Group Report
2010

Generali Deutschland Group

95.5 %

Combined ratio

€ 3.75

Proposed dividend

€ 16.3 bn

Total premiums of insurance business

€ -68 m

Decrease in total costs

€ 98.0 bn

Assets under management

+9.6 %

Increase in total premiums

€ 3,866 m

Net investment income

€ 402 m

Net profit in 2010

>>

Overview

Key figures of the Generali Deutschland Group

		2010 €	2009 €	Change in %	Page
Statement of Comprehensive Income					
Total premiums[1]	m	**16,277.5**	**14,850.0**	**9.6**	**19, 44 ff., 143**
Gross premiums written	m	**13,036.5**	**12,418.9**	**5.0**	**45 ff., 143**
of which (fully consolidated figures): life	m	7,823.2	7,402.5	5.7	45 ff., 143
health	m	2,213.7	1,980.4	11.8	45 ff., 143
property/casualty	m	2,999.5	3,035.9	-1.2	45 ff., 143
Investment income (net)	m	3,866.5	3,037.5	27.3	45 ff., 144 ff.
Claims and benefits (net)	m	-12,872.2	-11,584.4	11.1	45 f., 148 f.
Operating expenses (net)	m	-2,662.3	-2,536.2	5.0	45 f., 149
Earnings before tax and finance costs	m	612.1	499.0	22.7	45 f., 90
Finance costs	m	-16.5	-16.5	0.0	45, 90
Tax	m	-193.6	-142.0	36.3	45 ff., 90, 150 ff.
Net profit	m	**402.1**	**340.5**	**18.1**	**45, 90**
of which attributable to the Group[2]	m	398.9	327.1	21.9	45, 90
of which attributable to minority interests	m	3.2	13.4	-76.1	45, 90
Other comprehensive income	m	-239.1	201.1		45, 47, 91
Total comprehensive income	m	163.0	541.6	-69.9	45, 47, 91
Balance Sheet					
Assets under management	bn	**98.0**	**92.6**	**5.8**	**46, 92, 159 ff.**
Equity	bn	**4.0**	**4.0**	**0.1**	**94 ff., 171**
Number of employees[3]		14,962	14,957	0.0	54 f., 188
of which fieldstaff		3,519	3,541	-0.6	54 f., 188
administrative staff		11,443	11,416	0.2	54 f., 188
Generali Deutschland share					
Earnings per share		**7.43**	**6.09**	**21.9**	**25, 90, 152**
Dividend per share		**3.75**[4]	**2.90**	**29.3**	**9, 24 f., 53**
Dividend distribution	m	201.3[4]	155.7	29.3	24, 53
Price of the Generali Deutschland share as at Dec. 31		**91.00**	**73.64**	**23.6**	**9, 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: 3,222
Customers: 6 m
Premiums: € 5.8 bn

Aachen Münchener
Dreams need security
Staff: 2,143
Customers: 4.4 m
Premiums: € 5.5 bn

CosmosDirekt.
The insurer
Staff: 1,066
Customers: 1.6 m
Premiums: € 2.1 bn

Single-line providers Life and health

central
Healthcare moves us
Staff: 1,212
Customers: 1.8 m
Premiums: € 2.2 bn

ENVIVAS Krankenversicherung AG
Tailor-made supplementary health cover
Customers: 866,000
Premiums: € 54.9 m

Dialog: Lebensversicherungs-AG
THE specialist for biometric risks
Staff: 100
Customers: 320,000
Premiums: € 209 m

GENERALI Pensor Pensionsfonds
Lifelong pension for worry-free retirement
Corporate customers: 634
Premiums: € 106.7 m

GENERALI Pensionskasse
Competency + service in corporate pensions
Customers: 180,700
Premiums: € 169.0 m

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

AdvoCARD
Lawyers love Advocard with its “already done” service
Staff: 179
Customers: 1.4 m
Premiums: € 196.9 bn

Deutsche Bausparkasse BADENIA
Specialist for housing finance
Staff: 690
Customers: € 1.2 m
Contract portfolio: € 25.0 bn

GENERALI Investments
Fund company and asset manager
Staff: 112
Deposits: 134,000
Assets u. mgmt: € 84.7 bn

GENERALI Private Equity Investments
Competence center Private Equity
Assets u. mgmt.: € 1.45 bn

GENERALI SicherungsManagement
Cover for accumulated working hours
Corporate customers: 1,600
Covered volume: € 940 m

Service companies

Volksfürsorge
Distribution company for products of provision and finance

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

all figures rounded

Successful business year – Increase in net profit and total premiums

- Total premiums witness above-average increase by 9.6% (market: 4.3%) to € 16.28 bn – main drivers were growth of 12.5% in life and of 11.8% in health
- Slight improvement of combined ratio to 95.5%
- Net investment income rises by 27.3% to € 3,866 m
- Net profit increases from € 341 m in 2009 to € 402 m for the business year
- Board of Management and Supervisory Board propose to the General Meeting a dividend increase of € 0.85 to € 3.75 per unit share

Strategic orientation

- Second-largest primary insurer in the German market excellently positioned in business of old-age provision, property and casualty insurance and as healthcare specialist
- Group business model with all Group companies 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 for AachenMünchener through strategic partnership with Deutsche Vermögensberatung
  - Direct selling through CosmosDirekt
  - Strength and competency of our specialized providers Advocard, Badenia, Central, Dialog and Generali Investments
- Positive high-level ratings from the four leading international rating agencies affirm the financial strength and soundness of the Generali Deutschland Group

Outlook for the business year 2011

- Continuous growth above the market average in life and health insurance and growth at market level in property and casualty insurance
- Further ambitious net profit of € 390–410 m expected
- Consistent orientation at customer requirements across all distribution and customer-access channels
- Long-term target: 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
Lawyer

Rudolf Winkelmann*
Deputy Chairman
(since April 1, 2010)
Chairman of the Group Works Council of Generali Deutschland
Chairman of the Company Works Council of Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte

Monika Hendricks*
Deputy Chairwoman
(until March 31, 2010)
Former Chairwoman of the Group Works Council of Generali Deutschland

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

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

Prof. Avv. Gerardo Broggini
Lawyer

Michael Karl Feulner*
(since July 1, 2010)
Deputy Chairman of the Company Works Council of Generali Versicherungen; Deputy Chairman of the Works Council of the Munich Head Office of Generali Versicherungen

Karl-Rupert Hasenkopf*
Chairman of the Company Works Council of AachenMünchener Versicherungen
Chairman of the Works Council of the Aachen Head Office of AachenMünchener Versicherungen

Maximilian 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
(until December 31, 2010)
Member of the Board of Management of Commerzbank Aktiengesellschaft (Retail Customer Segment and Central & Eastern Europe Segment)

Dr. Helmut Kohl
(until June 18, 2010)
Former German Chancellor

Michael Kuß*
(until June 30, 2010)
Former 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 – Vereinte Dienstleistungsgewerkschaft

Ralph Plaßmann*
(since April 1, 2010)
Chairman of the Company Works Council and Chairman of the Works Council at the Aachen location of Generali Deutschland Informatik Services GmbH

Marlies Pörtner*
(until November 29, 2010)
Chairwoman of the Company Works Council of Central Krankenversicherung AG

Andreas Pohl
(since June 24, 2010)
General Representative of Deutsche Vermögensberatung Aktiengesellschaft DVAG

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

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

Jörg Storch*
(since November 30, 2010)
Chairman of the Works Council of Cosmos Lebensversicherungs-AG

