial assets				
1. loans and receivables[3]	1,736,937	1,779,077	27,552	26,528
2. available for sale				
a) variable yield	224,567	382,036	—	—
b) fixed interest[3]	1,165,199	1,142,016	—	—
3. financial assets at fair value through profit or loss				
a) financial assets at fair value through profit or loss (not held for trading)	44,576	43,154	69,220	5,337
b) held for trading	—	—	84,126	149,774
IV. Investments for the account and at the risk of life insurance policyholders	5,797	145,831	140,074	2,382
Expenditure for the management of investments, interest expenditure and other investment expenditure[4]	-154,780	-182,684	—	—
Total	**3,272,905**	**3,522,765**	**320,972**	**190,917**

1 The write-downs include impairment write-downs as defined by IFRS 5 of € -4,996 thousand (previous year: -31,469 thousand).
2 The ordinary income from investment property equals the rental income for property held as financial investment.
3 The interest income is € 2,902,136 thousand (previous year: 2,921,093 thousand).
4 The expenditure for let property is € -40,760 thousand (previous year: -54,718 thousand); for unlet property it amounts to € -7.231 thousand (previous year: -7,999 thousand).
5 including profits and losses from foreign currency translation recognized in income

	Realized capital gains		Write-downs and unrealized capital losses[5]		Realized capital losses		Group	
	2009	2008	2009	2008	2009	2008	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
	74,894	61,943	-98,654	-76,186	-1,142	-22	136,884	157,602
	39	1,918	-10,653	—	—	—	78,209	50,282
	140,347	126	-62,928	-335,197	—	-1,668	1,841,908	1,468,866
	553,737	271,062	-831,916	-2,253,521	-121,840	-238,205	-175,452	-1,838,628
	207,298	30,374	-2,564	-15,200	-38,362	-37,707	1,331,571	1,119,483
	584	—	-21,057	-64,478	—	—	93,323	-15,987
	317,914	358,779	-111,644	-69,909	-545,546	-99,073	-255,150	339,571
	479	341	-5,065	-290,254	-292	-99,305	140,993	-241,005
	—	—	—	—	—	—	-154,780	-182,684
	1,295,292	**724,543**	**-1,144,481**	**-3,104,745**	**-707,182**	**-475,980**	**3,037,506**	**857,500**

8 Other income*

	2009 €'000	2008 €'000
Other net underwriting income of life and health insurance	44,074	53,194
Other net underwriting income of property and casualty insurance	11,395	13,473
Income from investment contracts	1,857	1,625
Income of building-society business	70,474	84,977
Income from capital consolidation	8,847	13,671
Other income		
from services rendered	64,707	64,773
from winding-up non-underwriting provisions	34,818	41,684
interest and similar income	37,623	37,078
foreign exchange profits	840	4,048
other	106,960	117,534
Total	**381,595**	**432,057**

* fully consolidated figures

9 Net claims and benefits*

Claims and benefits under life and health insurance

		Gross		**Reinsurers' share**		**Net**
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Claims expenditure						
Claims paid	-6,583,180	-6,554,494	133,839	112,557	-6,449,341	-6,441,937
Change of the provision for outstanding claims	-95,052	-75,386	-1,646	-3,690	-96,698	-79,076
Total	**-6,678,232**	**-6,629,880**	**132,193**	**108,867**	**-6,546,039**	**-6,521,013**
Change of the provision for future policy benefits	-1,920,931	-892,579	5,915	39,372	-1,915,016	-853,207
Expenditure for profit-related, not profit-related and deferred premium refunds	-454,511	785,838	—	—	-454,511	785,838
Other profit participation	-716,358	-564,112	—	—	-716,358	-564,112
Total amount of claims and benefits	**-9,770,032**	**-7,300,733**	**138,108**	**148,239**	**-9,631,924**	**-7,152,494**

* fully consolidated figures

Net claims and benefits*

Claims and benefits under property and casualty insurance

	Gross		Reinsurers' share		Net	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Claims expenditure						
Claims paid	-1,974,108	-1,969,266	55,855	64,304	-1,918,253	-1,904,962
Change of the outstanding claims provision	14,210	11,830	-43,092	-30,892	-28,882	-19,062
Total	**-1,959,898**	**-1,957,436**	**12,763**	**33,412**	**-1,947,135**	**-1,924,024**
Change of the provision for future policy benefits	-331	-3,069	—	—	-331	-3,069
Expenditure for premium refunds	-5,017	-2,992	—	—	-5,017	-2,992
Total amount of claims and benefits	**-1,965,246**	**-1,963,497**	**12,763**	**33,412**	**-1,952,483**	**-1,930,085**

* fully consolidated figures

10 Net operating expenses*

	2009 €'000	2008 €'000
Life and health insurance		
Acquisition costs		
Payments	-1,469,005	-1,483,304
Change of deferred acquisition costs	50,645	17,739
Administrative expenses	-320,842	-301,306
less		
Commissions and profit shares received under reinsurance business ceded	82,899	36,983
Total life and health insurance	**-1,656,303**	**-1,729,888**
Property and casualty insurance		
Acquisition costs		
Payments	-276,230	-316,554
Change of deferred acquisition costs	-15,963	19,155
Administrative expenses	-599,011	-607,883
less		
Commissions and profit shares received under reinsurance business ceded	11,278	14,640
Total property and casualty insurance	**-879,926**	**-890,642**
Total	**-2,536,229**	**-2,620,530**

* fully consolidated figures

11 Other expenditure*

	2009 €'000	2008 €'000
Other net underwriting expenditure of life and health insurance	-57,523	-59,051
Other net underwriting expenditure of property and casualty insurance	-15,347	-15,565
Expenditure from investment contracts	-5,197	-2,982
Expenditure for building-society business	-235,030	-256,616
Other expenditure:		
Expenditure that cannot be allocated to functional areas	-272,622	-591,707
Interest and similar expenditure	-127,618	-125,861
Services, agency, leading and co-insurance business	-64,570	-61,613
Write-downs and portfolio-based value adjustments	-40,021	-22,318
Capital consolidation	-27,780	-22,247
Foreign exchange losses	-74	-399
Other	-49,852	-33,141
Total	**-895,634**	**-1,191,500**

* fully consolidated figures

On October 1, 2007 an agreement was concluded between General Deutschland Informatik Services GmbH and IBM Deutschland GmbH (IBM) on making available IT hardware, software and corresponding services. One element of this Open Infrastructure Offering agreement (OIO agreement) is a leasing contract for specific data-centre hardware. The leasing rates of € 8,721 thousand are included in other expenditure. The agreement had a total volume of € 168,347 thousand and a term of three years.

In the year under report the term was extended until December 31, 2012. The new total volume of the extended agreement starting from January 2010 is € 162,307 thousand. Both contracting parties have an extraordinary cancellation right during the term of the agreement. At the end of the term there is a purchase option at arm's length conditions. The minimum leasing payments up to one year are € 3,488 thousand, for one to five years € 8,392 thousand and for more than five years € 110 thousand.

12 Tax

Tax expenditure

	2009 €'000	2008 €'000
Income tax		
Current tax		
Corporation tax and solidarity charge	-128,511	1,786
Trade income tax	-74,646	-49,002
Corporation tax asset	—	—
Deferred tax		
due to temporary differences	73,165	98,835
due to change of tax losses carried forward	-1,063	-3,737
Total	**-131,055**	**47,882**
Other tax	-10,927	-22,582
Aggregate tax amount	**-141,982**	**25,300**

The tax refund claim includes the corporation tax asset as defined by section 37 of the Corporation Tax Act. This leads to a claim for a refund of the corporation tax asset in the years from 2008 to 2017. Starting from 2008, this claim is refunded at equal instalments. According to the rule laid down in the letter of the Federal Ministry of Finance of January 14, 2008 regarding the "Balance-Sheet Recognition of the Corporation Tax Asset", unaccrued interest will be discounted on the tax asset until 2017. In 2009 a corresponding unaccrued interest of € 3,236 thousand was added to the tax asset and recognized as other interest and similar income.

Furthermore, no deferred tax is set up for part of the tax loss carried forward (corporation tax of € 188,969 thousand; trade tax of € 190,657 thousand) as it is not probable that it will be used in the near future.

Reconciliation statement

	2009 €'000	2008 €'000
Earnings before tax (under HGB balance sheet)	482,531	-20,973
Expected tax expenditure*	-154,410	6,711
Corrected for tax impact due to:		
non-deductible operating expenses	-3,906	-954
tax-free income	35,780	-31,873
tax of previous years	21,726	106,354
income from tax-rate changes	—	—
corporation tax credit	—	—
deductible tax	-9,133	-8,139
difference between tax balance sheet and HGB balance sheet	1,988	-15,583
other impact	-23,100	-8,634
Income tax expenditure	**-131,055**	**47,882**

* earnings before tax, taking into account the Group tax rate

The Group tax rate corresponds to the average income-tax charge of all Group companies. That charge – as the basis for the reconciliation statement – is determined by the corporation tax rate of 15.0 percent plus the solidarity charge of 5.5 percent plus the average trade income tax of 16.2 percent.

The tax rates applied have remained unchanged at the previous year's level. As a matter of principle, actual and deferred tax assets and liabilities are measured on the basis of currently applicable tax rates and rules.

Tax impact on the components of the other comprehensive net income

	Before change of the provision for premium refunds and before deferred tax		Change of the provision for deferred premium refunds	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Revaluation reserve				
Gains and losses from the revaluation of available-for-sale financial assets				
Reclassification due to the realization of gains and losses	574,168	2,204,920	-469,192	-1,661,666
Other changes	739,230	-3,401,605	-561,369	2,646,065
Change of other comprehensive income from equity-method entities	672	-5,660	—	—
Change from cash-flow hedges				
Reclassification due to the realization of gains and losses	-658	-658	—	—
Other changes	-9,018	-5,732	—	—
Foreign exchange differences	-5,772	7,594	4,854	-5,393
Total	**1,298,622**	**-1,201,141**	**-1,025,707**	**979,006**

13 Earnings per share

For determining the earnings per share, the (adjusted) net profit of the Group attributable to the equity holders of the parent is divided by the average number of shares of Generali Deutschland Holding AG that was issued and outstanding during the period. The weighted average of the number of shares is 53,679,994 (previous year: 53,679,994). This leads to basic earnings per share of approx. € 6.09 (previous year: 0.04).

On the basis of the shareholder resolution at the General Meeting of Generali Deutschland Holding AG of May 19, 2009 a dividend of € 2.90 was paid for each unit share entitled to dividends.

The Board of Management and the Supervisory Board propose to the General Meeting of Generali Deutschland Holding AG to be held on May 27, 2010 to distribute a dividend of € 2.90 per unit share entitled to dividends.

The conclusion of the special court proceedings pending in respect of the domination agreements between Generali Deutschland Holding AG and AachenMünchener Versicherung AG as well as Generali Beteiligungs- und Verwaltungs-AG could lead to a dilution of earnings per share in the future. It is, however, not yet possible to make a statement as to when these proceedings will be concluded.

Deferred tax		**After change of the provision for premium refunds and after deferred tax**	
2009	2008	2009	2008
€'000	€'000	€'000	€'000
-20,928	-102,040	84,048	441,214
-54,061	139,822	123,800	-615,718
—	—	672	-5,660
—	—	-658	-658
2,886	1,653	-6,132	-4,079
253	-263	-665	1,938
-71,850	**39,172**	**201,065**	**-182,963**

Supplementary information on the Consolidated Balance Sheet 2009 – Assets

14 Owner-occupied property

	2009 €'000	2008 €'000
Gross carrying amount Jan. 1	1,273,163	1,203,481
Accumulated write-downs by Jan. 1	-355,829	-370,753
Net carrying amount Jan. 1	**917,334**	**832,728**
Additions	41,471	148,470
Change of consolidation scope	—	—
Non-current assets held for sale and other disposals	-1,702	-14,163
Reclassifications	-3,721	-30,648
Write-ups	—	—
Scheduled write-downs	-18,482	-17,647
Impairments	-14,300	-1,406
Net carrying amount Dec. 31	**920,600**	**917,334**
Accumulated write-downs by Dec. 31	-359,323	-355,829
Gross carrying amount Dec. 31	1,279,923	1,273,163

The impairments are primarily attributable to a change in marketing opportunities.

Tangible assets*

	Life/health €'000	Property/ casualty €'000	Financial services/other €'000	2009 €'000	2008 €'000
Gross carrying amount Jan. 1	124,087	75,458	202,597	402,142	396,436
Accumulated write-downs by Jan. 1	-86,473	-47,907	-145,719	-280,099	-269,634
Net carrying amount Jan. 1	**37,614**	**27,551**	**56,878**	**122,043**	**126,802**
Additions	10,883	13,161	11,227	35,271	42,983
Change of consolidation scope	—	—	—	—	—
Non-current assets held for sale and other disposals	-6,392	-1,709	-865	-8,966	-11,906
Write-ups	—	—	—	—	—
Write-downs	-9,420	-6,334	-19,998	-35,752	-35,836
Net carrying amount Dec. 31	**32,685**	**32,669**	**47,242**	**112,596**	**122,043**
Accumulated write-downs by Dec. 31	-87,424	-50,752	-153,793	-291,969	-280,099
Gross carrying amount Dec. 31	120,109	83,421	201,035	404,565	402,142

* fully consolidated figures

The column "financial services/other" includes, among others, the tangible assets of Generali Deutschland Informatik Services GmbH.

15 Intangible assets

Composition of intangible assets

	2009 €'000	2008 €'000
Goodwill	269,389	269,389
PVFP of insurance contracts	64,613	87,596
Self-developed software	10,697	11,605
Other intangible assets acquired	53,570	73,818
Total	**398,269**	**442,408**

Goodwill allocation to segments*

	Life/health €'000	Property/ casualty €'000	Financial services/ other €'000	2009 €'000	2008 €'000
Carrying amount before impairment amortization Jan. 1	162,377	107,163	2,082	271,622	271,622
Accumulated impairment loss Jan. 1	-973	—	-1,260	-2,233	-1,433
Balance-sheet amount Jan. 1	**161,404**	**107,163**	**822**	**269,389**	**270,189**
Reclassification	—	—	—	—	—
Impairments	—	—	—	—	-800
Balance-sheet amount Dec. 31	**161,404**	**107,163**	**822**	**269,389**	**269,389**
Accumulated impairments Dec. 31	-973	—	-1,260	-2,233	-2,233
Carrying amount before impairment amortization Dec. 31	162,377	107,163	2,082	271,622	271,622

* fully consolidated figures

In the previous year, under the annual impairment test for goodwill, an impairment loss was identified and recognized in income.