Dr. Wilhelm Winterstein
Retired banker

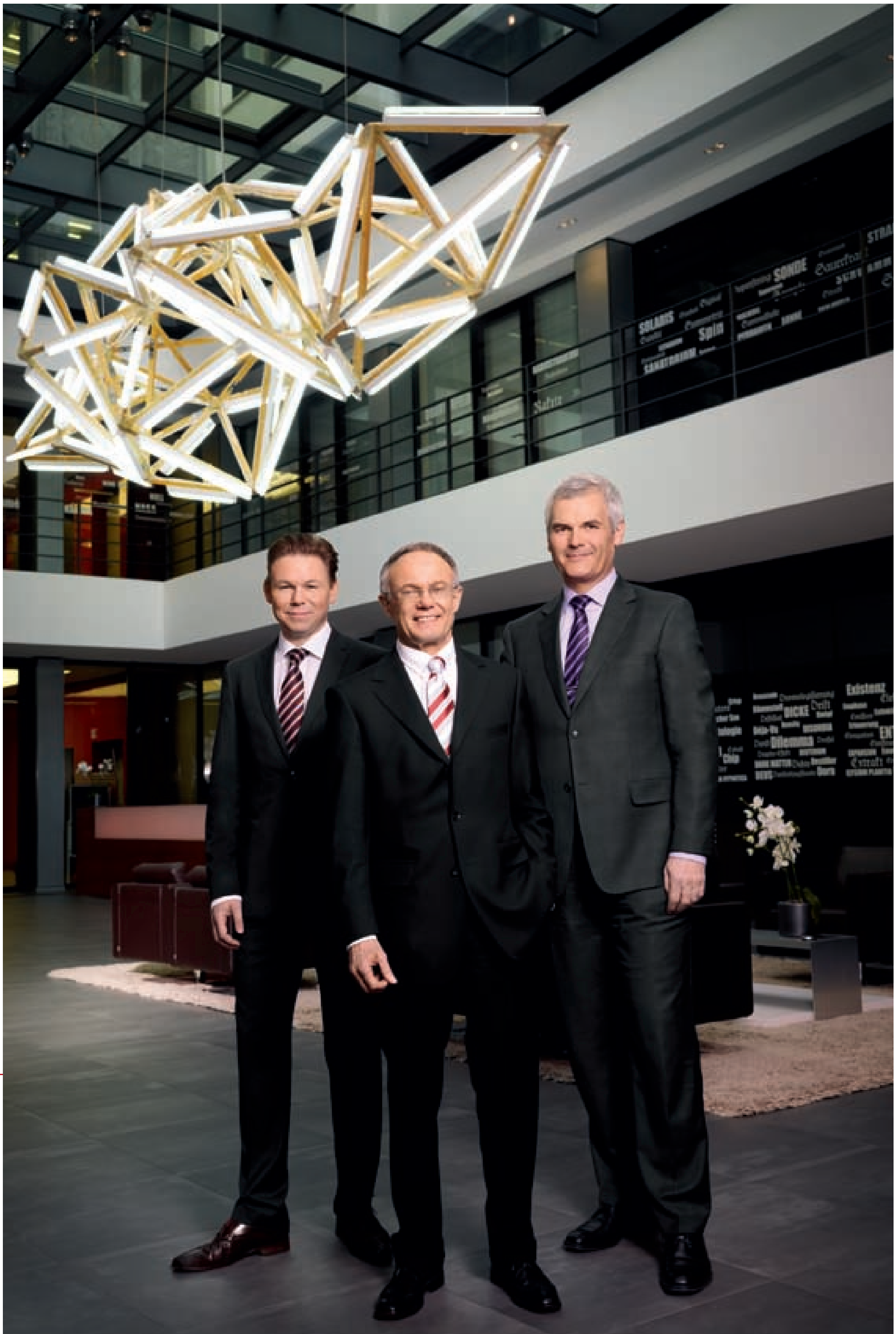
* employee representative
For the mandates held by the members of the Supervisory Board and the Board of Management see the final pages of this Report.

Board of Management

Dietmar Meister
Chief Executive Officer
Risk Management
Group Development
Law
Corporate Communication
Internal Audit
Property and Casualty Insurance
Legal Expenses Insurance
Health Insurance
Building Society
Distribution

Christoph Schmallenbach
Member of the Board of Management
Human Resources and Social Matters
Information Technology
Operational Organization
Process Optimization
Reinsurance

Dr. Torsten Utecht
Member of the Board of Management
(since July 1, 2010)
Controlling
Finance/Accounting
Investments
Life Insurance



Dr. Torsten Utecht Dietmar Meister Christoph Schmallenbach

Dear Madam, Dear Sir,

Generali Deutschland, your company, experienced a very successful development in the closed business year. Besides the good performance of international capital markets, Germany witnessed important momentum for business and employment from both exports and rising domestic demand. Against this positive background we were in a position to substantially expand our net profit for the business year 2010, which rose to € 402 m. Therefore the Board of Management and the Supervisory Board will propose to the General Meeting to increase the dividend markedly by € 0.85 to € 3.75 per unit share.

The favourable overall development of capital markets primarily had an influence on our net investment income which rose by 27.3 percent from the previous year's level to € 3,866 m. In addition, the substantial improvements in the key figures of our technical business had a positive impact on our net profit. Furthermore, in the business year 2010 we expanded the level of total premiums across all insurance lines to approx. € 16.3 bn. This corresponds to a remarkable 9.6 percent increase. We have thus reached twice the growth rate of the market.

Besides the diversity of our distribution channels and brands, we also benefit from the high advisory quality of our staff and, above all, of Deutsche Vermögensberatung (DVAG) to which we have been linked in a strategic partnership for over 35 years. With its more than 37,000 financial advisors DVAG ensures the exclusive distribution activities for AachenMünchener and makes a material contribution to the sales success of the entire Generali Deutschland Group. In addition, there is the successful multi-channel distribution network of Generali Versicherungen including the distribution company Volksfürsorge Vertriebsgesellschaft. Our three-pillar distribution model is completed by the direct-selling activities of CosmosDirekt, which remains the market leader among direct-selling insurers in Germany. Furthermore, we focus on the strength and competency of our specialized providers Advocard, Badenia, Central, Dialog and Generali Investments. This range of distribution channels and companies enables us to respond fast to a great variety of requirements from the customers and the market.

In the closed business year, especially the life and health insurers of the Generali Deutschland Group made a vital contribution to our growth. Nevertheless, all across the insurance market customer insecurity is still evident. Consumers frequently postpone larger investments or long-term contractual obligations. On the other hand, the issue of "security" has become increasingly important to people. They are becoming more and more aware that a crisis-proof cover of existential risks and retirement savings are of great importance. Currently there is a strong demand especially for occupational disability policies and we have positioned ourselves accordingly. Against the background of the current interest situation, the single premium business of the Generali Deutschland Group witnessed a particularly strong growth. Our life insurers have responded swiftly to this customer requirement and are now offering various single premium products ranging from highly flexible low-interest capitalization products to immediate annuities without the possibility of contract termination.

>> In 2010 we were able to achieve convincing results: our net profit for the business year was substantially increased to € 402 m. <<

DIETMAR MEISTER, CHIEF EXECUTIVE OFFICER

The total costs of the Generali Deutschland Group were again cut substantially, which is attributable to the measures to increase competitiveness, which had already been initiated in previous years, and to continuous optimization regarding our internal operational processes and material costs. Also regarding the combined ratio of property and casualty insurance we achieved a slight improvement to 95.5 percent against the market trend.

In order to further push the company's performance, we continued or reinforced numerous initiatives and project activities in the closed business year. One of the focus areas were the activities of the Generali Deutschland Group to prepare for the requirements of the new rules on capital adequacy (Solvency II) and the future measurement of insurance contracts in compliance with international financial reporting (IFRS 4 phase 2). In addition, we concentrated our attention on projects to enhance the IT systems in the fields of distribution, accounting and human resources. As a matter of course we continue to work on consistently improving our subsidiaries' proximity to markets and customers and on sustainably increasing profitability.

Beyond this, the responsibility we have towards yourselves, our customers and our employees is something we take seriously. This also includes "sustainability" which we regard as a central feature of our corporate values. Beyond economic aspects, our business philosophy encompasses the overall responsibility to create added value for our company, our environment and our society. In this context we have set an important signal as 100 percent of our energy consumption has come from regenerative sources since the beginning of 2010. Furthermore, with the Generali Future Fund we have responded to our corporate social responsibility: in the closed business year we sponsored 50 projects in which the rising willingness of the elderly to volunteer to the benefit of others is put into practice in concrete charitable activities. Beyond this, scientific research is done on social volunteering, networks for volunteers are created and the qualification of volunteers is promoted.

On July 1, 2010, the Board of Management of Generali Deutschland Holding AG underwent reorganization. Besides the changes regarding membership in the Board, also the responsibilities within the three management divisions were reallocated. With Dr. Torsten Utecht as Chief Financial Officer we have won a highly qualified colleague for our team who is most familiar with the Generali Deutschland Group and its companies due to his many years of activities in the Group and his function as General Representative. Winfried Spies resigned from his function as a member of the Board of Management of Generali Deutschland Holding AG with effect from July 1, 2010, as previously planned, and has since then been exclusively concentrating on his tasks as the Chief Executive Officer of Generali Versicherungen. Also on behalf of my colleagues in the Board of Management I wish to express my cordial thanks to Winfried Spies who did an outstanding job in his double function.

Also this year I owe special thanks to all employees of the Generali Deutschland Group. They are highly motivated in representing our Group in the market and in contacts with our customers and they support and contribute to our initiatives and projects. This is to the benefit of us all.

On the basis of its overall strategic orientation and the consistent implementation of its business model, dear Madam, dear Sir, the Generali Deutschland Group is excellently positioned. Against the background of an economy recovering further and the enhancement of our products and internal processes, which we have been pushing for years, we are well equipped to further expand our position in the German market of insurance and financial services. We are very satisfied with the Financial Statements presented for the business year 2010 and we look to the future with optimism. We will continue to operate with motivation and consistency to keep increasing the value of your company.