Goodwill allocation to cash-generating units

	2009 €'000	2008 €'000
Generali Beteiligungs- und Verwaltungs-AG*	131,000	131,000
AachenMünchener Lebensversicherung AG	90,200	90,200
AachenMünchener Versicherung AG	34,100	34,100
Other	14,089	14,089
Total	**269,389**	**269,389**

* created by the merger of Volksfürsorge Holding AG and Generali Lloyd AG

Impairment test for goodwill

On the basis of IFRS 3 "Business Combinations" goodwill is no longer amortized on a scheduled basis starting from January 1, 2005. Instead goodwill is tested annually for impairment in compliance with the rules of IAS 36 on the basis of cash-generating units. In the Generali Deutschland Group, the subsidiary concerned is identified as the cash-generating unit for the purposes of goodwill allocation and impairment testing.

An impairment may become evident by comparing the carrying amount of the cash-generating unit, including allocated goodwill, with the realizable amount of the unit. In the Generali Deutschland Group, the carrying amount is the equity capital under IFRS of the subsidiary concerned. As realizable amount determined on the basis of the value in use, the Generali Deutschland Group recognizes the fair value as at December 31, 2009 of each subsidiary. The assumptions of the forecast of cash flows is based on the corporate planning of the Generali Deutschland Group for the period from 2010 through 2012. Furthermore, the extrapolation of cash-flow projections for each cash-generating unit within the scope of a perpetual annuity on a long-term basis is done by applying a growth rate that is regarded as probable against the background of the individual environment in which the company operates. The growth rates applied are within a range of 0.5 to 1.0 percent.

The value in use of each subsidiary results from the future cash flows by applying a capitalization interest reflecting the cost of equity capital taking into account the individual risk structure of the subsidiary. The capitalization interest is determined by the capital-asset pricing model (CAPM). It is composed of a risk-free basic interest and a risk charge determined on an individual basis for the company. The applied rates of capitalization interest applied in the detail planning phase and perpetual annuity are within a range of 7.75 to 9.75 percent.

PVFP from insurance contracts*

	Life/health	Property/ casualty	2009	2008
	€'000	€'000	€'000	€'000
Gross carrying amount Jan. 1	191,979	6,976	198,955	194,683
Accumulated amortization by Jan. 1	-104,383	-6,976	-111,359	-90,293
Net carrying amount Jan. 1	**87,596**	**—**	**87,596**	**104,390**
Additions	—	—	—	4,272
Write-ups	4,866	—	4,866	—
Scheduled amortization	-320	—	-320	-7,254
Impairments	-27,529	—	-27,529	-13,812
Net carrying amount Dec. 31	**64,613**	**—**	**64,613**	**87,596**
Accumulated amortization by Dec. 31	-127,366	-6,976	-134,342	-111,359
Gross carrying amount Dec. 31	191,979	6,976	198,955	198,955

* fully consolidated figures

The negative true-up effect for the PVFP of life insurance contracts is € -27,529 thousand (previous year: -13,471 thousand).

Self-developed software*

	Life/ health	Property/ casualty	Financial services	2009	2008
	€'000	€'000	€'000	€'000	€'000
Gross carrying amount Jan. 1	74,906	89,521	6,587	171,014	162,721
Accumulated amortization by Jan. 1	-63,301	-89,521	-6,587	-159,409	-158,660
Net carrying amount Jan. 1	**11,605**	**—**	**—**	**11,605**	**4,061**
Additions	1,004	—	—	1,004	8,294
Scheduled amortization	-1,912	—	—	-1,912	-750
Net carrying amount Dec. 31	**10,697**	**—**	**—**	**10,697**	**11,605**
Accumulated amortization by Dec. 31	-65,213	-89,521	-6,587	-161,321	-159,409
Gross carrying amount Dec. 31	75,910	89,521	6,587	172,018	171,014

* fully consolidated figures

Other acquired intangible assets*

	Life/ health	Property/ casualty	Financial services	Other	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000
Gross carrying amount Jan. 1	174,341	35,670	7,406	159,654	377,071	367,613
Accumulated amortization by Jan. 1	-118,350	-35,051	-6,736	-143,116	-303,253	-275,368
Net carrying amount Jan. 1	**55,991**	**619**	**670**	**16,538**	**73,818**	**92,245**
Additions	4,412	130	489	8,419	13,450	12,196
Disposals	-2,440	-412	—	-171	-3,023	-427
Change of consolidation scope	—	—	—	—	—	—
Scheduled amortization	-12,995	-200	-455	-12,247	-25,897	-30,196
Impairments	-4,778	—	—	—	-4,778	—
Net carrying amount Dec. 31	**40,190**	**137**	**704**	**12,539**	**53,570**	**73,818**
Accumulated amortization by Dec. 31	-128,985	-34,985	-5,289	-154,103	-323,362	-303,253
Gross carrying amount Dec. 31	169,175	35,122	5,993	166,642	376,932	377,071

* fully consolidated figures

The other acquired intangible assets include an amount of € 0.8 m of such assets with an indefinite useful life. With regard to measurement reference is made to the information of the methods of accounting and measurement on p. 111 ff.

16 Deferred acquisition costs*

	2009	2008
	€'000	€'000
Life and health insurance		
As at Jan. 1	7,577,794	7,560,055
Amount deferred	943,547	1,062,618
Interest charge	291,602	259,853
Write-downs	-1,184,503	-1,304,732
As at Dec. 31	**7,628,440**	**7,577,794**
Property and casualty insurance		
As at Jan. 1	256,371	237,216
Amount deferred	110,731	156,310
Write-downs	-126,695	-137,155
As at Dec. 31	**240,407**	**256,371**

* fully consolidated figures

In health insurance an interest rate of 3.5 percent (previous year: 3.5–4.5 percent) is applied. For life insurers, as a matter of principle, the interest yield on the policyholder funds and the margin remaining for the insurer are taken into account.

As at December 31, 2009 there is a negative true-up effect of € -281,603 thousand (previous year: -194,275 thousand) on deferred acquisition costs.

17 Investments

Investment property*

	Life/health €'000	Property/ casualty €'000	2009 €'000	2008 €'000
Gross carrying amount Jan. 1	2,742,550	251,299	2,993,849	2,777,361
Accumulated write-downs by Jan. 1	-618,738	-90,258	-708,996	-653,279
Net carrying amount Jan. 1	**2,123,812**	**161,041**	**2,284,853**	**2,124,082**
Additions by purchase	189,800	19,364	209,164	197,075
Additions by capitalized supplementary acquisition costs	1,099	—	1,099	10,890
Change of consolidation scope	—	—	—	—
Non-current assets held for sale and other disposals	-114,849	-4,864	-119,713	-47,823
Reclassifications	-8,503	12,224	3,721	30,648
Write-ups	—	—	—	6,896
Write-downs	-31,201	-3,951	-35,152	-35,367
Impairments	-54,851	-8,651	-63,502	-9,350
Change due to currency translation	-4,764	—	-4,764	7,802
Net carrying amount Dec. 31	**2,100,543**	**175,163**	**2,275,706**	**2,284,853**
Accumulated write-downs by Dec. 31	-649,774	-102,166	-751,940	-708,996
Gross carrying amount Dec. 31	2,750,317	277,329	3,027,646	2,993,849
Market value	**2,211,662**	**208,366**	**2,420,028**	**2,495,048**

* fully consolidated figures

The impairments are primarily attributable to changes in marketing opportunities. In the business year there were disposal restrictions of an amount of € 122,157 thousand.

18 Shares in enterprises measured at equity

	2009 €'000	2008 €'000
Balance-sheet values Jan. 1	**526,436**	**317,999**
Additions	11,144	198,161
Change of share in equity	-11,543	31,626
Disposals	-3,443	-15,690
Write-downs	-10,653	—
Unrealized gains and losses	672	-5,660
Balance-sheet values as at Dec. 31	**512,613**	**526,436**

Major subsidiaries and associated enterprises

(interests held directly and indirectly)

December 31, 2009	Country	Equity share in %
1 AachenMünchener Lebensversicherung AG	D	100.0000
2 AachenMünchener Versicherung AG	D	100.0000
3 Advocard Rechtsschutzversicherung AG	D	100.0000
4 Central Krankenversicherung AG	D	100.0000
5 Cosmos Lebensversicherungs-AG	D	100.0000
6 Cosmos Versicherung AG	D	100.0000
7 Deutsche Bausparkasse Badenia AG	D	100.0000
8 Deutsche Vermögensberatung Aktiengesellschaft DVAG*	D	39.9998
9 Dialog Lebensversicherungs-AG	D	100.0000
10 Envivas Krankenversicherung AG	D	100.0000
11 Generali Beteiligungs- und Verwaltungs-AG	D	98.7843
12 Generali Deutschland Immobilien GmbH	D	100.0000
13 Generali Deutschland Informatik Services GmbH	D	100.0000
14 Generali Deutschland Pensionskasse AG	D	100.0000
15 Generali Deutschland Pensor Pensionsfonds AG	D	100.0000
16 Generali Deutschland Schadenmanagement GmbH	D	100.0000
17 Generali Deutschland Services GmbH	D	100.0000
18 Generali Investments S.p.A.*	I	30.0000
19 Generali Lebensversicherung AG	D	100.0000
20 Generali Versicherung AG	D	100.0000
21 Volksfürsorge Pensionskasse AG	D	100.0000
22 Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte	D	100.0000

* associated enterprise

The above tables show the interests in major subsidiaries and associates. A complete list of shareholdings in compliance with section 313 paras. 2 and 4 HGB is disclosed in the electronic version of the Bundesanzeiger (Official German Gazette).

Financial instruments

Presentation of the fair value of financial instruments under assets

	Carrying amount		Fair value	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
Loans and receivables				
Mortgage loans	2,394,682	2,816,043	2,555,754	2,957,574
Building loans	3,160,903	3,198,969	3,160,903	3,198,969
Loans and advance payments on policies	659,230	678,956	659,230	678,956
Debt securities and loans	16,063,435	16,800,409	16,637,235	17,377,210
Registered bonds	13,815,793	13,239,717	14,378,927	13,161,635
Other loans	1,193,872	1,401,120	1,195,776	1,305,249
Deposits with credit institutions	2,089,727	2,990,727	2,089,727	2,990,727
Deposits with ceding companies	14,617	15,290	14,617	15,290
Available for sale				
Variable-yield securities				
Shares and other equity instruments	4,480,977	5,126,153	4,480,977	5,126,153
Fund units	1,508,664	1,906,784	1,508,664	1,906,784
Other variable-yield securities	98,045	78,023	98,045	78,023
Fixed-income securities				
Government bonds	15,958,060	14,913,585	15,958,060	14,913,585
Other bonds	14,702,820	9,139,521	14,702,820	9,139,521
Other securities	9,987	9,013	9,987	9,013
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss (not held for trading)	832,544	776,310	832,544	776,310
Trading	25,903	286,016	25,903	286,016
Investments for the account and at the risk of life insurance policyholders	10,424,408	7,361,720	10,424,408	7,361,720
Receivables under insurance business				
from policyholders	323,135	341,518	323,135	341,518
from intermediaries	198,848	184,444	198,848	184,444
Accounts receivable	84,996	61,697	84,996	61,697
Reinsurers' share in underwriting provisions	1,480,536	1,508,471	1,480,536	1,508,471
Other receivables (insofar as financial instruments)				
Accrued interest and rent	1,347,394	1,267,068	1,347,394	1,267,068
Receivables under investments	75,898	72,952	75,898	72,952
Other receivables	148,846	116,669	148,846	116,669
Total	**91,093,320**	**84,291,175**	**92,393,230**	**84,835,554**

19 Loans and receivables

	Amortized cost		Fair value	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
Mortgage loans	2,394,682	2,816,043	2,555,754	2,957,574
Building loans	3,160,903	3,198,969	3,160,903	3,198,969
Loans and advance payments on policies	659,230	678,956	659,230	678,956
Debt securities and loans	16,063,435	16,800,409	16,637,235	17,377,210
Registered bonds	13,815,793	13,239,717	14,378,927	13,161,635
Other loans	1,193,872	1,401,120	1,195,776	1,305,249
Deposits with credit institutions	2,089,727	2,990,727	2,089,727	2,990,727
Deposits with ceding companies	14,617	15,290	14,617	15,290
Total	**39,392,259**	**41,141,231**	**40,692,169**	**41,685,610**

Loans and receivables

	Mortgage loans	Building loans	Loans and advance payments on policies	Debt securities and loans
	€'000	€'000	€'000	€'000
Balance-sheet values as at Jan. 1	2,816,043	3,198,969	678,956	16,800,409
Additions	71,762	842,107	524,067	961,402
Change of consolidation scope	—	—	—	—
Disposals	-484,723	-873,976	-543,793	-1,832,613
Redemption	169	—	—	134,237
Write-ups	9,579	17,973	—	—
Impairments	-18,148	-24,170	—	—
Change due to currency translation	—	—	—	—
Balance-sheet values as at Dec. 31	**2,394,682**	**3,160,903**	**659,230**	**16,063,435**

Remaining terms to maturity of loans and receivables

	Amortized cost		Fair value	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
up to 1 year	3,989,825	4,648,654	4,013,899	4,729,784
between 1 and 2 years	2,075,491	1,913,853	2,106,774	1,962,866
between 2 and 3 years	2,873,990	2,006,177	2,969,677	1,889,440
between 3 and 4 years	2,496,652	3,006,873	2,598,805	3,091,780
between 4 and 5 years	3,161,742	2,867,359	3,334,197	2,869,568
between 5 and 10 years	15,159,313	15,797,568	15,823,130	16,023,958
more than 10 years	9,635,246	10,900,747	9,845,687	11,118,214
Total	**39,392,259**	**41,141,231**	**40,692,169**	**41,685,610**