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

Yours faithfully,

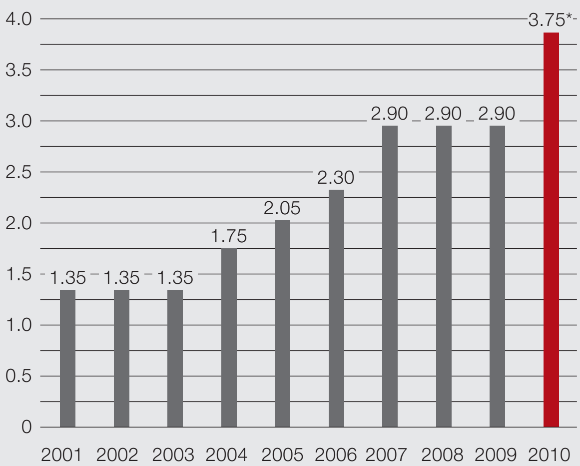
Dietmar Meister
Chief Executive Officer

Performance of the Generali Deutschland share 2005–2010

Figures in €

Dividend per share 2001–2010

Figures in €



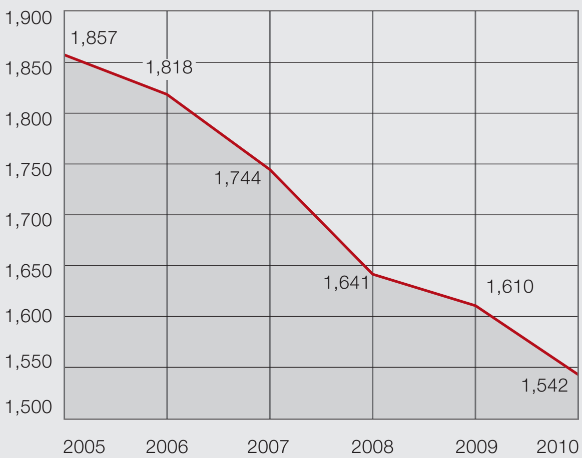
* subject to shareholder resolution at the General Meeting

Dividend increased by € 0.85 to

€ 3.75

Total costs* 2005–2010

Figures in € m



* net without commissions

Further decrease in total costs

€ -68 m

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, 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 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 sec. 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 Audit Committee primarily dealing with accounting, the development of business and risks as well as with the Group's risk management and control systems held quarterly meetings and thus met four times in the year under report. The General Committee was in a position to vote on the necessary resolutions in writing and therefore no meeting was held in the year under report. The committee under sec. 27 para. 3 of the Co-Determination Act did not have to be convened.

Major issues of deliberation and resolutions

In the business year 2010, the following issues were of particular importance for the work of the Supervisory Board:

New composition of the Board of Management

In 2009 already Winfried Spies had become the Chief Executive Officer of Generali Versicherungsgesellschaften in Munich. As planned, Mr. Spies retired as a member of the Board of Management of Generali Deutschland Holding AG with effect from June 30, 2010 in order to fully concentrate on his new tasks in Munich. With effect from July 1, 2010 the Supervisory Board appointed Dr. Torsten Utecht as the new Chief Financial Officer of the company. In the wake of this change, responsibilities within the Board of Management were newly defined and risk management was separated from investments under the allocation of management divisions. In this context Mr. Schmallenbach was appointed as the company's new Director of Labour Relations.

Remuneration of the Board of Management

In the wake of the financial and economic crisis, legislation and the regulatory authorities introduced a large number of new rules regarding the adequacy of the remuneration of members of the Board of Management. As in previous years, the Supervisory Board verified the adequacy of the remuneration of the members of the Board of Management and made adjustment where this was necessary. In particular, in the future part of the variable remuneration will only become payable after a term of three years. As a whole, half of the variable remuneration of members of Generali Deutschland's Board of Management is based on target agreements involving a multi-year assessment. Furthermore, with regard to the variable remuneration elements and in compliance with new statutory rules, the right to retain payment as well as malus rules were agreed with the members of the Board of Management.

Financial and economic crisis

Again the development of international capital markets and the ensuing development of the general economy was a regular issue of extensive discussions. In particular persistently low interest rates and the risks involved in the sovereign debt crisis were repeatedly the issue of deliberations. In addition, in the closed business year the Supervisory Board regularly obtained reports and discussed the investments of the companies of the Generali Deutschland Group, the net investment income and the status of developments in this field.

Current business development

The central issue of deliberations were the repercussions of the financial and economic crisis on life insurance business. The challenges involved and the change in customer expectations were repeatedly discussed. Deliberations also focussed on the profitability of the property and casualty lines and the development of health insurance in its regulatory environment.

Group projects

Within the scope of a continuous optimization of its processes, the Generali Deutschland Group has realigned and consolidated back-office functions. In this context, the areas of accounting and tax, inter alia, were transferred to the holding company.

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.

In its meeting of November 30, 2010, the Supervisory Board again examined and approved the structure of the remuneration of the members of Generali Deutschland's Board of Management, including the major elements of their contracts. 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 2010, 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 sec. 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 2010, 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 2010. The Annual Financial Statements are thus adopted pursuant to sec. 172 AktG. We join the Board of Management in its proposal for the appropriation of the balance-sheet profit.

On March 31, 2010, Monika Hendricks, the deputy chairwoman of our corporate body retired for reasons of age. Mrs. Hendricks 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 many years of extraordinarily dedicated activities in the interest of the employees and also in the interest of the Generali Deutschland Group as a whole. Her successor as the Deputy Chairman of the Supervisory Board is Rudolf Winkelmann, who has already been a member of this corporate body for more than ten years.

Besides, Marlies Pörtner, Dr. Helmut Kohl, Michael Kuß and Dr. Achim Kassow also retired from the Supervisory Board in the course of the year. I extend my very cordial thanks also to them for their committed activities. The new members of the Supervisory Board are Michael Karl Feulner, Ralph Plaßmann and Jörg Storch as employee representatives and Andreas Pohl as shareholder representative. I would like to take the opportunity of this report to again express a cordial welcome to them. Furthermore I also express my sincere thanks to Winfried Spies for his activities in the Board of Management of Generali Deutschland Holding.

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

Cologne, March 29, 2011

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 sec. 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.

Furthermore, 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 Chap. 1 in the "Report by the Supervisory Board") in compliance with sec. 171 of the German Companies Act (AktG).

Corporate Governance is ensured by additional organizational 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 Corporate Governance is provided to our shareholders on the Internet at www.generali-deutschland.de. This information includes the financial calendar, annual and interim reports, ad-hoc announcements, the corporate governance statement in compliance with sec. 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 sec. 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 30, 2010.

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 rules of company law. This applies to the following recommendations:

The notification documents convening the General Meeting are not sent by electronic means (deviation from sec. 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 company does not provide the possibility to shareholders to make use of postal votes (sec. 2.3.3 of the Code). The company has not made use until now of the option under sec. 118 para. 2 AktG to allow postal votes in its Articles of Association.

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

Generali Deutschland does not have a stock-option plan of its own (deviation from sec. 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 in Chap. 3 “Notes” under “Additional information/Remuneration of the Board of Management”. The granting of the options is not only subject to the achievement of the targets of the Italian plan but 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.

In previous years the total remuneration of the members of the Board of Management was not disclosed on an individualized basis in the Notes to the Consolidated Financial Statements (deviation from sec. 4.2.4 and 4.2.5 of the Code). On May 18, 2006 the General Meeting had resolved in compliance with sec. 314 para. 2 sent. 2 HGB not to publish the information to be provided in compliance with sec. 314 para. 1 no. 6 letter a) sent. 5 through 9 HGB. This year, the remuneration of the members of the Board of Management is disclosed for the first time on an individualized basis in the Notes under “Additional information”.

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 sec. 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 are no concrete objectives specified regarding the composition of the Supervisory Board (deviation from sec. 5.4.1 of the Code). The company does not wish to restrict its flexibility in choosing members for the Supervisory Board having the best expertise by specifying social, cultural, age-related or other objectives.

The company does, however, follow the parallel recommendation of sec. 4.1.5 and 5.1.2 regarding the respect of the diversity of management employees and members of the Board of Management. In particular the company aims to take women into consideration on a broader basis for management positions. In this context a network of women in management positions has established itself which is intensively supported by Generali Deutschland Holding AG. Besides, in 2009 Generali Deutschland was certified as a family-friendly enterprise. In that context we offer flexible working hours and part-time models for our managers and employees, a family service focussing on childcare and nursing care and a parent-child office in the Cologne head office.

Applications for the judicial appointment of a member of the Supervisory Board are not limited in time up to the next General Meeting (deviation from sec. 5.4.3 of the Code).

Generali Deutschland limits applications for the judicial appointment of a member replacing a retired member of the Supervisory Board to the remaining term of office of the retired member of the Supervisory Board. The company wishes to achieve that the election of new individual members to the Supervisory Board is restricted to a minimum and that new elections of all members of the Supervisory Board are held on the same date.

There is no limitation, beyond the limitations provided for by law, of the number of mandates held in the Supervisory Boards of listed non-Group companies (deviation from sec. 5.4.5 of the Code). It is often useful when members of the Supervisory Board can contribute their experience from non-Group companies. From today’s point of view, Generali Deutschland regards the statutory rule under sec. 100 para. 2 AktG as being sufficient.

There is no individualized disclosure of the remuneration of the members of the Supervisory Board nor of the payments made to them on the basis of other business relationships with the company or with Group companies (deviation from sec. 5.4.6 of the Code). The structure of the remuneration of the Supervisory Board is disclosed in the Articles of Association and in the Financial Report (see presentation below and the information provided in the Notes under "Additional information"). The total figure of the remuneration paid is also disclosed in the Notes of this Report.

The Report by the Supervisory Board does not provide information about the attendance at meetings of the Supervisory Board (deviation from sec. 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 for the time being.

Basic structure of the remuneration of the 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 Group Management Report.

Remuneration of the Board of Management

In the business year 2010, the same as in the previous year, 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 for insurance companies as amended by the Decree on Remuneration in Insurance of October 13, 2010 (VersVergVO).

The Supervisory Board has intensively dealt with the new legal provisions. With the aim to provide further long-term incentives of conduct in addition to the targets which as a whole are already oriented at a sustainable corporate development it was resolved that starting from the business year 2010 part of the variable remuneration was to be paid with a time delay on the basis of a multi-year assessment. Previously the target agreements provided for the payment of the full variable remuneration immediately in the subsequent year. Accordingly the bonus paid in 2010 for the business year 2009 was still based on purely annual targets.

Starting from the business year 2010 the remuneration of the members of the Board of Management of Generali Deutschland is thus composed of three elements, as a matter of principle, i.e. the fixed annual salary, an annual bonus and a long-term 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. 50 percent of the performance bonus determined in advance becomes definitely payable on the basis of a target-achievement ratio determined by the Supervisory Board after the close of the business year.

The remaining bonus is subject to a long-term assessment of the further development of the company in the two following years (long-term bonus). Out of this long-term bonus, 50 percent will again be paid together with the annual bonus. Depending on the further development of the company, the remaining bonus will be paid after a total of three years or the part of the long-term bonus already paid will be reclaimed. In case the performance falls substantially short of the agreed target, a bonus deduction (so-called 'malus') is applied for the particular year and target.

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 2010:

- Fixed annual salary: about 38 percent
- Add. fixed amount: about 18 percent (without pension entitlement)
- Annual performance bonus: about 22 percent
- Multi-year performance bonus: about 22 percent

Beyond this, the members of the Board of Management and selected executives of Generali Deutschland were included in the stock-option plan of the international Generali Group. The requirement for granting the options were 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 had to be reached.

With effect from the business year 2010, the international Generali Group has replaced this stock-option plan by a new Long-Term Incentive Plan. The remuneration based on that plan is paid in two subsequent three-year cycles both in the form of a cash component (after three years) and – on the basis of a co-investment by the member of the Board of Management as beneficiary – by the granting of bonus shares (after six years). The targets agreed for this purpose are both targets of the Generali Deutschland Group and international targets. The requirement for any additional remuneration is also the achievement of a target referring exclusively to the success of the Generali Deutschland Group. In fulfilment of a further requirement under the Long-Term Incentive Plan, the members of the company's Board of Management have waived the not yet exercisable stock options under the previous stock-option plan.

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 defined 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 under "Additional information/Remuneration of the Board of Management".

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.

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 under "Additional information/Remuneration of the Supervisory Board".

Directors' Dealings

In the business year 2010 there were no security transactions which would have to be declared in compliance with sec. 15a para. 1 sent. 5 of the Securities Trading Act (WpHG) or sec. 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.

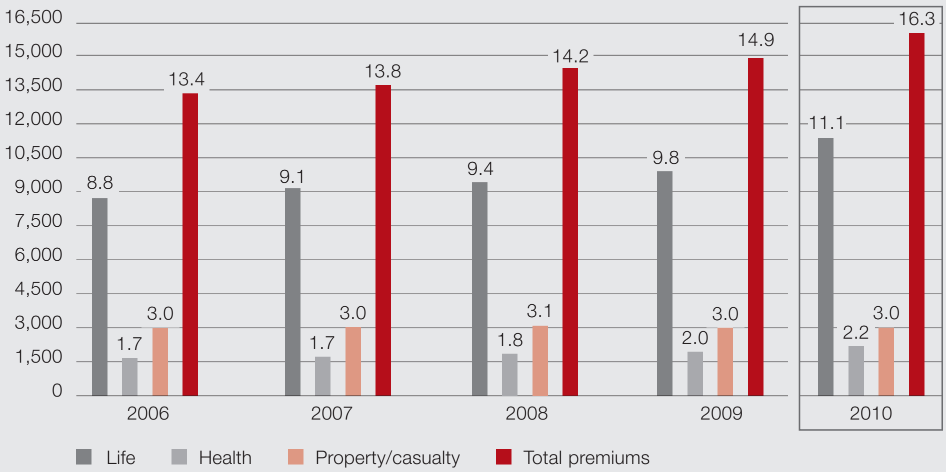
The framework provided by the Ethical Code is defined in more detail by the Code of Conduct of Generali Deutschland. The Code of Conduct comprises specific rules of conduct for the employees, in particular with regard to issues such as confidentiality, accepting and giving gifts or other grants, contract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

Total premiums 2006–2010

Figures in € bn

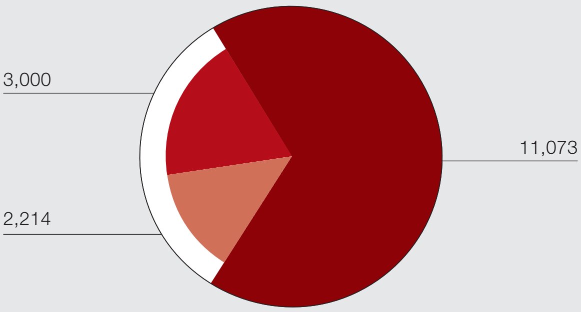


Growth of premium income since 2006

€ 2.9 bn

Total premiums of direct business 2010

Figures in € m



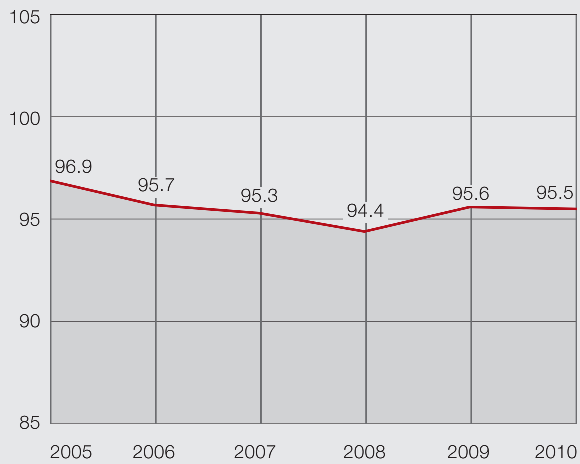
	Change over previous year
Life	12.5 %
Health	11.8 %
Property/casualty	-1.2 %

+9.6 %

Total premium growth in 2010

Combined ratio 2005–2010

Figures in %



-1.4 perc. points

Reduction of combined ratio since 2005

Flashlights: An eventful year for the Generali Deutschland Group

Future-oriented

Innovation fair, competition of ideas, Group-wide projects – these are catchwords which the Generali Deutschland Group fills with life on a daily basis.
"We want to act, not to react, we want to shape change actively", said Dietmar Meister at a meeting of the top 300 managers in summer. An attitude that is lived and breathed across the Group: 297 ideas were submitted in an innovation competition, four of which were rewarded with budgets of 300,000 euros each for project implementation. But even without a competition many innovations come from within the Group. AachenMünchener Versicherung, for instance, launched its new "Vermögenssicherungspolice" in September and added further innovative features to its successful property/casualty product while Dialog captivates with its new "SBU-solution" occupational disability policy.

35 Years of DVAG

More than 40 years ago, Prof. Dr. Reinfried Pohl developed the concept of integrated financial services. In 1975, on the basis of this idea, he founded today's Deutsche Vermögensberatung (DVAG). A good 35 years later the financial services sales organization with its more than 37,000 financial advisors takes care of about 5.5 million customers. In 35 years many things have changed, but the goals of DVAG have remained the same: show people ways to build wealth during their lifetime and thus achieve security for their old age. The cornerstones of this remarkable success story are, above all, consistency and a sound business model based upon performance and trust.
For the Generali Deutschland Group, DVAG is one of the most important success guarantors. With its outstanding distribution capacity it contributes to the steady growth of the Group. In its anniversary year, DVAG impressively demonstrated its innovation strength again and provided iPads to its 1,000 most successful financial advisors.

The year 2010 – a review

January At the turn of the year, Generali Versicherungen and Generali Deutschland Informatik Services successfully complete the IT migration of the property/casualty and claims system modules. This is not only to the benefit of Generali Versicherungen but to that of the entire Generali Deutschland Group.

February Advocard is the overall winner in the comparative test of legal expenses covers by the business magazine "Focus Money". Among all products tested, the insurance package of legal expenses covers for private life, work, motoring and rented flats, including the legal expenses cover Rechtsschutz PLUS XL, is granted the distinction of having the "best high-end tariffs of legal expenses covers".