Registered bonds	Other loans	Deposits with credit institutions	Deposits with ceding companies	Total
€'000	€'000	€'000	€'000	€'000
13,239,717	1,401,120	2,990,727	15,290	41,141,231
2,158,248	—	450,297	337	5,008,220
—	—	—	—	—
-1,544,751	-186,643	-1,351,292	-1,010	-6,818,801
-37,421	5	—	—	96,990
—	—	—	—	27,552
—	-20,610	—	—	-62,928
—	—	-5	—	-5
13,815,793	**1,193,872**	**2,089,727**	**14,617**	**39,392,259**

20 Financial assets
Available for sale

	Balance-sheet values Jan. 1	Additions	Change of consolidation scope	Redemption
	€'000	€'000	€'000	€'000
Variable-yield securities				
Shares and other equity instruments	5,126,153	1,445,998	—	—
Fund units				
Equity funds	415,914	1,248,199	—	—
Bond funds	729,358	474,281	—	—
Property funds	761,512	179,029	—	—
Other variable-yield securities	78,023	33,712	—	79
Fixed-income securities				
Government bonds	14,913,585	5,151,005	—	-134,830
Other bonds	9,139,521	9,830,809	—	193,157
Other securities	9,013	974	—	—
Total	**31,173,079**	**18,364,007**	**—**	**58,406**

Available for sale

	Amortized cost		Unrealized gains/losses		Fair value	
	2009	2008	2009	2008	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000
Variable-yield securities						
Shares and other equity instruments	3,523,766	4,957,380	957,211	168,773	4,480,977	5,126,153
Fund units						
Equity funds	357,524	414,056	67,783	1,858	425,307	415,914
Bond funds	415,327	714,263	25,115	15,095	440,442	729,358
Property funds	662,924	763,386	-20,009	-1,874	642,915	761,512
Other variable-yield securities	94,812	86,331	3,233	-8,308	98,045	78,023
Fixed-income securities						
Government bonds	15,538,655	14,504,867	419,405	408,718	15,958,060	14,913,585
Other bonds	14,231,863	9,114,354	470,957	25,167	14,702,820	9,139,521
Other securities	9,987	9,013	—	—	9,987	9,013
Total	**34,834,858**	**30,563,650**	**1,923,695**	**609,429**	**36,758,553**	**31,173,079**

Disposals	Write-ups	Impairments	Unrealized gains and losses	Change due to currency translation	Balance-sheet values Dec. 31
€'000	€'000	€'000	€'000	€'000	€'000
-2,291,952	—	-733,327	934,105	—	4,480,977
-1,271,051	—	-12,715	44,960	—	425,307
-782,814	—	-4,392	24,009	—	440,442
-208,525	—	-80,028	-9,073	—	642,915
-24,592	—	-1,454	12,277	—	98,045
-4,230,989	—	—	259,297	-8	15,958,060
-4,932,699	—	-2,564	477,414	-2,818	14,702,820
—	—	—	—	—	9,987
-13,742,622	**—**	**-834,480**	**1,742,989**	**-2,826**	**36,758,553**

Remaining terms to maturity of available-for-sale financial assets

	Amortized cost		Fair value	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
up to 1 year	2,497,775	2,541,781	2,512,325	2,635,679
between 1 and 2 years	2,803,203	2,660,694	2,956,027	2,703,371
between 2 and 3 years	2,000,794	2,548,577	1,985,097	2,612,534
between 3 and 4 years	1,814,892	1,310,487	1,926,868	1,323,066
between 4 and 5 years	3,174,585	1,932,895	3,329,972	1,977,778
between 5 and 10 years	11,493,924	6,863,305	11,956,454	6,911,024
more than 10 years	5,985,345	5,761,482	5,994,137	5,889,654
Total	**29,770,518**	**23,619,221**	**30,660,880**	**24,053,106**

The remaining terms to maturity refer to fixed-income securities.

21 Financial assets

Financial assets at fair value through profit or loss

The sub-item of **financial assets at fair value through profit or loss (not held for trading)** mainly includes hybrid instruments. Furthermore the item includes loans of an amount of € 96,107 thousand (previous year: 94,653 thousand) as well as convertible bonds of € 7,181 thousand (previous year: -).

The fair value amounts to € 832,544 thousand (previous year: 776,310 thousand). The maximum credit risk of the credit element equals the carrying amount of € 832,544 thousand (previous year: 776,310 thousand).

The table below shows the fair values of financial assets at fair value through profit or loss (not held for trading) as at the balance-sheet date and their maturities. The indicated terms to maturity refer to the host contracts. The hybrid instruments involving an interest risk are mainly annual-call zero bonds amounting to € 216,922 thousand (previous year: 178,743 thousand).

Fair value and contractual terms to maturity of financial assets at fair value through profit or loss

Instruments with	**interest risk** €'000	**equity exposure** €'000	**currency risk** €'000	**credit risk** €'000	2009 €'000	2008 €'000
up to 1 year	–	–	–	–	–	10,414
between 1 and 2 years	515,888	–	–	–	515,888	–
between 2 and 3 years	–	–	–	–	–	492,500
between 3 and 4 years	–	–	–	–	–	–
between 4 and 5 years	–	–	–	–	–	–
between 5 and 10 years	1,399	–	–	96,107	97,506	94,653
more than 10 years	217,694	–	–	1,456	219,150	178,743
Total	**734,981**	**–**	**–**	**97,563**	**832,544**	**776,310**

Cancellation rights 2010–2014 with regard to annual-call zero bonds at the end of the closed business year

		2010	2011	2012	2013	2014
Volume	€ m	164.0	215.0	883.8	2,416.0	1,170.0
Nominally weighted strike	%	4.77	2.41	5.32	5.63	5.29

The **trading** sub-item mainly comprises stand-alone derivatives. In compliance with IAS 39 derivative financial instruments are shown under assets or liabilities. The profits and losses resulting from fair-value measurement are recognized in investment income or expenditure. Within the Generali Deutschland Group, use is made of derivatives to efficiently control financial investments in line with general investment targets. They serve the purpose of compensating adverse market fluctuations. In particular the instruments employed are futures, forward purchases and stock options. Futures are used for hedging foreign currency risks and the bond portfolio, forward purchases are employed for hedging the risk of interest-rate changes. In addition, stock-option transactions are made to increase earnings and to prepare purchases. The table below shows the composition of open derivative positions as at the reporting date:

Nominal and market values of open derivative positions

	Nominal values		Positive market values		Negative market values	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Hedging of foreign currency risks						
Futures	224,408	546,449	1,159	17,993	84,667	87,199
Hedging of interest risks						
Forward purchases	382,000	580,000	7,280	444	2,639	38,177
Increasing earnings and preparing purchases						
Stock options	246,525	299,145	17,464	267,578	—	134,597

As at the reporting date the maximum remaining term to maturity of open derivative positions is one year.

The following table indicates the totals of the fair values of financial assets measured at fair value by hierarchy levels. The allocation of financial instruments to the different levels was done according to the bases used for determining fair values. Financial assets are allocated to level 1 if their fair value can be determined by prices for identical assets or liabilities in active markets. If fair values are determined by recognized methods on the basis of prices which can be observed directly or indirectly, the financial instrument is allocated to level 2. Level 3 includes assets where the fair value is determined on the basis of recognized valuation methods. The bases used for that purpose, however, do not include directly observable market data.

Hierarchy of financial assets at fair value

	Level 1	Level 2	Level 3	2009
	€'000	€'000	€'000	€'000
Available for sale				
Variable-yield securities	4,753,913	67,165	1,266,608	6,087,686
Fixed-income securities	21,103,526	9,557,354	—	30,660,880
Other securities	—	—	9,987	9,987
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss (not held for trading)	—	832,544	—	832,544
Trading	—	25,903	—	25,903
Investments for the account and at the risk of life insurance policyholders	664,998	9,343,928	415,482	10,424,408
Total	**26,522,437**	**19,826,894**	**1,692,077**	**48,041,408**

Financial assets at fair value in level 3

	Available for sale		Investments for the account and at the risk of life insurance policyholders	Total
	Variable-yield securities	Other securities		
	€'000	€'000	€'000	€'000
Balance-sheet values Jan. 1	**1,355,829**	**9,987**	**324,471**	**1,690,287**
Income and expenditure recognized in income	-180,504	—	49,170	-131,334
Other comprehensive income	-138,683	—	—	-138,683
Acquisitions	248,395	—	99,090	347,485
Disposals	-18,429	—	-57,249	-75,678
Issues	—	—	—	—
Closings	—	—	—	—
Reclassifications from level 3	—	—	—	—
Balance-sheet values Dec. 31	**1,266,608**	**9,987**	**415,482**	**1,692,077**
of which profits and losses in the Statement of Comprehensive Income for financial assets held as at the reporting date	199	—	173	372

The financial assets at fair value through profit or loss (not held for trading) include, among others, hybrid instruments and convertible bonds for which the fair-value option pursuant to IAS 39.11A was adopted. Because of the adoption of the fair-value option for hybrid instruments, the latter are not separated for measurement.

The hedging transactions open at the reporting date have negative market values and are therefore shown as liabilities. Therefore a categorization regarding hedging transactions is not necessary here. In the business year no trading portfolios had to be allocated to level 3.

With regard to the financial assets allocated to level 3 no material impact on the net profit for the year or on the net assets of the company are to be expected.

As far as more detailed information regarding the type and extent of risks from financial assets is concerned, reference is made to the risk-management chapter of the Notes and to the risk report.

22 Investments for the account and at the risk of life insurance policyholders

This item includes the investments of unit-linked products. The investments are kept and disclosed separately by the insurance companies. The policyholders are entitled to receive all income, i.e. the total amount of the investments shown under these items. Any losses also have to be borne by the policyholders. Therefore the liabilities line item of "Underwriting provisions concerning unit-linked life insurance" develops concurrently.

23 Receivables

	2009 €'000	2008 €'000
Receivables under insurance business		
from policyholders	323,135	341,518
from insurance intermediaries	198,848	184,444
Accounts receivable under reinsurance operations	84,996	61,697
Other receivables under insurance business	34,326	29,080
Total receivables under insurance business	**641,305**	**616,739**
Other receivables		
Accrued interest and rent	1,347,394	1,267,068
Receivables under investments	75,898	72,952
Other receivables	225,968	255,866
Total of other receivables	**1,649,260**	**1,595,886**
Total	**2,290,565**	**2,212,625**

Remaining terms to maturity of receivables

	Amortized cost	
	2009	2008
	€'000	€'000
up to 1 year	2,117,383	2,160,922
between 1 and 5 years	78,927	17,245
between 5 and 10 years	45,524	28,127
more than 10 years	48,731	6,331
Total	**2,290,565**	**2,212,625**

24 Inventories

Inventories amount to € 10,747 thousand (previous year: 10,411 thousand). The inventories mainly include property acquired with the objective of resale and are thus measured in compliance with the rules of IAS 2 applicable to inventories. The carrying amount of this property is € 6,264 thousand (previous year: 5,791 thousand). In the year under report there were write-downs of € 1,074 thousand (previous year: 785 thousand). There were no write-ups in the year under report.

25 Non-current assets held for sale

The non-current assets classified as held for sale are exclusively property.
In the Generali Deutschland Group the following requirements have to be fulfilled for property to be eligible for this classification:

- Management resolved to sell the property.
- The property must be in a saleable condition (not in a status requiring maintenance work or other measures to be done before disposal).
- The transfer of ownership is more than probable within the next twelve months.

Supplementary information on the Consolidated Balance Sheet 2009 – Equity and Liabilities

26 Group equity

Equity composition

	2009 €'000	2008 €'000
Subscribed capital	137,421	137,421
Capital reserve	1,310,347	1,309,573
Treasury stock	—	—
Revaluation reserve*	456,927	264,193
Profit carried forward	1,776,726	1,943,832
Reserve from foreign currency translation	-2,277	-1,214
Net profit attributable to the equity holders of the parent	327,113	1,933
Minority interests	17,812	97,082
Total	**4,024,069**	**3,752,820**

* The revaluation reserve includes unrealized gains of € 9,676 thousand (previous year: 6,391 thousand) from hedge accounting.

The **subscribed capital** equals the share capital of Generali Deutschland and the **capital reserve** includes the premiums from share issues and an amount attributable to share-based payment recognized as expenditure. The legal reserves and the reserves under the Articles of Association (charitable fund) of Generali Deutschland are included in the **profit carried forward**. The latter also comprises the retained profits of the Group companies included in the Consolidated Financial Statements and the allocations from the Group net profit. Unrealized capital gains and losses from the revaluation of financial assets available for sale are reflected in the **revaluation reserve** after taking into consideration deferred tax and deferred premium refunds, if applicable. The revaluation reserve also includes the result of an interest rate swap concluded in 2006. This swap was taken out to hedge interest-rate conditions ahead of taking up a loan. The swap led to a profit, which was allocated to the revaluation reserve and will be released to income over the term of the loan (until the first possibility of termination). The released amounts are set off against the interest for the loan thereby reducing the total interest expenditure for the loan.

The subscribed capital remained unchanged at the preceding year's level of € 137,420,784. This amount corresponds to 53,679,994 fully paid unit shares to the bearer. All shares grant the same rights, i.e. there are no different share categories. Assicurazioni Generali S.p.A., Trieste/Italy, has informed us in compliance with sections 21, 22 Securities Trading Act (WpHG) and section 20 Companies Act that it indirectly holds a majority interest in Generali Deutschland Holding AG.

As at December 31, 2008 the **authorized capital** amounted to € 68,710,392.32. In the case of a capital increase against a contribution in kind the Board of Management is authorized to exclude the subscription right of shareholders with the approval of the Supervisory Board. In the case of a capital increase against a contribution in cash a subscription right is to be granted to the shareholders. The Board of Management is authorized, however, to exclude the subscription right of shareholders with the approval of the Supervisory Board, if at the moment when the issue price is finally determined, which should be as close as possible to the moment the shares are placed, that issue price is not materially below the stock-market price. The total shares issued with the exclusion of subscription rights pursuant to section 186 para. 3 sent. 4 AktG within the five-year authorization period must not exceed 10 percent of the share capital. The authorization for the Board of Management is valid until May 18, 2014.

As at the reporting date there was a **conditional capital** earmarked as compensation for minority shareholders due to the domination agreements concluded with subsidiary companies in the business year 1997. The following table shows the conditional capital.