March CosmosDirekt defends its title as best insurer. For the second consecutive time the company wins the competition as Germany's most customer-oriented service provider in the insurance industry.

April Generali Deutschland Services, the central service provider of the Group, realigns itself. Besides Onno Denekas, Chief Executive, Dr. Robert Wehn is appointed as a member of the Board of Management.

May Roland Stoffels becomes the Chief Executive of the claims management company Generali Deutschland Schadenmanagement GmbH. The other members of the management team are Roman Blaser, Christoph Gloeckner and Ulrich Rieger.

June At the 2nd Future Symposium, 150 representatives from science, politics and business meet in order to discuss the importance of the social volunteering of the elderly in times of demographic change.

July The Board of Management of Generali Deutschland Holding undergoes reorganization. Dr. Torsten Utecht becomes the Chief Financial Officer of Generali Deutschland Holding. Since then Winfried Spies has

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Employability Award

The Group-wide initiative "TODAY FOR TOMORROW: ENTREPRENEUR FOR MY OWN FUTURE" was awarded a prestigious prize in October. The Generali Deutschland Group won the first prize of the "Employability Award 2010" granted by the initiative "Ways to Self Inc." The award was assigned at the "Future Staff Fair 2010" in Cologne. With its concept "TODAY FOR TOMMOROW: ENTREPRENEUR FOR MY OWN FUTURE" the Generali Deutschland Group pursues the target of enhancing the employability of each individual. The focus lies on developing and implementing measures which support the job fitness of the employees and the company fitness of the Group.

400

Under the slogan "Helping helps – together we are strong" more than 400 employees of the Generali Deutschland Group were active in 36 charitable projects at seven locations at the end of September. Whether winterizing an adventure playground, accompanying the residents of a home for disabled persons on an excursion or giving job-application training to adolescents at a school for children with learning difficulties – the Generali Deutschland Group employees were glad to help. The volunteers were given a day off work for this purpose and donated their time, energy and knowledge for a good cause. After the successful start in 2009 in Cologne, the volunteer day took place all across Germany for the first time this year. The stronger integration of voluntary activities into corporate culture as well as providing an impetus towards further social commitment among Generali Deutschland Group employees are in the focus of this special day.

HELFEN HILFT
Gemeinsam stark.

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Responsibility

Sustainable economic management means assuming the responsibility for leaving for future generations an intact economic, ecological and social system which can be regenerated on a natural basis.
The Generali Deutschland Group has divided the development of its sustainability commitment into three perspective phases until 2012: during the building phase in the year 2008 the fundamentals were developed and the importance of sustainability in particular for an insurance group was confirmed. In 2009 this was followed by the structuring phase in which the organizational and conceptual framework was established. In the third phase until 2012, the focus is on professionalization in line with the strategic orientation of Assicurazioni Generali. Our Group-wide sustainability commitment has meanwhile been acknowledged by capital markets and the media – just recently the Generali Deutschland Group was included in the ASPI Sustainability Index and reached position 36 in the Global Green 100 ranking of the U.S. magazine "Newsweek".

Target Image 2015

In the second year after the merger of Generali Versicherungen and Volksfürsorge, the key issue was to lay the foundations for the coming years. Thus with the business-location model and the business model for corporate pensions, additional organizational prerequisites were fulfilled for operating efficiently and within clear structures. Above all, a concrete target image for Generali Versicherungen was developed for the year 2015 and the corporate strategy leading to this goal was established. This also encompassed the definition of binding values for joint action. With the strong participation of managers and many employees, a new mission statement was developed and leadership principles were adopted.

The year 2010 – a review

been concentrating exclusively on his tasks as Chief Executive of Generali Versicherungen.

Eleven Group companies present future-oriented ideas and products at the Innovation Fair. The focus is on communication through the new media.

One year after the launch of the new full health cover "central.vario" more than 86,000 customers have opted for this new cover of Central.

August The Generali Future Fund presents its first annual report and draws a positive balance: in the first 18 months of its existence, the Future Fund has actively encouraged social volunteering in Germany.

Deutsche Bausparkasse Badenia is assigned the KUBUS quality seal of "outstanding" for the top satisfaction of its customers with the company's telephone service. Badenia thus ranks among the top group in its industry.

September Martin Schramm becomes the new Chief Executive of Generali Deutschland Immobilien.

Dialog launches the stand-alone occupational disability product SBU-solution with an innovative approach: low premiums, high pensions. The idea behind this innovation is a stand-alone occupational disability cover of full-fledged protection for occupational disability, not a starter product.

AachenMünchener launches its new image campaign "Never play with money" (Mit Geld spielt man nicht). The new TV spot is shown by all TV stations covering a large public. The microsite www.mitgeldspieltman-nicht.de complements the Internet presence of AachenMünchener.

October On the basis of the interactive rating of the Generali Deutschland Group, FitchRatings assigns a AA- rating ("very strong") to the Group's core companies. The outlook is "stable".

Photos: Tombaky/Fotolia, DVAG, Ansgar van Treeck

New Head Office

Waiting two years and a half was worthwhile. At the end of June/early July the Aachen-Münchener employees in Aachen moved in to work under one roof. All in all, four buildings and two underground car parks were built in two construction stages. At the heart of the new complex is a building up to seven stories high. The new construction accommodates approximately 1,000 workplaces. About 250 invited guests came to the inauguration in September. Dietmar Meister, Chief Executive Officer of Generali Deutschland Holding, described the inauguration as the exemplary completion of the integration process of Aachen-Münchener Lebensversicherung and AachenMünchener Versicherung, who each used to have a different corporate culture of their own.

An Industry on the Upswing

The communication fair DKM (short for: Die Kommunikationsmesse) as the most important expert fair of the finance and insurance market, is an indicator of what moves the industry. 331 exhibitors and nearly 20,000 visitors came together at the end of October in the Westfalenhalle in Dortmund. The atmosphere was positive and the increasing optimism of independent brokers was perceivable. Five companies of the Generali Deutschland Group – Generali Versicherungen, Central, Advocard, Dialog and Generali Investments – presented themselves successfully at the fair. The shared fair booth of Generali Versicherungen and Generali Investments in the entrance area of the main hall resembled a gate. The presentations of the two companies joined together seamlessly and illustrated profound expertise. The demand for safety-oriented investments, such as the combined pension product KombiRente, was particularly strong. A further key topic of the fair were the opportunities the new media provide to distribution networks.

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Central is again the test winner of the current private health insurance test of "Focus Money" in 2010. The test refers to the top policies providing the largest benefits provided by 22 private health insurers. In all three test categories – benefits, premiums and credit quality of the provider – the central.vario cover achieved excellent results and was assigned the best mark of 1.6.

AachenMünchener redefined the highest security standard exclusively for its customers. In October 2010 the new property/casualty policy VERMÖGENSSICHERUNGS-POLICE (VSP) is launched. Especially the unlimited cover for household items, household glass and residential buildings makes the VSP the best combined product in the German insurance market.

November In the middle of the month, the new website of the Generali Deutschland Group goes online. At the address www.generali-deutschland.de the Group presents itself as young, modern and topical.

Right from the start, CosmosDirekt accompanies the introduction of the new identity card as the partner of the Federal Ministry of the Interior and tests possible fields of application in a coordinated test phase. For this the company receives a state funding and it will provide 100,000 scanners free of charge to interested customers.

December AachenMünchener is the overall winner of a service and performance analysis of the German Institution for Service quality (DISQ) and is assigned the title of the "Best Insurance Provider for Old-Age Provision 2010".

Arrival in the capital – about 300 employees are successful in the virtual walking competition of Generali Deutschland Holding, Generali Deutschland Immobilien and Generali Investments from Cologne to Berlin started in October. This competition brings a total of more than € 15,000 as donations for charitable purposes.

The Generali Deutschland Share

- In the course of the year, the Generali Deutschland share witnessed an above-average positive development.
- Generali Deutschland increases the dividend substantially by € 0.85 to € 3.75 per share.
- The Generali Deutschland share changes from the Prime Standard to the General Standard.

All through a large part of the year, persistent recession worries and the exacerbating sovereign debt crisis in the eurozone prevented the stock market from taking a clear direction. It was not until the fourth quarter of the year that new business optimism led to a marked rise of share prices. While the German indices DAX and MDAX saw a strong increase by 16.1 and 34.9 percent respectively, which was also true of the U.S. S&P 500 index gaining 15.1 percent, the 11.6 percent performance of the European DJ STOXX 600 index was somewhat more moderate.

In the course of the year, the Prime Insurance Index, which is of relevance for the German insurance industry, witnessed fluctuations and closed with a 9.0 percent gain. Independent of this, the Generali Deutschland share witnessed an exceptionally positive development by far outperforming the Prime Insurance index. At year-end the price of the Generali Deutschland share was € 91.00, which is noticeably above its level at the close of the previous year. Taking into account the dividend, this equals a performance of 27.7 percent.