Conditional capital

for the acquisition of shares of		Aachen Münchener Lebensversicherung AG	Aachen Münchener Versicherung AG	Generali Beteiligungs- und Verwaltungs-AG	Total
Generali Deutschland shares	Number	247,214	145,207	183,625	**576,046**
Nominal value	€	632,867.84	371,729.92	470,080.00	**1,474,677.76**

In the closed business year no use was made of the conditional capital.

Minority interests

	2009 €'000	2008 €'000
in the revaluation reserve	6,179	4,625
in the Group net profit	13,436	2,394
in the other equity	-1,803	90,063
Total	**17,812**	**97,082**

Capital management is focussed on sustainably ensuring the risk-bearing capacity and financial strength of the Group. For that purpose, the economic capital tied under risk aspects as well as solvency and other regulatory rules is calculated and compared to the capital actually available for bearing risks. In our external communication we use the term economic capital (EC) for the tied capital. It is calculated on the basis of consistent risk models for all segments of the Generali Deutschland Group. It describes the economic capital required for compensating possible losses that may arise due to uncertainties involved in future developments and, in addition, takes into account solvency and regulatory requirements. The economic capital requirement comprises market risks (equity and interest-rate risks as well as risks from the change of assumed volatilities, risks involved in property prices and foreign currency risks), credit risks, concentration risks and operational risks as well as underwriting risks and building-society risks specific to the segments. In order to quantify the economic capital, the internal risk model of the international Generali Group is used which, on the basis of detailed corporate information, determines the value at risk, i.e. the maximum loss which, according to a predetermined probability, will not be exceeded. In this context we proceed from the reference period of one year, which is common practice under solvency II, and a confidence level of 99.5 percent.

The available risk-based capital is composed of the embedded value (EV) and the hybrid capital. In addition to the Group's equity capital, the embedded value comprises above all the value in force in life and health insurance and is calculated taking into account the particularities specific to this segment on the basis of actuarial and accounting data.

The embedded value and the value in force in the life and health segment are determined by means of market consistent measurement procedures, the so-called MCEV (market consistent embedded value) methodology.

All Group companies subject to solvency requirements showed a sufficient solvency in compliance with statutory regulations. On the basis of the Group solvency of the Generali Deutschland Group, the total of the existing own funds of € 5,521 m (previous year: 5,056 m) is by € 2,016 m (previous year: 1,715 m) or 58 percent (previous year: 51 percent) in excess of the required level. On that basis the calculated solvency ratio in the Group is 158 percent (previous year: 151 percent), including valuation reserves.

27 Unearned premiums*

		Life/health		Property/casualty		Group
	2009	2008	2009	2008	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000
Gross	**4,776**	**3,963**	**468,673**	**476,493**	**473,449**	**480,456**
Reinsurers' share	—	—	-6,139	-7,010	-6,139	-7,010
Net	**4,776**	**3,963**	**462,534**	**469,483**	**467,310**	**473,446**

* fully consolidated figures

Development of unearned premiums

	Gross	Reinsurers' share	Net	Net
			2009	2008
	€'000	€'000	€'000	€'000
Unearned premiums Jan. 1	**480,456**	**-7,010**	**473,446**	**476,173**
Foreign-currency translation	-1	—	-1	—
Total	480,455	-7,010	473,445	476,173
Portfolio changes	—	-1,433	-1,433	16,385
Other changes	-7,006	2,304	-4,702	-19,112
Unearned premiums Dec. 31	**473,449**	**-6,139**	**467,310**	**473,446**

28 Provision for future policy benefits*

		Life/health		Property/casualty		Group
	2009	2008	2009	2008	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000
Gross	**66,768,322**	**63,994,458**	**90,018**	**89,689**	**66,858,340**	**64,084,147**
Reinsurers' share	-1,180,922	-1,163,076	—	—	-1,180,922	-1,163,076
Net	**65,587,400**	**62,831,382**	**90,018**	**89,689**	**65,677,418**	**62,921,071**

* fully consolidated figures

In health insurance an interest rate of 3.5 percent (previous year: 3.5–4.5 percent) is applied. For life insurers, as a matter of principle, we use the interest rate applied to the policyholder funds – without terminal bonuses – which is between 3.6 and 4.5 percent (previous year: between 4.25 and 4.4 percent). The true-up effect for the premium components carried as a liability (unearned revenue reserve) is € -16,292 thousand (previous year: 16,324 thousand) and for the reassessed terminal bonus reserve it is € -98,712 thousand (previous year: -38,246 thousand).

Development of the provision for future policy benefits

	2009 €'000	2008 €'000
Gross provision for future policy benefits Jan. 1	**64,084,147**	**61,943,221**
Payments for traditional life insurance policies	5,039,711	4,405,849
Other changes	-2,265,518	-2,264,923
Gross provision for future policy benefits Dec. 31	66,858,340	64,084,147
Reinsurers' share	-1,180,922	-1,163,076
Net	**65,677,418**	**62,921,071**

In **life insurance**, the assumptions with regard to mortality, interest and costs are fixed at the inception of the contract for the full contract term.

- In individual business, the mortality tables by the German Actuary Association (DAV) are used to determine mortality. In Group business different tables are used, where appropriate. These tables are determined on the basis of internal statistics and statistical analyses of reinsurers.
- The interest rate applied is the guaranteed interest rate contractually agreed.
- The costs are determined on the basis of past experience by recognized actuarial procedures.

In subsequent years, for the measurement of contracts the assumptions made for the underwriting items of DAC, TBR, URR and PVFP are verified at each reporting date and adjusted, where appropriate. The resulting impact is reflected as true-up figures.

In **health insurance** assumptions are made regarding per-capita claims, mortality, lapse probability, interest and costs. The assumptions are tested annually on the basis of rules provided by law. If these tests show deviations, premium adjustments have to be made.

- The per-capita claim is the average annual claims expenditure for an insured person of a specific age. The per-capita claim is determined by gender and individual policy models.

- With regard to mortality, the mortality tables published by the German insurance regulator BaFin for private-sector health insurance are applied.
- The lapse probabilities are determined on the basis of past experience and future expectations by each individual company.
- The technical interest rate is based on past experience and future expectations.
- Costs are determined on the basis of past experience.

Remaining terms to maturity of the provision for future policy benefits

	2009 €'000	2008 €'000
up to 1 year	3,285,681	3,156,330
between 1 and 5 years	12,306,762	12,560,290
between 5 and 10 years	12,186,057	10,881,712
between 10 and 15 years	9,605,050	9,714,903
between 15 and 20 years	14,755,046	14,284,806
more than 20 years	14,719,744	13,486,106
Total	**66,858,340**	**64,084,147**

29 Provision for outstanding claims*

	Life/health		Property/casualty		Group	
	2009 €'000	2008 €'000	2009 €'000	2008 €'000	2009 €'000	2008 €'000
Gross	**1,130,567**	**1,034,997**	**3,614,963**	**3,629,794**	**4,745,530**	**4,664,791**
Reinsurers' share	-8,572	-10,218	-284,645	-327,812	-293,217	-338,030
Net	**1,121,995**	**1,024,779**	**3,330,318**	**3,301,982**	**4,452,313**	**4,326,761**

* fully consolidated figures

The provisions in life and health insurance are determined at a sufficiently high level at their settlement amounts. The provision in property/casualty insurance is determined by means of mathematical and statistical procedures on the basis of FAS 60. For that purpose, it is necessary to calculate future payments taking into account past figures and trends having an influence on the adequacy of provisions (such as inflation).

After the reporting date no extraordinary claims occurred that would materially affect the Group's assets, liabilities, financial position and income.

For the purpose of taking into account receivables for recourses, salvages and knock-for-knock agreements an amount of € 23,298 thousand (previous year: € 23,642 thousand) is deducted from the provision for outstanding claims.

The annuity provision set aside for agreed annuity payments of the property/casualty insurers amounts to € 191,786 thousand (previous year: 172,129 thousand).

Development of the provision for outstanding claims

	Gross	Reinsurers' share	Net 2009	Net 2008
	€'000	€'000	€'000	€'000
Outstanding claims provision Jan. 1	**4,664,791**	**-338,030**	**4,326,761**	**4,228,759**
Foreign-currency translation	-629	75	-554	161
Total	**4,664,162**	**-337,955**	**4,326,207**	**4,228,920**
Use of provision for payments	-1,207,995	48,206	-1,159,789	-1,145,054
Winding-up of provision for preceding year's claims*	-722,130	16,122	-706,008	-631,496
Allocation to provision for claims of the business year	2,011,493	-19,590	1,991,903	1,874,391
Total	**81,368**	**44,738**	**126,106**	**97,841**
Outstanding claims provision as at Dec. 31	**4,745,530**	**-293,217**	**4,452,313**	**4,326,761**

* This includes the run-off profit for complementary occupational disability insurance for which, on the other hand, there is an allocation to the provision for future policy benefits for the pensions recognized.

Remaining terms of the provision for outstanding claims (direct business)

	2009	2008
	€'000	€'000
up to 1 year	1,763,071	1,775,476
between 1 and 5 years	1,002,027	985,516
between 5 and 10 years	191,613	179,675
more than 10 years	231,618	229,667

Claims expenditure in property and casualty insurance (direct business)

The following **gross and net claims triangles** include those major classes where the run-off, as a general rule, is longer than one year. Both claims payments and provisions for outstanding claims are taken into consideration.

Gross claims triangle

	1st year €'000	2nd year €'000	3rd year €'000	4th year €'000
2002	2,474,946	2,367,807	2,308,267	2,290,104
2003	2,182,149	2,083,554	2,016,162	1,997,593
2004	2,056,458	1,921,461	1,840,771	1,813,849
2005	2,003,527	1,863,701	1,810,106	1,767,389
2006	2,009,244	1,866,198	1,816,851	1,776,026
2007	2,160,853	2,060,692	1,992,700	–
2008	2,123,269	2,012,633	–	–
2009	2,094,002	–	–	–
Claims expenditure	2,094,002	2,012,633	1,992,700	1,776,026
Accumulated payments	1,083,704	1,530,662	1,681,669	1,579,802
Provisions for outstanding claims	1,010,298	481,971	311,031	196,224
Before the period under review				
From remaining classes				
Annuity provision and other provisions				
Gross direct business (acc. to balance sheet)				

Net claims triangle

	1st year €'000	2nd year €'000	3rd year €'000	4th year €'000
2002	2,273,400	2,127,128	2,071,281	2,051,602
2003	1,997,948	1,911,209	1,846,753	1,830,402
2004	1,980,861	1,854,068	1,776,687	1,749,848
2005	1,980,595	1,841,900	1,789,007	1,746,581
2006	1,997,326	1,853,708	1,806,049	1,764,996
2007	2,110,511	2,015,709	1,948,642	–
2008	2,095,651	1,987,882	–	–
2009	2,085,396	–	–	–
Claims expenditure	2,085,396	1,987,882	1,948,642	1,764,996
Accumulated payments	1,078,664	1,508,249	1,639,253	1,570,551
Net provision for outstanding claims				
Before the period under review; from remaining classes				
Net direct business (acc. to balance sheet)				

5th year	**6th year**	**7th year**	**8th year**	**Total**
€'000	€'000	€'000	€'000	€'000
2,283,758	2,265,943	2,258,312	2,249,328	
1,981,370	1,973,951	1,959,531	—	
1,784,010	1,772,970	—	—	
1,740,847	—	—	—	
—	—	—	—	
—	—	—	—	
—	—	—	—	
—	—	—	—	
1,740,847	1,772,970	1,959,531	2,249,328	**15,598,037**
1,602,605	1,641,430	1,814,612	2,124,433	**13,058,917**
138,242	131,540	144,919	124,895	**2,539,120**
				533,160
				156,450
				192,022
				3,420,752

5th year	**6th year**	**7th year**	**8th year**	**Total**
€'000	€'000	€'000	€'000	€'000
2,045,359	2,029,941	2,048,653	2,040,424	
1,814,879	1,806,116	1,792,642	–	
1,720,167	1,709,415	–	–	
1,720,196	–	–	–	
–	–	–	–	
–	–	–	–	
–	–	–	–	
–	–	–	–	
1,720,196	1,709,415	1,792,642	2,040,424	**15,049,593**
1,583,436	1,579,781	1,651,615	1,921,018	**12,532,567**
				2,517,026
				671,304
				3,188,330

30 Provision for premium refunds*

		Life/health		Property/casualty		Group
	2009	2008	2009	2008	2009	2008
	€'000	€'000	€'000	€'000	€'000	€'000
Gross	**5,289,655**	**4,669,654**	**19,752**	**19,233**	**5,309,407**	**4,688,887**
Reinsurers' share	—	—	—	—	—	—
Net	**5,289,655**	**4,669,654**	**19,752**	**19,233**	**5,309,407**	**4,688,887**

* fully consolidated figures

Provision for premium refunds (gross)

	2009	2008
	€'000	€'000
Provision for profit-related and not profit-related premium refunds		
profit-related	2,149,614	2,564,358
not profit-related	609,353	536,941
Provision for deferred premium refunds	2,550,440	1,587,588
Total	**5,309,407**	**4,688,887**

Provision for premium refunds (net)

	2009 €'000	2008 €'000
Provision for profit-related and not profit-related premium refunds		
As at Jan. 1	3,101,299	3,879,350
Change of consolidation scope	—	—
Allocation	769,210	441,741
Wind-up	-621,744	-773,610
Payments	-462,420	-365,235
Other changes	-27,378	-80,947
As at Dec. 31	**2,758,967**	**3,101,299**
Provision for deferred premium refunds		
As at Jan. 1	1,587,588	3,486,814
Foreign currency translation	533	-846
Total	**1,588,121**	**3,485,968**
Change of consolidation scope	—	9
Fair value fluctuations	1,026,512	-978,474
Revaluations recognized in income	-64,193	-919,915
As at Dec. 31	**2,550,440**	**1,587,588**

31 Provisions for pensions and similar commitments

	2009 €'000	2008 €'000
Pension commitments	1,731,661	1,706,930
Provisions for commitments similar to pensions	210,616	197,518
Total	**1,942,277**	**1,904,448**

Enterprises of the Generali Deutschland Group grant **defined-benefit pension commitments** to their staff. The commitments are taken into account by pension provisions whose measurement also considers the development of future benefit claims of the beneficiaries and whose present balance-sheet value is determined on the basis of the interest rate to be expected on a long-term basis. After the company committed to paying the benefit, the pension guarantee association Pensionssicherungs-Verein a.G. is liable under its articles of association for the fulfilment of the pension commitments granted.

Provision for defined-benefit pension commitments

	2009 €'000	2008 €'000
Balance-sheet value as at Jan. 1	1,706,930	1,686,310
Change of consolidation scope	—	—
Discontinued operations	—	—
Paid benefits	-101,690	-98,131
Expenditure of the business year	107,607	120,572
Other	18,814	-1,821
Balance-sheet value as at Dec. 31	**1,731,661**	**1,706,930**

Out of the balance-sheet value, € 108.8 m are due as benefits in the business year 2010.

Development of the extent of obligations and of the plan assets of defined-benefit pension commitments

	2009 €'000	2008 €'000
Present value of promised pension benefits Jan. 1	**1,831,988**	**1,972,857**
Change of consolidation scope	—	—
Discontinued operations	—	—
Current service cost	24,688	31,438
Interest cost	109,801	101,308
Employee contributions	479	550
Actuarial gains and losses*	156,633	-176,034
Paid benefits	-101,690	-98,131
Present value of promised pension benefits Dec. 31	**2,021,899**	**1,831,988**
Fair value of plan assets Jan. 1	-373,848	-349,946
Transferred assets	—	—
Expected income from plan assets	-16,403	-16,124
Actuarial gains and losses	-18,838	-5,590
Employer contributions	-1,917	-20,311
Employee contributions	-479	-579
Paid benefits	20,104	18,702
Fair value of plan assets Dec. 31	**-391,381**	**-373,848**
Sub-total	**1,630,518**	**1,458,140**
Unrecognized actuarial profits and losses	101,143	248,790
Unrecognized past service cost	—	—
Balance-sheet value as at Dec. 31	**1,731,661**	**1,706,930**

* including past service cost in 2009

The necessity of taking into account actuarial gains or losses is verified by the corridor procedure.

Funding status

	2009 €'000	2008 €'000	2007 €'000	2006 €'000	2005 €'000
Present values of promised pension benefits	2,021,899	1,831,988	1,972,857	2,165,883	2,193,773
Plan assets	-391,381	-373,848	-349,946	-361,495	-363,974
Total	**1,630,518**	**1,458,140**	**1,622,911**	**1,804,388**	**1,829,799**

The present values of promised pension benefits that are covered fully or in part by external carriers amount to € 1,656,291 thousand (previous year: 1,337,357 thousand). Those not covered by external providers amount to € 360,688 thousand (previous year: 488,667 thousand).

Development of actuarial gains and losses

	2009 €'000	2008 €'000
Actuarial gains and losses of the business year (pension obligations)*	**155,867**	**-178,309**
of which due to adjustments based on experience	-8,481	-27,663
of which due to the impact of changes of the actuarial assumptions	164,348	-150,646
Actuarial gains and losses of the business year (net plan assets)*	**-18,838**	**-5,590**
of which due to adjustments based on experience	-18,838	-5,590
of which due to the impact of changes of the actuarial assumptions	—	—

* including past service cost

Expenditure of the business year

	2009 €'000	2008 €'000
Current service cost	24,688	31,987
Interest cost	109,801	101,308
Expected return on plan assets	-16,403	-16,124
Recognition of actuarial gains or losses	-11,245	1,058
Past service cost	766	2,343
Total	**107,607**	**120,572**

The necessity of taking into account actuarial gains or losses is verified by the corridor procedure.

Calculation factors applied

	2009	2008
	%	%
Technical interest rate	5.50	6.25
Expected return on plan assets	4.30 – 4.40	4.40 – 4.55
Rate of salary growth (including career development)	3.00	3.00
Pension growth rate	2.00	2.00
Adjustment of maximum salary limit for calculation of contributions	2.00	2.00

Classes of plan assets

	Percentage composition		**Expected long-term return**
	2009	2008	2009
	%	%	%
Shares, fund units and other variable-yield securities	5.39	0.37	5.0
Fixed-income securities/debt titles	92.24	98.48	4.7
Property	1.91	0.00	3.2
Other	0.46	1.15	0.4
Total	**100.00**	**100.00**	**4.5**

The actual return on plan assets amounts to € 35,241 thousand.
The expected return on plan assets results from the return for each asset class. The selection of asset classes is based on capital-market surveys.

In the case of **defined-contribution plans** the employer pays a defined contribution amount to a pension-scheme company or directly to an insurance company for a policy. The employer's obligation is fulfilled by payment of the contributions. The resulting expenditure in the business year was € 9,210 thousand (previous year: 8,652 thousand).

The **benefits upon termination of the employment relationship** amount to € 46,509 thousand (previous year: 39,961 thousand).

The payments on the occasion of employee anniversaries amount to € 9,171 thousand (previous year: 797 thousand).

32 Other provisions

	Restructuring provisions	Other provisions	2009	2008
	€'000	€'000	€'000	€'000
As at Jan. 1	**83,044**	**569,613**	**652,657**	**366,652**
Change of consolidation scope	—	-20	-20	—
Use of provisions	-4,384	-122,964	-127,348	-108,199
Wind-ups	-3,724	-14,898	-18,622	-36,647
Allocations of the business year	9,831	9,174	19,005	448,923
Other changes	-41,192	-802	-41,994	-18,072
As at Dec. 31	**43,575**	**440,103**	**483,678**	**652,657**

Out of the restructuring provisions an amount of € 12,131 thousand and out of the other provisions an amount of € 167,460 thousand is due within one year.

33 Liabilities

	2009	2008
	€'000	€'000
Subordinated liabilities	231,534	212,597
Bonds and loans	172,833	211,670
Liabilities under building-society business	4,203,200	4,225,284
Liabilities under insurance business		
Deposits held under reinsurance business ceded	1,210,152	1,187,992
Liabilities under direct insurance business		
to policyholders	2,886,982	2,794,064
to insurance intermediaries	149,621	139,143
Accounts payable under reinsurance business	9,504	11,610
Other insurance liabilities	31,200	34,853
Investment contracts	282,387	104,523
Liabilities to credit institutions	—	225
Liabilities under instruments held for trading	87,307	259,973
Salary-related liabilities	153,152	121,053
Other liabilities	333,102	277,534
of which:		
for social security	163	135
under investments	94,350	95,749
Total	**9,750,974**	**9,580,521**

Within the scope of the optimization of the shareholding structure within the Group, Generali Deutschland Holding AG acquired a 45.9 percent stake in Central Krankenversicherung AG from a subsidiary in 2006. For that purpose, Generali Deutschland Holding AG took up a subordinated loan in British pound sterling amounting to a total of GBP 207 m (equalling approx. € 281 m). Ahead of taking up the loan, an interest-hedging transaction was concluded while at the moment of taking up the loan a foreign currency swap was taken out. As the required criteria are fulfilled, the Generali Deutschland Group applies the rules of hedge accounting for the recognition of both hedging transactions. In compliance with IAS 39, the derivative financial instruments to which cash-flow hedge accounting is applied, are recognized at fair value. The measurement result has to be separated into an effective and an ineffective portion. The effective portion is the portion of the measurement result which represents an effective hedging against the cash-flow risk. That portion is recognized in the revaluation reserve without impact on income. The ineffective portion of the measurement result, however, is recognized in income. In 2009 the result from the foreign currency hedging transaction is € 18,621 thousand (previous year: -67,089 thousand). The fair value of the foreign currency swap as at the reporting date is € -76,483 thousand (previous year: -86,085 thousand). The change in the present value of expected future cash flows from the subordinated loan attributable to the foreign exchange difference is equal to the change in the swap component in British pound sterling. The change in the fair value of the foreign currency swap which is no longer needed to compensate foreign exchange fluctuations of the loan in the income statement is recognized in income (ineffective part). The profit earned from the interest hedging transaction is included in equity

Presentation of the fair value of financial instruments under liabilities

	Carrying amount		Fair value	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
Liabilities under financial instruments				
Subordinated liabilities	231,534	212,597	231,534	212,597
Loans and receivables	172,833	211,670	172,833	211,670
Liabilities under building society business	4,203,200	4,225,284	4,203,200	4,225,284
Liabilities to credit institutions	—	225	—	225
Other liabilities	702,633	641,894	702,633	641,894
Liabilities under insurance business				
Deposits held under reinsurance business ceded	1,210,152	1,187,992	1,210,152	1,187,992
to policyholders	2,886,982	2,794,064	2,886,982	2,794,064
to intermediaries	149,621	139,143	149,621	139,143
Accounts payable	9,504	11,610	9,504	11,610
Other liabilities under insurance business	31,200	34,853	31,200	34,853
Total	**9,597,659**	**9,459,332**	**9,597,659**	**9,459,332**

in the cash-flow hedge reserve as an element of the revaluation reserve and is released to income over the duration of the loan. In the year under report, an amount of € -658 thousand (previous year: -658 thousand) of that reserve was amortized. The cash flows from the host contract are recognized in income on the due date in June of the business year following the year under report.

The effective interest rate of subordinated liabilities is 6.51 percent.

The investment contracts without discretionary participation features are products where the policyholder bears the investment risk, hybrid instruments and capitalization products. The fair value of these investment contracts equals amortized cost.

The instruments held for trading shown as liabilities comprise those derivatives under liabilities which are recognized at fair value.

As at the reporting date there were no delays nor defaults in payment nor breaches of contract referring to loans.

The fair values of liabilities at fair value through profit or loss have to be categorized by a three-level hierarchy. The steps of the hierarchy reflect the importance of the parameters used for measurement. Only the trading liabilities at fair value through profit or loss are included in liabilities. The portfolios held for trading are exclusively categorized in level 2 of the hierarchy because the parameters used for valuation are derived primarily from observable market data. The portfolios held for trading include hedging transactions of € -76,483 thousand from the cash-flow hedge accounting described above.

Remaining terms to maturity of liabilities on the basis of undiscounted cash flows*

	2009 €'000
up to one year	
non-derivative	4,256,539
derivative	81,081
between 1 and 5 years	
non-derivative	46,946
derivative	90,050
between 5 and 10 years	
non-derivative	537,665
derivative	8,232
more than 10 years	
non-derivative	14,263
derivative	172,018
Total	**5,206,794**

* without liabilities under direct insurance business and liabilities under retirement schemes

The liabilities with a term to maturity of up to one year amounted to € 8,017,479 thousand (previous year: 4,592,131 thousand), those with a term to maturity of more than one year were € 1,733,495 thousand (previous year: 4,988,390 thousand).

As collateral for obligations under reinsurance business there are security deposits in favour of other insurance companies of an amount of € 84,655 thousand (previous year: 29,563 thousand).

34 Deferred tax asset and liabilities

The tax assets refer to current tax receivables and will presumably be realized within twelve months for an amount of € 127.0 m (previous year: 120.0 m).

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
	2009	2008	2009	2008
	€'000	€'000	€'000	€'000
Investments	-3,875	-13,760	497,171	401,023
Underwriting items	-2,142	115,374	-114,035	31,545
Tax loss carried forward	2,842	4,184	-12,288	-12,009
Other	18,536	-13,732	60,895	86,890
Total	**15,361**	**92,066**	**431,743**	**507,449**

Out of these amounts a total of € -2,016 thousand (previous year: -7,841 thousand) of deferred tax assets and an amount of € 108,787 thousand (previous year: 31,153 thousand) of deferred tax liabilities is not recognized income. Deferred tax assets and liabilities are as a matter of principle set off against each other in the balance sheet if they refer to income tax occurring within the same fiscal-unity scope.

The interdiction for life and health insurers to be part of fiscal-unity schemes introduced in 2002 has been fully removed (section 14 para. 2 of the Corporation Tax Act KStG). As a matter of principle this rule applies for the first time for the tax assessment period 2009.

35 Additional information

Staff

In the business year 2009, the companies included in the Consolidated Financial Statements have 14,957 (previous year: 15,081) employees on an annual average. On an annual average basis, 7,880 (previous year: 10,866) of these persons are employed with insurance companies, 716 (previous year: 757) with the building society and 6,361 (previous year: 3,458) with other service providers. The number of those employed in administrative services of the Group companies is 11,416 (previous year: 11,386), while the field-staff comprises 3,541 (previous year: 3,695) employees.

With regard to the fieldstaff figure it is to be taken into consideration that business is acquired in part by direct selling, but mainly produced by self-employed agents. In the year 2009 there are an average of 6,492 women (previous year: 6,486) and 8,465 men (previous year: 8,595) employed with the Generali Deutschland Group.

The Consolidated Income Statement includes a personnel expenditure of € 1,055,888 thousand (previous year: 1,064,521 thousand).

Share-based payment

Selected executives of our group are involved in stock-option plans of our parent. In Germany, top managers of the Generali Deutschland Group are beneficiaries of this plan. The purpose of the plans is to grant options for the acquisition of ordinary shares of Assicurazioni Generali S.p.A. The requirement for granting the options is not only the achievement of targets of the Generali Group but, in addition, that a target exclusively referring to the success of the Generali Deutschland Group has to be fulfilled.

In general, the options cannot be exercised until expiry of a vesting period of three years after the granting of the options by the Board of Assicurazioni Generali S.p.A. The period during which the options may be exercised is three years.

Under the stock-option plan 2008–2010 newly established in the business year 2008, 735,000 options were allocated to the executives of the Generali Deutschland Group for the total plan period at an exercise price of € 28.84 each. The fair value of the stock options attributable to the year 2009 within the plan 2008–2010 is € 6.58. Like the average fair values of stock options allocated in previous years, this value was determined by Assicurazioni Generali S.p.A. by means of a recognized financial and mathematical option-price model on the basis of market data.

Under the stock-option plan 2008–2010 195,000 stock options were issued to executives of the Generali Group. In the year under report this involves a personnel expenditure of € 428 thousand. As the expenditure is spread across the vesting period, a personnel expenditure of € 346 thousand from the stock-option plan 2005–2007 was recognized in the year under report.

As at the balance-sheet date, there were still options outstanding from the stock-option plans of previous years. No options were exercised in the year under report.