Market places and indices

In December 2010, Generali Deutschland filed an application with Deutsche Börse AG to revoke admission of the share to the Prime Standard. The revocation of the listing in the Prime Standard was published by Deutsche Börse AG on the Internet on December 28, 2010.

Until March 28, 2011, the Generali Deutschland share is still listed in the Prime Standard segment. After March 28, 2011 the share will be listed in the General Standard, which provides for a reduction of reporting requirements compared to the Prime Standard. In the future, Generali Deutschland will therefore replace its current extensive quarterly reports for the first and third quarters by interim announcements in compliance with sec. 37 of the Securities Trading Act (WpHG).

The Generali Deutschland share will continue to be traded in all German stock markets. With 97.2 percent, the bulk of share transactions was handled by the Xetra electronic trading platform in 2010.

Dividend for the business year 2010

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 have thus benefited from the successful business development through continuously rising dividends. In the years 2008 and 2009, it was possible to keep the dividend at a constant level thanks to the good financial strength of the Group.

Against the background of substantially improved Group earnings of € 402.1 m, the Board of Management and the Supervisory Board propose to the General Meeting to be held on May 26, 2011 to increase the dividend per unit share by € 0.85 to € 3.75 for the business year 2010.

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

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, 2010

indirectly through subsidiaries, holds a total share of 93.02 percent in Generali Deutschland. The free float 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 garget of our Investor Relations activities is an open and trustful communication with institutional and private investors as well as analysts through which we make the economic strength of our Group transparent to the capital market. Interest investors have access to information on the Generali Deutschland share on the website www.generali-deutschland.de, "Investors" section. This section also provides, inter alia, 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 2011 are indicated on the back cover pages.

The Generali Deutschland share at a glance

		2009	2010
Bearer share			
Number of shares (as at Dec. 31)		53,679,994	53,679,994
Highest price	€	77.75	96.45
Lowest price	€	41.70	73.63
Year-end price	€	73.64	91.00
Market capitalization	€'000	3,952,995	4,884,879
Dividend distribution	€'000	155,672	201,300*
Key figures per share			
Earnings per share	**€**	**6.09**	**7.43**
Dividend per share	**€**	**2.90**	**3.75***

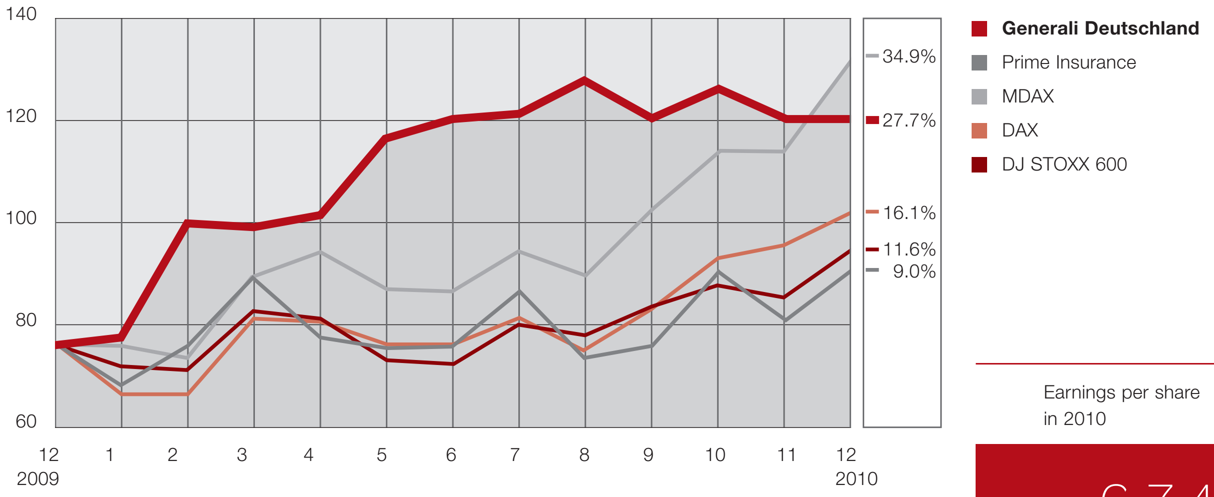
* subject to shareholder resolution at the General Meeting

as at Dec. 31, 2010

Year-end price

€ 91.00

Performance of the Generali Deutschland share in the year 2010



Indexed performance development; December 31, 2009 = 100

Earnings per share in 2010

€ 7.43

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.
- The leading international 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.
- Our Group is thus the only primary insurance group in Germany having interactive ratings from the four rating agencies of international renown.

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 as well as the strong operating performance and a positive assessment of strategy and management.

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 experts 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 channels, its conservative investment strategy and prudent reserving policy.

Financial strength ratings of the four renowned agencies again affirmed

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 "stable". 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". The rating reflects the strong position of the Group in the German market and a resilient operating performance. According to A.M. Best the Generali Deutschland Group 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 the 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 December 31, 2010

Chap. 2

Group Management Report

Pages 030–088

Economic environment 2010

- In the closed business year, the recovery of the global economy was marked by strong regional differences and by worries about a possible expansion of the sovereign debt crisis.
- After a reluctant performance of financial markets for most of the year, new business optimism towards year-end led to a stronger rise in yields and equity prices.

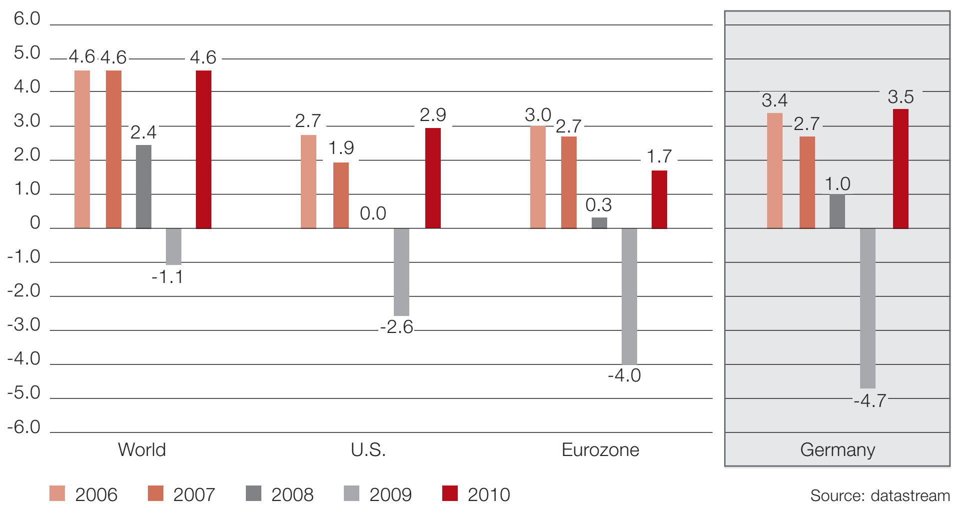
After the steep recession in the wake of the financial crisis, the global economy recovered noticeably in 2010. While in 2009 the global economic output had shrunk, it expanded again by markedly more than 4 percent in the year under report.

The speed of this recovery, however, witnessed substantial regional differences: while the developing and emerging countries in Asia left the crisis behind and achieved growth rates which in some cases were in the double-digit range, growth in the U.S. and in Europe was considerably lower than after previous recessions.

But also within the group of industrial countries developments were strongly contrasting. Germany and Japan grew by more than 3 percent thanks to a strong rise in exports demand from Asia and persistent momentum under monetary and fiscal policy. In addition, Germany witnessed increasingly positive impulses from domestic demand in the course of the year. The economic output of some peripheral eurozone countries (Greece, Ireland, Spain), however, dropped further. The beginning of drastic measures to consolidate public households left its mark in these countries. Furthermore higher taxes, persistently high debt-equity ratios of companies and private households and the uncertain economic perspectives had an adverse impact on investments and consumer spending. Only thanks to the very expansive monetary policy of the European Central Bank (ECB) was it possible to prevent these countries from sliding deeper into recession.

Economic growth in selected regions since 2006

Figures in %



Source: datastream

Increase in total economic output in Germany

+3.5 %

Yield development in selected asset classes[1]

	2006 %	2007 %	2008 %	2009 %	2010 %
Bonds[1,2]					
World	6.1	11.0	10.9	2.6	5.2
U.S.	3.1	9.0	13.9	-3.7	5.8
Eurozone					
Government bonds	-0.4	1.9	9.5	4.5	1.4
Corporate bonds (not including financial instruments)	0.5	0.8	0.9	16.2	5.1
Shares[1,3]					
S&P 500	15.8	5.5	-37.0	26.5	15.1
DJ STOXX 600	20.8	2.4	-43.8	32.4	11.6
DAX	22.0	22.3	-40.4	23.8	16.1

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

DAX performance in 2010

+16.1 %

Financial markets

For large parts of the closed business year, financial markets were dominated by two major issues: worries about the sustainability of economic recovery on the one hand and the sovereign debt crisis in the eurozone on the other hand.