The table below shows the number and the weighted average exercise price of the stock options:

Stock options

	Number of options	Weighted average exercise price €
Outstanding as at Jan. 1	1,756,200	27.45
Allocated options	—	—
Expired options	385,000	28.92
Forfeited options	160,200	23.42
Exercised options	—	—
Outstanding as at Dec. 31	1,211,000	27.51
Exercisable as at Dec. 31	646,000	26.15

The range of the exercise prices of all options still outstanding at the end of the reporting period is between € 20.24 and 31.37. The average weighted expiry date of the options outstanding at year-end is December 27, 2010.

Other financial commitments and contingent liabilities

Within the scope of domination and profit-transfer agreements concluded with subsidiaries as well as the squeeze-out procedure, indemnities were offered to outside shareholders. On the basis of the domination and profit-transfer agreements, shareholders of the subsidiaries were also offered compensation for no longer receiving a dividend from the companies concerned. Former shareholders of subsidiaries filed court applications for a special court procedure verifying the adequacy of our indemnity and compensation offers. In most cases, legally binding court decisions are still pending.

For the purpose of stabilizing business relations with the strongest distribution partner Deutsche Vermögensberatung AG DVAG (associated enterprise) it has been undertaken to acquire shares in Deutsche Vermögensberatung AG DVAG upon request or to act as an intermediary for the acquisition of such shares by third parties. The amount of this commitment is unknown because it is currently not assumed that such request will be made and there are no comparison standards available.

In 2006 the consumer association Verbraucherzentrale Hamburg filed a complaint with the Regional Court Aachen against AachenMünchener Lebensversicherung AG in order to obtain higher surrender values for a small number of former customers who had terminated their contract ahead of expiry. The basis for this complaint is the ruling by the Federal Supreme Court (BGH) of October 12, 2005 on minimum surrender values. In March 2008, the Regional Court Aachen separated the complaint into 14 individual court proceedings. The issues under dispute are the statute of limitation, the lapse deduction applied, the calculation of the surrender value and the question of whether the consumer association had the right to file the complaint. Early in 2009, the Regional Court Aachen issued orders in favour of AachenMünchener Lebensversicherung AG in two of these individual proceedings. In another proceeding, the Regional Court Aachen ruled that the Verbraucherzentrale Hamburg had no right to file the complaint. The other proceedings are still pending at the court of first instance. Similar proceedings against competitor companies are being monitored.

Another legal risk could result from the acknowledgement of a competitor within the scope of a legal dispute with a consumer association at the Federal Supreme Court under which the competitor has undertaken not to raise an additional charge for premium payment by instalments for a Riester contract without indicating an effective interest rate. If the legal considerations made in the course of these proceedings were transferred to other insurance products it would become necessary to adjust products and forms for contracts with a deferred maturity volume above the threshold of immateriality as defined by section 499 para. 3 of the German Civil Code (BGB). With a view to a legally compliant set-up, the companies will adjust their products for new business. For insurance contracts concluded in the past, there could be a risk involved in further cases of litigation referring to the validness of such additional charges to the extent these were agreed in the contracts concerned.

At year-end 2007 the consumer association Verbraucherzentrale Hamburg filed a complaint against four life insurers – among which Generali Lebensversicherung AG – with the Regional Court Hamburg. The complaint filed alleges that insurance conditions are intransparent, in particular regarding the deduction of a lapse fee and the amount of the surrender value in the case of cancellations. The background are the rulings by the Federal Supreme Court of 2001 and 2005. The issue refers to contracts concluded after 2001 and before January 1, 2008. On November 20, 2009 a court order was issued at the court of first instance. According to the Regional Court Hamburg, the clauses regarding the deduction of a lapse fee and on the amount of the surrender value in the case of cancellation are invalid. In the opinion of the court it is not sufficient to refer in the clauses to the so-called table of surrender values as the set-up of this table is intransparent. Therefore the court also considers the clauses themselves to be invalid. In its ruling the Regional Court Hamburg goes beyond the requirements the Federal Supreme Court had fixed in its previous rulings. The three parallel proceedings against competitors had a similar outcome. The court orders are not final and will be reviewed in an instance of appeal.

There are payment obligations towards the safety-net funds established for the life and health insurers. In compliance with section 124 ff. of the Insurance Regulatory Act (VAG), the safety-net fund charges life insurers with annual contributions of a maximum of 0.2 per mil of the total net underwriting provisions until a volume of guarantee assets representing 1 per mil of the total net underwriting provisions has been built up. As at December 31, 2009, the future commitments for this purpose amount to € 1 m (December 31, 2008: 14 m) for all life insurers of the Generali Deutschland Group. In addition, the safety-net fund may charge extraordinary contributions amounting to another 1 per mil of the total of net underwriting provisions. As at December 31, 2009 this equals a commitment of € 59 m (December 31, 2008: 56 m). Furthermore the life insurers have undertaken to make financial means available to the safety-net fund or, alternatively, to Protektor Lebensversicherungs-AG if the means of the safety-net fund turn out not to be sufficient in the case of a company default. This commitment amounts to 1 percent of the total net underwriting provisions, taking into account the amount of contributions already paid to the safety-net fund. Including the payment commitments indicated above under the contribution payments to the safety-net fund, the total commitment as at December 31, 2009 is € 530 m (December 31, 2008: 520 m).

For the health insurers, payment obligations may arise up to a maximum of 2 per mil of the total net underwriting provisions.

Within the scope of the measures taken by the Federal Government and the German financial industry for the rescue of the ailing Hypo Real Estate bank, the Generali Deutschland Group participates with a guarantee amounting to € – (December 31, 2008: 51 m).

Furthermore the Group has investment obligations as at December 31, 2009 amounting to € 2,115 m (December 31, 2008: 1,973 m).

As at December 31, 2009 there are commitments under guarantees and warranties of € 419 m (December 31, 2008: 442 m) and other financial commitments of € 259 m (December 31, 2008: 97 m).

Auditor’s fees

In the business year an expenditure of € 4,101 thousand (previous year: 4,191 thousand) was recognized for the audit of the Consolidated Financial Statements and for the separate financial statements of the subsidiaries. For other certification services the auditor received a fee of € 2,361 thousand (previous year: 2,129 thousand). Furthermore an expenditure of € 179 thousand (previous year: 69 thousand) was recognized for consultancy services rendered by the auditor the same as an amount of € 147 thousand (previous year: – thousand) for other services rendered. Our auditor did not make valuations.

Group holding company

The parent company of the Generali Deutschland Group, which operates in insurance business, is Generali Deutschland Holding AG (Generali Deutschland). Since its transfer from Aachen, it has been registered with the Cologne commercial register under the number HRB 66277. Its address is Tunisstrasse 19-23, 50667 Cologne, Germany. In addition to its functions as the holding company of the Group, Generali Deutschland also operates as the Group reinsurer. Furthermore it is an affiliated enterprise of the Generali Group, for which consolidated financial statements are established by Assicurazioni Generali S.p.A., deposited at its registered office in Trieste/Italy and filed with the Italian regulatory authorities. Assicurazioni Generali S.p.A. holds 93.02 percent of the shares of Generali Deutschland. The remaining 6.98 percent are in the market as free float.

Remuneration of the Board of Management and the Supervisory Board

In the year 2009 the members of the Board of Management of Generali Deutschland received a total remuneration of € 1,806 thousand (previous year: 2,726 thousand) for their activities in the parent company and in the subsidiary companies. As resolved by the General Meeting of May 18, 2006, the remuneration of the Board of Management is not disclosed on an individualized basis.

In addition to the fixed salary, the part of the remuneration which is not performance-related also includes remuneration in kind and perquisites, such as the use of a company car or the payment of telecommunication expenses by the company. The performance-related remuneration includes a guaranteed bonus and a performance bonus. The performance bonus is based on the fulfilment of targets newly determined every year. Part of these targets are operating targets of Generali Deutschland which are applied to the whole Board of Management, while another part consists of targets fixed for the individual members of the Board of Management.

Remuneration of the Board of Management

	2009 €'000	2008 €'000
Salaries and other payments due in the short term	1,527	1,356
Not performance-related remuneration elements	87	84
Performance-related remuneration elements	192	1,286
Total	**1,806**	**2,726**

The remuneration paid to the members of the Supervisory Board in 2009 is € 2,009 thousand (previous year: 1,761 thousand).

An amount of € 3,273 thousand (previous year: 2,460 thousand) is paid to former members of the Board of Management of Generali Deutschland and their surviving dependants. The provisions for pension commitments towards this group of persons amount to € 36,044 thousand (previous year: 36,160 thousand).

The loans granted to members of the Supervisory Board of Generali Deutschland amount to € 422 thousand (previous year: 837 thousand; redemption in 2009: € -7 thousand (previous year: -49 thousand)). The interest rates of these loans are between 4.24 and 6.20 percent. In the year under report no loans were granted to members of the Board of Management.

Development of the loans granted to the Board of Management and the Supervisory Board

	Loans to the Supervisory Board	
	2009	2008
	€'000	€'000
As at Jan. 1	837	1,077
Loans granted in the business year	—	—
Redemption	-7	-49
Other	-408	-191
As at Dec. 31	**422**	**837**

German Corporate Governance Code

For Generali Deutschland Holding AG a declaration in respect of the German Corporate Governance Code was published in compliance with section 161 of the Companies Act. The declaration is published on the Internet at www.generali-deutschland.de.

Members of the Supervisory Board and the Board of Management

The composition of the Supervisory Board and the Board of Management is indicated on p. 4 of this Report. The list on p. 198 ff. shows the mandates held by these persons.

Report on subsequent events

No events of material importance occurred after the close of the business year.

36 Information on related parties

Companies of the Generali Deutschland Group have various business relationships with related companies and persons. In the Generali Deutschland Group the related persons include managers in key positions as well as their close relatives. The managers in key positions comprise the members of the Board of Management of Generali Deutschland Holding AG and of the Boards of Management of the major subsidiaries as well as of the Supervisory Board of Generali Deutschland Holding AG. Furthermore the group of closely related persons comprises all department heads of Generali Deutschland Holding AG.

With regard to business relationships with enterprises measured at equity only Deutsche Vermögensberatung AG (DVAG) makes a material contribution to the new business production and to the premium income under the existing insurance portfolio. Within the scope of the reorientation of the distribution activities of AachenMünchener Versicherungen resolved in November 2006, the products of AachenMünchener Versicherungen have since then been exclusively sold by the DVAG Group. The distribution competency of AachenMünchener Versicherungen is thus with the DVAG Group, while AachenMünchener Versicherungen exclusively concentrates on the development of products of private provision in the fields of life and property/casualty insurance, commercial business and on customer service.

In addition, there are intermediary and reinsurance relationships with related companies at arm's length conditions. The reinsurance partners are only companies of the Generali Group. The insurance contracts existing with related companies and persons are based on conditions which are common practice in the market and those applied to employees. An amount of € 111,220 thousand (previous year: 119,340 thousand) was paid as reinsurance premiums.

Remuneration for managers in key positions

	2009 €'000	2008 €'000
Salaries and other payments due in the short term	25,978	25,363
Expenditure for pension benefits	4,979	4,247
Other payments due in the long term	177	362
Payments due to termination of employment contract	2,218	2,736
Total	**33,352**	**32,708**

The expenditure for executives in key positions resulting from share-based payment transactions amounts to € 774 thousand (previous year: 1,396 thousand).

Turnover from material service and cooperation agreements as well as other agreements with related parties

	2009 €'000	2008 €'000
Service and cooperation agreements with		
Assicurazioni Generali	19,953	8,845
Equity-method enterprises	862,154	953,564
Related persons	—	—
Other agreements and transactions with		
Assicurazioni Generali	640	72
Equity-method enterprises	8,866	13,395
Related persons	379	378
Total	**891,992**	**976,254**

The relationships with related enterprises mainly consist of service and cooperation agreements at arm's length conditions.

Insurance contracts with related enterprises and persons

	2009 €'000	2008 €'000
Sums insured under life insurance contracts	24,731	22,725
12 times the annual pension under pension contracts	4,479	3,584
Target contract sums under building-society contracts	5	684

The insurance contracts existing with related persons and enterprises are based on arm's length conditions and on conditions applicable to employees.

Receivables, provisions and liabilities with related enterprises

		2009 €'000	2008 €'000
D. III. 1.	**Financial instruments, loans and receivables**	**1,276,599**	**1,195,115**
	of which with other enterprises of the Generali Group	1,275,149	1,195,115
	of which with equity-method enterprises of the Generali Deutschland Group	1,450	—
F.	**Receivables:**		
	Receivables under insurance business	**4,190**	**2,029**
	of which with other enterprises of the Generali Group	4,190	2,029
	of which with equity-method enterprises of the Generali Deutschland Group	—	—
	Other receivables	**38,275**	**18,349**
	of which with other enterprises of the Generali Group	20,795	18,349
	of which with equity-method enterprises of the Generali Deutschland Group	17,480	—
D. III.	**Other provisions**	**1,130**	**—**
	of which with other enterprises of the Generali Group	1,130	—
	of which with equity-method enterprises of the Generali Deutschland Group	—	—
E. III.	**Other liabilities:**		
	Liabilities under insurance business	**639,978**	**622,952**
	of which with other enterprises of the Generali Group	615,845	604,233
	of which with equity-method enterprises of the Generali Deutschland Group	24,133	18,719
	Other	**15,418**	**13,156**
	of which with other enterprises of the Generali Group	15,041	12,978
	of which with equity-method enterprises of the Generali Deutschland Group	377	178

Loans granted to related enterprises and persons

Development of loans to managers in key positions (and their close relatives)

	2009 €'000	2008 €'000
As at Jan. 1	2,714	2,784
Loans granted	43	50
Redemption	-873	-120
Other changes	-218	–
As at Dec. 31	**1,666**	**2,714**

The other changes are due to changes in the composition of the circle of related persons.

Related enterprises and persons of the Generali Deutschland Group as well as their relatives obtain loans from Group companies at conditions customary in the market. The interest rates applied vary between 2.99 and 8.00 percent.

Responsibility Statement by the Management of Generali Deutschland Holding AG as at December 31, 2009

To the best of our knowledge and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Generali Deutschland Group, and the Management Report of the Group includes a fair review of the development and performance of the business and the position of the Generali Deutschland Group, together with a description of the principal opportunities and risks associated with the expected development of the Group (in compliance with section 315 para. 1 sent. 5 HGB).

Cologne, February 23, 2010

Generali Deutschland Holding AG

The Board of Management

Dietmar Meister   Christoph Schmallenbach   Winfried Spies

Auditor's Report*

We have audited the consolidated financial statements prepared by the Generali Deutschland Holding AG, Cologne, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) and supplementary provisions of the articles of incorporation is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.
We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.
Our audit has not led to any reservations.
In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, March 2, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Peters
Wirtschaftsprüfer
German Public Auditor

ppa. Mathias Röcker
Wirtschaftsprüfer
German Public Auditor

* Voluntary translation. It should be noted that only the German auditor´s report, which is based on the audit of the German version of the company´s financial statements, is authoritative.

Mandates

Mandates in other Supervisory Boards having to be established under legal provisions in German companies
Memberships in comparable control bodies of companies in Germany and abroad

Supervisory Board

Prof. h.c. Dr. h.c. (RUS) Dr. iur. Wolfgang Kaske

Chairman

- AachenMünchener Lebensversicherung AG, Aachen
- AachenMünchener Versicherung AG, Aachen
- Central Krankenversicherung AG, Cologne (Chairman)
- Deutsche Bausparkasse Badenia AG, Karlsruhe
- Deutsche Vermögensberatung Aktiengesellschaft DVAG, Frankfurt-on-Main
- Generali Versicherung AG, Munich
- Generali Lebensversicherung AG, Munich

Monika Hendricks

Deputy Chairwoman

- AachenMünchener Versicherung AG, Aachen

Dott. Sergio Balbinot

- AachenMünchener Lebensversicherung AG, Aachen
- AachenMünchener Versicherung AG, Aachen
- Commerzbank Aktiengesellschaft, Frankfurt-on-Main
- Deutsche Vermögensberatung Aktiengesellschaft DVAG, Frankfurt-on-Main
- Assicurazioni Generali S.p.A., Trieste/Italy
- Banco Vitalicio de España S.A., Barcelona/Spain
- Europ Assistance Holding S.A., Paris/France
- Future Generali India Insurance Co. Ltd., Mumbai/India
- Future Generali India Life Insurance Co. Ltd., Mumbai/India
- Generali Asia N.V., Diemen/Netherlands
- Generali China Insurance Company Ltd., Beijing/China
- Generali China Life Insurance Co. Ltd., Beijing/China
- Generali España, Holding de Entidades de Seguros, S.A., Madrid/Spain
- Generali Finance B.V., Diemen/Netherlands
- Generali France S.A., Paris/France
- Generali (Schweiz) Holding, Adliswil/Switzerland
- Generali Holding Vienna AG, Vienna/Austria
- Generali Investments S.p.A., Trieste/Italy
- Generali PPF Holding B.V., Diemen/Netherlands (Chairman)
- Graafschap Holland Participatie Maatschappij N.V., Diemen/Netherlands
- La Centrale Finanziaria Generale S.p.A., Milano/Italy
- La Estrella S.A. de Seguros y Reaseguros, Madrid/Spain
- Migdal Insurance & Financial Holdings Ltd., Tel Aviv/Israel
- Transocean Holding Corporation, New York/USA

Antoine Bernheim

- Alleanza Assicurazioni S.p.A., Milano/Italy
- Assicurazioni Generali S.p.A., Trieste/Italy
- Banco Santander Central Hispano, S.A., Milano/Italy
- Bolloré, Ergué-Gabéric, Odet/France
- BSI S.A., Lugano/Switzerland
- Christian Dior Couture, Paris/France
- Christian Dior S.A., Paris/France
- Ciments Français, Paris/France
- Eurazeo, Paris/France
- Generali España, Holding de Entidades de Seguros, S.A., Madrid/Spain
- Generali France S.A., Paris/France
- Generali Holding Vienna AG, Vienna/Austria
- Graafschap Holland Participatie Maatschappij N.V., Diemen/Netherlands
- Havas, Suresnes/France
- Intesa Sanpaolo S.p.A., Milano/Italy
- LVMH Moët Hennessy Louis Vuitton, Paris/France
- Mediobanca S.p.A., Milano/Italy

Prof. Avv. Gerardo Broggini
- Buechi Italia S.r.l., Milano/Italy
- SMS Demag Italia S.r.l., Milano/Italy
- Swarovski Internazionale d'Italia S.p.A., Milano/Italy
- Tyrolit-Vincent S.p.A., Thiene/Italy
- UBS Securities (Italia) Finanziaria S.p.A., Milano/Italy

Karl-Rupert Hasenkopf
- AachenMünchener Lebensversicherung AG, Aachen

Maximilian Michael Jetzlsperger
- Generali Versicherung AG, Munich (since March 13, 2009)

Dr. Achim Kassow
- comdirect bank AG, Quickborn (Chairman)
- COMINVEST Asset Management GmbH, Frankfurt-on-Main (Chairman, until January 12, 2009)
- Commerzbank Auslandsbanken Holding AG, Frankfurt-on-Main (Chairman since October 14, 2009)
- ThyssenKrupp Steel AG, Duisburg (until September 30, 2009)
- Allianz Global Investors Deutschland GmbH (since January 14, 2009)
- BRE Bank S.A., Warsaw/Poland
- Commerzbank AG, Zurich/Switzerland (until March 18, 2009)
- Commerzbank International S.A., Luxembourg/Luxembourg (Chairman, until March 13, 2009)
- COMMERZ PARTNER Beratungsgesellschaft für Vorsorge- und Finanzprodukte mbH, Frankfurt-on-Main (until July 1, 2009)

Dr. Helmut Kohl

Michael Kuß
- Generali Versicherung AG, München
- Pensionskasse der Angestellten der Thuringia Versicherungs-AG, Munich

Martin Lemcke

Marlies Pörtner
- Central Krankenversicherung AG, Cologne

Prof. Dr. jur.
Dr. h.c. mult. Reinfried Pohl
- AachenMünchener Lebensversicherung AG, Aachen
- AachenMünchener Versicherung AG, Aachen
- Allfinanz Aktiengesellschaft für Finanzdienstleistungen, Frankfurt-on-Main
- Atlas Dienstleistungen für Vermögensberatung GmbH, Frankfurt-on-Main
- DWS Investment GmbH, Frankfurt-on-Main
- Assicurazioni Generali S.p.A., Trieste/Italy
- Deutsche Vermögensberatung Bank AG, Vienna/Austria

Rolf Stockem
- Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt-on-Main

Rudolf Winkelmann
- Versorgungskasse der Volksfürsorge VVaG, Hamburg
- Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte, Hamburg

Dr. Wilhelm Winterstein

Mandates

Mandates in other Supervisory Boards having to be established under legal provisions in German companies
Memberships in comparable control bodies of companies in Germany and abroad

Board of Management

Dietmar Meister

Chief Executive Officer

- AachenMünchener Lebensversicherung AG, Aachen (Chairman)
- AachenMünchener Versicherung AG, Aachen (Chairman)
- Central Krankenversicherung AG, Cologne
- Cosmos Lebensversicherungs-AG, Saarbrücken (Chairman)
- Cosmos Versicherung AG, Saarbrücken (Chairman since March 18, 2009)
- Deutsche Bausparkasse Badenia AG, Karlsruhe
- Generali Lebensversicherung AG, Munich (Chairman)
- Generali Versicherung AG, Munich (Chairman)
- Generali Deutschland Immobilien GmbH, Cologne (Chairman)
- Generali Deutschland Services GmbH, Aachen (Chairman)
- Generali Investments S.p.A., Trieste/Italy
- GLL Real Estate Partners GmbH, Munich

Christoph Schmallenbach

Member of the Board of Management

- Advocard Rechtsschutzversicherung AG, Hamburg
- Cosmos Lebensversicherungs-AG, Saarbrücken
- Dialog Lebensversicherungs-AG, Augsburg (Chairman)
- Generali Versicherung AG, Munich
- Generali Beteiligungs- und Verwaltungs-AG, Munich (Chairman)
- Generali Deutschland Informatik Services GmbH, Aachen (Chairman)
- Generali Lebensversicherung AG, Munich (since July 13, 2009)
- Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte, Hamburg (since October 27, 2009)

Winfried Spies

Member of the Board of Management

- Advocard Rechtsschutzversicherung AG, Hamburg (Chairman)
- Central Krankenversicherung AG, Cologne
- Cosmos Lebensversicherungs-AG, Saarbrücken
- Cosmos Versicherung AG, Saarbrücken (since March 17, 2009)
- Dialog Lebensversicherungs-AG, Augsburg
- Envivas Krankenversicherung AG, Cologne
- Europ Assistance Versicherungs AG, Munich (Chairman)
- Generali Beteiligungs- und Verwaltungs-AG, Munich (since January 1, 2009)
- Generali Deutschland Schadenmanagement GmbH, Cologne (Chairman)
- OVB Holding AG, Cologne (since January 1, 2010)
- OVB Vermögensberatung AG, Cologne (since January 1, 2010)
- Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte, Hamburg (since March 23, 2009, Chairman)
- Bank1Saar eG, Saarbrücken

Glossary

A

Agio
Amount by which the price exceeds the nominal value of a security of the par value of a foreign currency. In most cases the agio is expressed as a percentage of the nominal value.

Amortized cost
The original cost is reduced by durable depreciation.

Assets under management
All assets managed by the Group under its responsibility. They are recognized at fair value. They include all investments owned by the Group, investments under unit-linked life insurance and receivables under banking and building-society business.

Associated enterprises
These are participating interests consolidated at equity, i.e. they are measured in the consolidated financial statements with the corresponding share in the equity. The major criterion for doing so is the Group's ability to exercise a decisive influence on the operation and financial policy of the associated enterprise, regardless of whether the Group actually makes use of that influence.

B

Binomial model
Model for modelling the price development of securities and shares in order to determine a fair option price.

C

Cash flow
Flow of cash from operating, investing and financing activities created by the company during a specific period (source and application of funds).

Cash-flow hedge
This is a type of hedge accounting. A cash-flow hedge reduces the risk of the fluctuation of future cash flows. Other types of hedge accounting are fair-value hedges and hedges of a net investment in a business operation abroad. Under a fair-value hedge, assets or liabilities are hedged against the risk of value changes.

Cash-flow hedge reserve
The cash-flow hedge reserve is part of the revaluation reserve. It comprises the effective part of the hedging transaction.

Claims and benefits, net
Expenditure (net of reinsurers' shares) for insurance claims, for premium refunds and for the change of the provision for future policy benefits and/or of underwriting provisions.

Combined ratio
Total ratio of claims and expenses

Contingent liabilities
Liabilities that do not have to be recognized in the balance sheet and where the probability of materialization appears to be uncertain (e.g. contingent liabilities under guarantee commitments).

Corridor method
Actuarial gains and losses of pension provisions can be identified by the so-called corridor method. A corridor of values is determined and actuarial gains and losses are not recognized in the balance sheet and, in particular, in income if they remain within that corridor.

Credit-linked notes
Bonds whose redemption amount depends on specific, contractually agreed credit events. They are part of credit derivatives and allow the transfer of credit risks from the seller to the purchaser. The credit risks may be combined at discretion.

Currency swap
A currency swap is an agreement between two parties about the exchange of different specific interest payments in different currencies within a period defined in the agreement. Currency swaps are applied, among others, for the hedging of interest and currency risks.

D

Deferred acquisition costs
These comprise the expenses incurred by an insurance company for concluding new insurance policies or renewing existing policies. Among other costs they include acquisition commissions and expenses for handling proposal forms and risk assessment.

Glossary

Deferred tax
The calculation of deferred tax under IFRS aims at giving a fair view of net assets. The amount of deferred tax results from a comparison of asset values in the tax-based balance sheet and the IFRS balance sheet. Deferred tax has to be set up for deviations in value if these differences have an impact on tax in the future. Deferred tax liabilities arise if the IFRS value of assets exceeds the value under the tax-based balance sheet. Similarly deferred tax assets have to be set up if the value of assets under the tax-based balance sheet is higher than under IFRS.

Defined-benefit commitments
Commitments made by the employer to its employees whereby the employees have a direct claim against the employer for this commitment

Deposits receivable/payable under reinsurance business
Amount receivable by the reinsurance company from the ceding company on the basis of the reinsurance business assumed by the reinsurer and which for the latter is similar to an investment. The amount equals the amount provided to the ceding company as collateral. Analogously: deposits payable

Derivatives
Financial contracts whose value depends on the price development of an underlying asset. Examples: options, futures, forwards, interest and currency swaps.

Direct business
Insurance contract taken out by a primary (direct) insurance company with a private person or enterprise (while reinsurance business assumed, i.e. indirect business, refers to the business assumed from another primary insurer or a reinsurance company).

E

Earnings per share
Key figure determined by dividing the consolidated net profit for the year by the average number of shares issued and outstanding. The diluted earnings per share are determined by including the options exercised or to be exercised in the number of shares and in the net profit. Options are created by the issue of convertible bonds or by subscription rights for shares.

Equity method
Method used for recognizing the interests in associated enterprises. As a matter of principle, they are measured at the Group's share in the equity of these companies. In the case of interests in enterprises which also establish consolidated financial statements, measurement is based on the share in the Group equity. The measurement of interests is regularly adjusted for changes in the equity, with the interest in the net profit for the year being allocated to the Group net profit.

F

Fair value
As a general rule, the fair value is equal to the market value in an active market. If there is no such market value, the latter is replaced by auxiliary values.

FAS
Financial Accounting Standards – Regulations defining details with regard to US-GAAP

Forward purchase
A forward purchase is a binding transaction under which the interest rate is definitely agreed when the contract is concluded and only the value date is postponed.

Free float
Refers to the percentage of shares actually tradable in the market and not tied by long-term strategic investors.

Futures
Standardized forward transactions which are traded at an exchange. Frequently at the agreed date a compensation payment is made instead of the actual delivery or acceptance.

G

Goodwill
Amount by which the purchase price for a subsidiary exceeds the interest in net assets on the date of acquisition, after winding up the unrealized capital gains/losses attributable to the purchaser.

H

Hedge accounting
Presentation of the offsetting value developments of a hedging transaction (e.g. an interest swap) and its underlying (e.g. a loan). The target of hedge accounting is to minimize the impact of the recognition and measurement of derivative transactions on the income statement.

Hybrid instruments
Instruments of the capital and derivatives market in the form of investments specifically designed to suit determined yield and risk preferences.