Persistent recession fears kept financial markets in a state of suspense well into autumn. This was primarily attributable to economic data in the U.S. weakening over the summer months, which in the end caused the Federal Reserve to resume its policy of buying treasury bonds.

In addition, there were serious concerns about the future of the eurozone. In spring the economic and financial crisis turned into a crisis of sovereign debt. It was triggered by the considerable budget deficit of Greece for the year 2009 which, besides, was admitted late. Rising risk premiums for Greek government bonds then swiftly put the country at the brink of insolvency only to be averted by a comprehensive rescue package of the European Union (EU) and the International Monetary Fund (IMF). The dramatic situation in Greece made financial markets focus their attention on the viability of state budgets in the southern countries of the eurozone. Ireland, which was seriously affected by its banking industry, got under substantial pressure, too, and had to take recourse to the joint rescue fund of the EU and the IMF at the end of the year.

In the wake of persistent worries about the economic development, an expansive monetary policy and the need to find safe asset classes, the yields of U.S. and German government bonds had dropped substantially by the end of the first nine months of the year. With slightly over 2 percent, the yield of 10-year German government bonds even fell to a new record low. At the same time, the risk premiums for bonds of some peripheral eurozone states temporarily increased dramatically. It was not until the ECB purchased government bonds for more than € 70 bn that the European bond market started stabilizing to some degree.

Towards year-end, however, the yields of German and U.S. government bonds again rose markedly in the wake of regained economic optimism. In December they were only slightly below the levels of the beginning of the year.

For large parts of the year, recurring recession worries and the sovereign debt crisis prevented stock markets from taking a clear direction in 2010. It was not until the last quarter of the year that stock markets gained sustainable momentum. There were, however, regional differences. While the German DAX index saw strong gains, the increases were somewhat more moderate for the U.S. S&P 500 and the European DJ STOXX 600.

Insurance industry and financial services sector

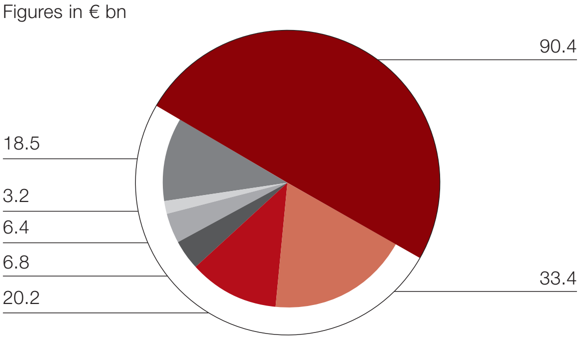
- In 2010, the German insurance industry achieved a robust premium growth of 4.3 percent.
- Life and health insurers, in particular, made a substantial contribution to market growth while the property and casualty insurers only generated a slight rise in premium income.
- Life business in terms of single premiums again witnessed a strong increase without, however, reaching the previous year's growth rate.

In the business year 2010 the German insurance industry achieved strong growth in premium income which was again attributable to high single premiums in life insurance. According to provisional figures referring to the 464 insurance companies which are members of the German Insurance Association (GDV), the average growth rate was 4.3 percent. This is slightly above the previous year's level of 4.2 percent. The total premium income across all lines and classes amounted to € 178.9 bn (previous year: 171.4 bn).

The positive development in 2010 was again attributable to the life and health insurers. The gross premiums written in life insurance rose by 6.0 percent to approx. € 90.4 bn (previous year: 85.2 bn). Without pension schemes and pension funds premium growth was 7.1 percent (previous year: 6.6 percent). In 2010, the development of life business was also strongly influenced by single premiums. The growth rate of 29 percent, however, was markedly below the 2009 level of 60 percent. With a volume of € 27 bn, single premiums represented more that 25 percent of the total premium income in this field. More than half of the single premiums in new business referred to pension policies with immediate or deferred pensions. In this context, there was not only the impact of commutations of corporate pension obligations or of flexible options for additional premium payments under long-term retirement products, but Riester incentives witnessed a substantial increase, too. Despite the economic and financial crisis the number of contract cancellations continued to decline, like in 2009. This development shows that policyholders stick to their retirement policies even in times of economic difficulties. The German life insurers also regard this as a clear mark of confidence in their products.

2010 premium income of the German insurance industry by lines of business

Figures in € bn



Source: GDV (as at Dec. 2010/Jan. and Feb. 2011)

Property and casualty insurance

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

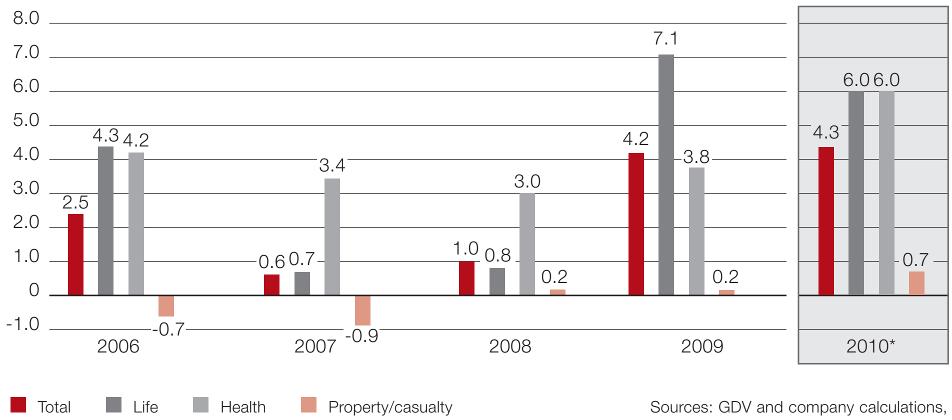
- **Life**
- **Health**

+0.7 %

Rising premium income in property and casualty insurance

Premium growth of the German insurance industry by lines of business 2006–2010

Figures in %



* preliminary figures

Figures in %; including pension schemes and pension funds

Sources: GDV and company calculations, Dec. 2010/Jan. and Feb. 2011

Life and health insurers reach highest premium growth in German insurance industry in 2010

+6.0%

2010 premium income of the German insurance industry by lines of business

	Premium income € bn	Change over prev. year %
Life insurance	**90.4**	**6.0**
Private health insurance	**33.4**	**6.0**
Property and casualty insurance*	**55.1**	**0.7**
Motor insurance	20.2	0.6
Property insurance for retail customers	7.9	2.0
General liability insurance	6.8	-1.0
Personal accident insurance	6.4	0.5
Legal expenses insurance	3.2	1.0
Other classes	10.6	1.3
Total insurance	**178.9**	**4.3**

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

German market, preliminary figures

Sources: GDV and company calculations, Dec. 2010/Jan. and Feb. 2011

Rising premium income for private health insurers

€ 33.4 bn

The private health insurance market depends to a particular extent on political decisions. On January 1, 2010 the so-called Citizen Relief Act came into force. This act provides for premiums of private health insurance covers being fully deductible from tax to the extent the type, scope and amount of the policy corresponds to the cover provided by public health insurance. The premiums paid for statutory long-term care insurance are also tax-deductible. Beyond this, in 2010 the discussions on healthcare policy were characterized by the fundamental reform of the public health insurance scheme. The private health insurers achieved a premium income of € 33.4 bn in 2010, which equals a growth of 6.0 percent compared to the previous year. Out of that amount € 31.2 bn (+6.3 percent) were attributable to health insurance and

€ 2.1 bn (+2.2 percent) to long-term care insurance. After strong growth in the previous year, the net new business in full-health insurance witnessed a slowdown. The number of persons with full-health covers has meanwhile reached approx. 8.9 million. Besides, more than 21.5 million persons had taken out supplementary private policies in addition to their public health covers by the end of 2010.

The premium income in property and casualty insurance witnessed a slight upturn in 2010. The total premium income in this segment rose by 0.7 percent to € 55.1 bn (previous year: 54.7 bn). This was primarily due to the development in motor insurance which, for the first time in six years, experienced a small premium growth of 0.6 percent (previous year: -1.5 percent). Motor insurance is the biggest line of property and casualty insurance and represents approx. 37 percent of the total premium income in this segment. The other lines of property and casualty business also experienced slight premium growth: property insurance for retail customers grew by 2.0 percent (previous year: 3.0 percent). Personal accident insurance and legal expenses insurance increased by 0.5 percent and 1.0 percent respectively (previous year: 0.5 and 0.1 percent respectively) while general liability insurance witnessed a slight decrease of 1.0 percent (previous year: +0.1 percent).

After calming down in 2009, the market of building-society business again achieved new business growth in the year under report. The submitted new business of private-sector building societies thus increased to 2,199,235 contracts (previous year: 2,007,245) equalling target contract sums of € 67.4 bn (previous year: 60.5 bn). New business actually recognized reached 2,012,894 contracts (previous year: 1,987,689) with target contract sums totalling € 58.7 bn (previous year: 56.0 bn). The contract portfolio in terms of target contract sums reached a record high of € 516.1 bn. The market share of private-sector building societies in new business remained at approximately two third which is a nearly constant level compared to previous years. The new savings investments of private-sector building societies increased to € 18.1 bn (previous year: 16.3 bn). Buildings loans paid out dropped to € 21.6 bn (previous year: 24.4 bn).