Hybrid instruments with an equity exposure
Hybrid instruments where the result depends on the development of a share index.

I

IAS
International Accounting Standards

IDW RS HFA
Statement by the Institute of Auditors: Statement on Accounting by the Main Expert Committee.

IFRIC
International Financial Reporting Interpretation Committee – Interpretations on existing International Financial Reporting Standards (IFRS)

IFRS
International Financial Reporting Standards
Since 2002 this term has been applied to the whole framework of standards approved by the International Accounting Standards Board. Standards previously approved are still indicated as International Accounting Standards (IAS).

Impairment test
Test for determining the lower of cost or market procedure for identifying an impairment loss.

Interest swap
Exchange of fixed and variable interest liabilities, as a general rule of identical capital amounts and of congruent currencies, during a determined period. An interest swap allows an active management of the risks of changing interest rates.

L

Loss recognition test
The loss recognition test is used to verify the adequacy of the provision for future policy benefits.

M

Market value
Amount that can be obtained in an active market by selling a financial investment.

O

Operating expenses, net
This item includes the expenses incurred in the business year, such as for general administration and the management of insurance portfolios, to the extent they were not incurred with the acquisition or the renewal of insurance contracts. The deduction of commissions received and profit shares from ceded reinsurance business leads to net operating expenses.

Option
In an option transaction, the buyer or seller acquires or sells the right, but not the obligation, to buy or sell a specific asset (→ underlying) during a specific term or at a specific date at an agreed price.

P

Portfolio changes
Portfolio changes comprise both portfolio entries and withdrawals. They occur when an insurance portfolio is accepted or ceded. This increases or reduces, as the case may be, the amount of the provision for future obligations in the balance sheet.

Premium deficiency test
The premium deficiency test is applied to determine any impairment of the portfolio of insurance business in force.

Premiums/premium income
Gross premiums written. All premiums received in the business year under direct (primary) insurance business and reinsurance business assumed.

Glossary

Reinsurance premiums ceded. Share of the premiums paid to the reinsurer as a consideration for reinsuring certain risks.
Earned premiums. The premiums referring to the business year which determine the income for the business year. For calculating the amount of earned premiums, the preceding year's → unearned premiums referring to the reporting year are added to the → gross premiums written and the premium shares referring to future business years are deducted.

Present value of promised pension benefits
The present value of all defined-benefit obligations, taking into account assumed growth of salaries and pensions. Only the portion promised as at the reporting date is taken into consideration.

Prospective unlocking principle
This principle applied to long-term health insurance contracts gives insurers the possibility to adjust premiums. The calculation bases with a safety margin applicable at the beginning of the contract are maintained until premiums for the contract are adjusted. The new calculation bases are applicable until the next date of premium adjustment.

Provision for future policy benefits
Provision at the amount of the existing obligation to pay insurance claims and premium refunds, mainly in life and health insurance. The provision is calculated in line with actuarial methods as the balance of the present value of future obligations less the present value of future premiums.

Provision for outstanding claims
This provision includes the payment obligations for insurance claims which occurred before the reporting date but which have not yet been (completely) settled.

Provision for premium refunds
The part of the profit to be distributed to the policyholders is appropriated to a provision for premium refunds. These refunds may be made in line with statutory provisions or the Articles of Association or on a contractual or voluntary basis. The provision also includes deferred amounts.

Purchase method
Method of international common practice for capital consolidation

PVFP (present value of future profits) of acquired insurance contracts
The value to be recognized in the balance sheet as the counter-value of insurance contracts upon the first-time consolidation of an insurance company

R

Reinsurance
Ceding/assuming a risk/portfolio accepted by an insurer to/by another insurer/reinsurer

S

Salvages
Recoveries from a damaged object which the insurer is entitled to receive after having paid the full indemnity. The term is mainly used in marine insurance. The term salvages is also used in a non-technical sense for the scrap value of a damaged object or the amounts obtained under recourses.

Share-based payment
Share-based payment plans are an instrument of executive and employee remuneration. The fair value of share-based payment plans is determined at the grant date and recognition in income is spread over the vesting period.

Solvency II
EU project for developing and introducing an EU-wide regulatory system for the insurance industry

Special funds
Special funds are investment funds in which units can exclusively be acquired by institutional investors.

Spread
Difference at the reporting date between the market values of different, as a general rule two, asset items.

Stress test
Method for measuring the effect of extreme changes of parameters, such as changes of the market value of investments in the case of extreme market fluctuations.

Swaptions
Option contracts which allow the purchaser, against payment of a one-off premium, to enter an interest swap. The duration and the interest level of the swap are fixed and the swap is acquired against payment of a premium.

T

True-up
Updating of parameters having a direct influence on margins. These include interest-rate assumptions, assumptions regarding lapse and mortality probabilities, developments of expenses and of claims and benefits.

U

Unearned premiums
That part of the premium income of the year which refers to periods of insurance that lie after the reporting date, i.e. which are not yet earned as at the reporting date. In the balance sheet unearned premiums have to be shown as a separate line item under underwriting provisions.

US-GAAP
United States – Generally Accepted Accounting Principles

Z

Zero bonds
(also called zero-coupon bonds) Discounted bonds whose yield is not paid at specific dates during the bond term but only once at the end of the term.

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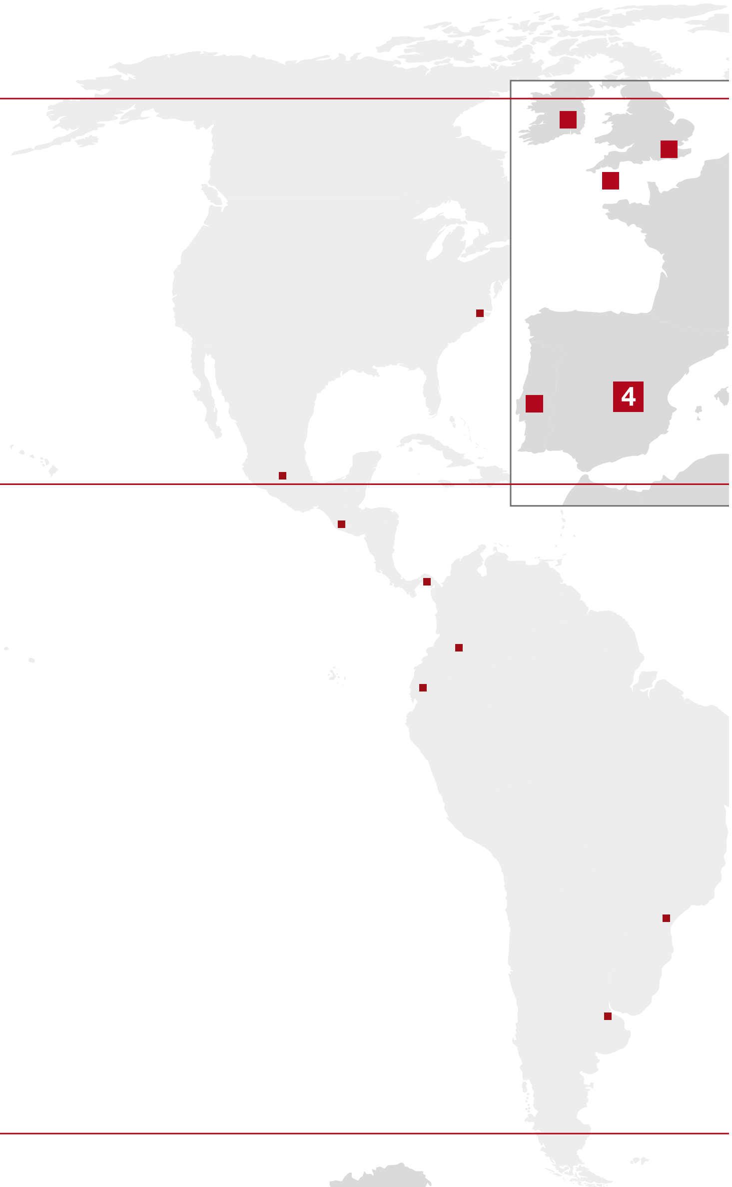
The Generali Group in the World



Locations of the Generali Group in Europe

Austria
Belarus
Belgium
Bulgaria
Croatia
Czech Republic
France
Germany
Greece
Guernsey
Hungary
Ireland
Israel
Italy
Kazakhstan
Liechtenstein
Montenegro
Netherlands
Poland
Portugal
Romania
Russia
Serbia
Slovakia
Slovenia
Spain
Switzerland
Turkey
Ukraine
United Kingdom

Other locations of the Generali Group in the World

North America
USA

Central/South America
Argentina
Brazil
Colombia
Ecuador
Guatemala
Mexico
Panama

Asia
China
Hong Kong
India
Indonesia
Japan
Philippines
Thailand
United Arab Emirates

Africa
Tunesia

The Generali Deutschland Group as an important unit of the international Generali Group

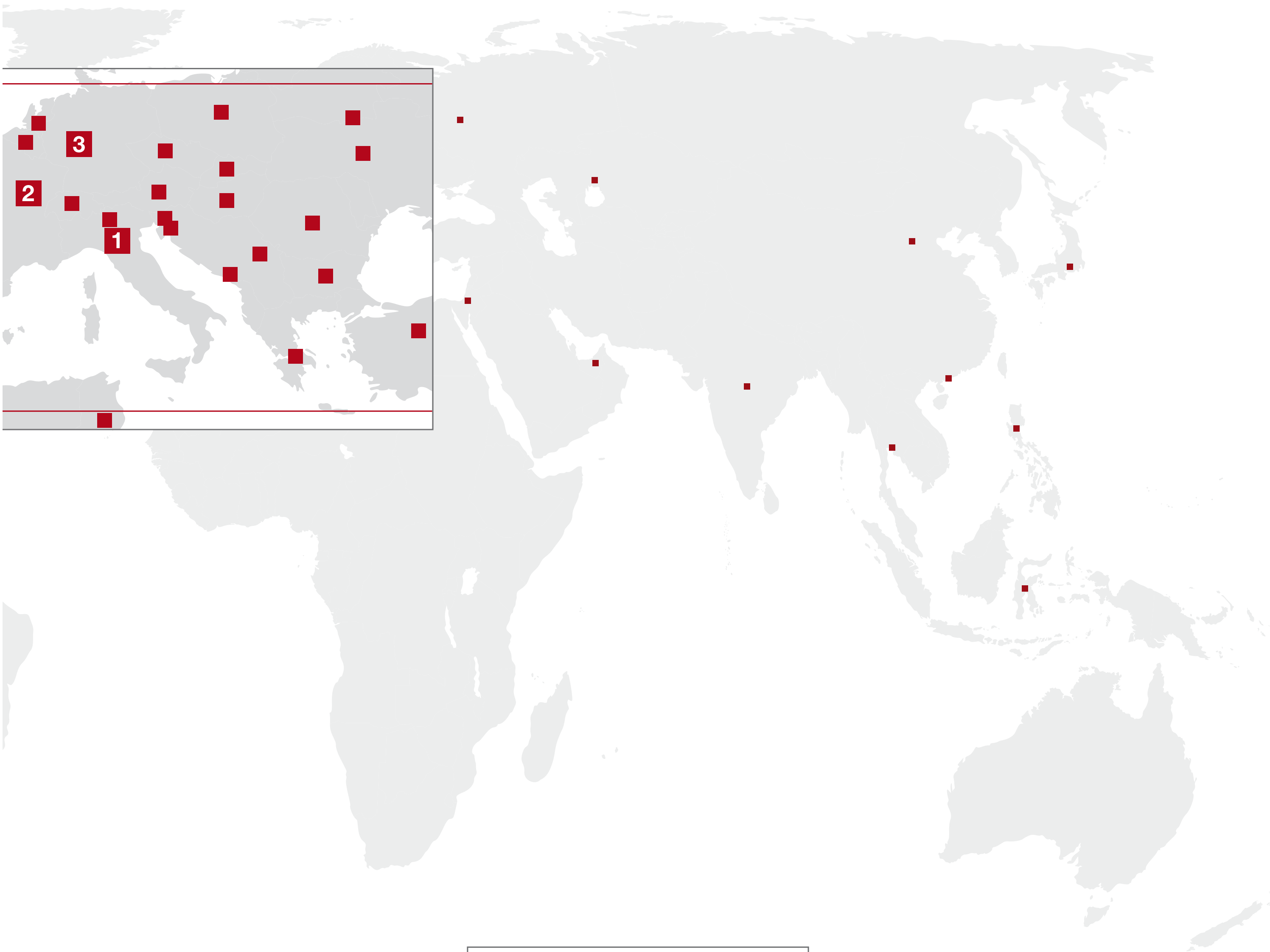
The Generali Group in the World

- in nearly 70 countries
- over 60 million customers
- Premium income: € 70.53 bn
- more about 85,000 employees
- Assets under management: € 406.2 bn

Italy

Share in premium income of the Generali Group

28.7%



2

France
Share in premium income
of the Generali Group

22.9%

3

Germany
Share in premium income
of the Generali Group

21.6%

4

Spain
Share in premium income
of the Generali Group

3.6%

Imprint

Generali Deutschland Holding AG

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Forward-looking statements

To the extent this Report includes prognoses or expectations or forward-looking statements, these may involve known and unknown risks and uncertainties. The actual results and developments may therefore differ materially from the stated prognoses or expectations. Besides other reasons not specified here, deviations may be the result of changes of the overall economy or of the competitive situation, especially in core activities and core markets. Deviations may also result from the extent and the frequency of claims, lapse ratios, mortality and morbidity rates or tendencies. The developments of financial markets and of the exchange rates of foreign currencies as well as amendments of national and international law, particularly in respect of tax rules, may have an influence. Terrorist attacks and their consequences may increase the probability and the extent of deviations. The company is under no obligation to update the statements made in this Report.

Financial calendar

March	
March 25, 2010	Accounts Press Conference in Cologne
May	
May 18, 2010	Group Report 1st Quarter 2010
May 27, 2010	General Meeting in Cologne
May 28, 2010	Dividend payment*
August	
August 11, 2010	Group Report 1st–2nd Quarters 2010
November	
November 16, 2010	Group Report 1st–3rd Quarters 2010

The updated financial calendar of Generali Deutschland is published on the Internet at: www.generali-deutschland.de

* subject to shareholder resolution at the General Meeting

www.generali-deutschland.de