Code of conduct for the distribution of insurance products

For years the insurance industry has been supporting consumer protection with various different initiatives. In the industry, high quality standards are thus well established for the distribution of insurance products. These standards have stood the test in practical work and the German government has adopted them for other financial industries. Insurers in Germany pursue the target to further enhance the trust of people in the quality of insurance intermediaries.

For this reason, the German Insurance Association (GDV), together with its member companies, has developed a code of conduct. In particular, ten guidelines for the cooperation of insurance companies with insurance intermediaries have been formulated with the aim to underline the high quality of customer advice and service and to safeguard that quality on a durable basis.

The Generali Deutschland Group stands firmly behind this code of conduct. Therefore Generali Deutschland Holding has also acceded to the code and promotes the implementation of the ten guidelines.

Development focus of the Generali Deutschland Group

- Strong brands and the diversity of distribution channels are the basis for the outstanding development of the Generali Deutschland Group.
- The success of the Generali Deutschland Group is reinforced by the concentration on profitable business segments and an efficient organization.
- Numerous activities, such as the further optimization of processes and the launch of new IT systems, enhance the Group's competitiveness and performance.

Successful business model

The Generali Deutschland Group is established on sound foundations. In particular the diversity of distribution channels and the concentration on strong brands contribute to the Group's successful development. These are the features distinguishing us from our competitors. The focus on profitable business with retail customers and small to medium-sized commercial clients as well as the effectiveness of our organization are also important elements ensuring the success of the Group. In this context, the allocation of roles between Generali Deutschland Holding AG 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 thus in particular responsible for distribution and corporate-brand activities. The rendering of important services for the Group is concentrated in the service companies.

The companies of the Group operate with various sales channels and a differentiated product range focussed on different lines of business. This is centred on consistently benefiting from the diversity of distribution channels by means of a distribution model based on three pillars. These three pillars are 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 among direct-selling insurers in Germany. In addition, the Group continues to focus on the strength and competency of its specialized companies Advocard, Badenia, Central, Envivas, Dialog and Generali Investments. The diversity of these company and product 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 synergies and a strong leadership in the Group through Generali Deutschland Holding lead to a cost-efficient cooperation.

Furthermore, thanks to the integration into the programmes of the Generali Group operating worldwide, we have the advantage of the economies of scale of the international group. We make use of international benchmark analyses and benefit from an exchange of expertise across the Group.

Successful strategic partnership with Deutsche Vermögensberatung

For more than 35 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 have a strong advisory capacity. 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.

Measures aimed at reaching ambitious targets

The Generali Deutschland Group is very well positioned in its business segments. Due to our overall strategic orientation and the consistent implementation of our business model we proceed from an excellent basis as the second-largest primary insurance group in the German market. For the coming years, too, we pursue ambitious targets: as a group we are set to become the number 1 in profitability and distribution strength in business with retail customers and small to medium-sized commercial clients in the German market. In order to achieve this target and to enhance the competitiveness of our Group, we again launched and implemented comprehensive initiatives and project activities.

> The Generali Deutschland Group is based on sound foundations

Our projects were focussed on enhancing the IT systems used in the fields of distribution, financial reporting and human resources. Furthermore comprehensive measures were launched or completed to further reinforce the market and customer proximity of our Group companies and to sustainably increase profitability. Besides, our activities concentrated on preparing the Generali Deutschland Group for the requirements of Solvency II and on the future recognition of insurance contracts in compliance with IFRS 4 phase 2 under international financial reporting.

Activities in the Group companies

In addition to the mentioned activities at Group level, the individual Group companies, too, pushed numerous measures focussing on the development of customers and markets.

Generali Versicherungen have developed a concrete target image for the year 2015 and identified the corporate strategy leading there. In order to reach this target image, an extensive activity programme has been set up, in which also the major follow-up activities under the merger of Generali Versicherungen and Volksfürsorge Versicherungen are consolidated. The activity programme comprises issues referring to the areas of property/casualty, life, distribution as well as cross-sectional measures. It aims at improvements in the fields of growth, profitability and quality.

In AachenMünchener Versicherungen, the optimization of the service for fieldstaff and customers was consistently continued and additional measures were launched in 2010. The target is to provide even better support to the financial advisors of Deutsche Vermögensberatung AG, thus further improving customer advice and customer service.

Our direct-selling insurer CosmosDirekt launched a comprehensive activity programme in order to further enhance the quality perceived by customers. This also involves an improved use of the Internet. The target is to make CosmosDirekt "the insurer in the web". For that purpose, customers are offered professional advice by the integration of advisory videos and by the intelligent interlinking of Internet and telephone. In addition, personalized information as well as clearly structured service tools are made available for all important contract transactions.

Central took a variety of measures again in 2010 in order to enhance the health insurer's position as a healthcare specialist in the German market. The claims handling areas, for instance, were substantially reinforced in order to increase customer service.

In 2010 the sales networks of the Generali Deutschland Group launched a project, together with their product providers, to enhance cross selling. In this context a broad variety of distribution measures were initiated in the field of products, sales processes, sales controlling as well as marketing and sales support.

Development of a portal platform

Another project deals with developing the portal platform which already today is a central link between IT systems, processes and various user groups: our distribution partners are assisted by state-of-the-art, portal-based sales support, such as providing all functions of distribution processes, making available up-to-date and consistent information and allowing services under which processes can be handled conclusively. In the future, agencies will have access to online information – i.e. independent of time and place – on sales support, pricing components and will have the systems for the handling of contract portfolios, claims and office organization at their disposal. At year-end 2009 already, online pricing modules were made available for the first lines of business. In the year 2010 the functions of various applications were optimized and enhanced. Online pricing, for instance, is now possible for additional life and property/casualty products. The office functions available to our distribution partners were improved and developed further. There is the perspective of making the portal platform also available to additional user groups. The focus is on successively including our customers, administrative services and more external partners.

Our distribution partners are supported by state-of-the-art sales portals

Solvency II and IFRS 4 phase 2

It is expected that starting from 2013 the institutional environment for the insurance industry will change substantially with the implementation of Solvency II and the planned recognition of insurance contracts in compliance with IFRS 4 phase 2.

In order to ensure the optimum implementation of the requirements resulting from Solvency II for the international Generali Group, a transnational project was initiated. On the basis of the frameworks developed in this project and supported by the results of a comprehensive preliminary study, the Generali Deutschland Group started extensive project activities in the third quarter 2010. The major target of the Solvency II project is to further improve the existing risk model and to develop an internal model which fulfils certification requirements and is to be used in the future for controlling and capital allocation. For that purpose it is indispensable to build up an adequate IT environment. The project therefore also pursues the target to further automate the preparation of data and the necessary data flow as well as to enhance the existing data cores.

With regard to international financial reporting, the IFRS standard on the measurement of insurance contracts (IFRS 4 phase 2), which is expected to become final in summer 2011, will have to be implemented in the reporting process. For that purpose a comprehensive measurement model for insurance contracts has to be developed. In this context it is also necessary to adjust the IT landscape with the target of optimizing the keeping of data as well as automating the data flow as well as the analysis and reporting functions. Until publication of the final standard, basic issues of modelling and reporting will be addressed in order to successfully start the implementation project in July 2011 on the basis of this preparatory work. For the purpose of taking into account interdependencies between Solvency II and IFRS 4 phase 2 on a systematic basis, the corresponding project activities are closely interlinked with one another.

SAP modules

In order to respond to the increasing complexity of local and international accounting rules and to further enhance the quality, efficiency and speed of our closing processes we initiated a project mainly focussing on the harmonization and modernization of the systems for preparing financial statements on the basis of SAP modules. These modules have already contributed to a further optimization of the closing processes in terms of quality and rapidity.

Furthermore, in the first quarter 2010 a project was initiated which aims to successively replace the existing IT systems in human resources by the system platform SAP HCM. By including all HR processes in this harmonized platform in the future, the Generali Deutschland Group will be in a position to further improve efficiency and effectiveness in HR administration. Besides we also pursue the target of further increasing process quality and employee satisfaction in the field of HR processes. In the third quarter 2010 the phase of developing the corresponding concept was largely completed, the implementation of important harmonization issues was initiated and the implementation phase started. The systems will start to become productive already in the first half of 2011.

Development focus in the business fields

Life insurance

The life insurance industry is unable to fully elude the still noticeable impact of the financial market crisis and the ensuing insecurity of consumers. This affected the business of retirement savings in particular. Consumers often postpone larger investments or long-term contractual obligations. Nevertheless "security" has become an increasingly significant issue for people. They are more and more becoming aware that it is of great importance for them to take out crisis-proof provision for existential risks, such as premature death or occupational disability, and to ensure their retirement income. Currently there is a particularly strong demand for occupational disability covers. We have positioned ourselves accordingly in this field.

Our life insurers are continuously adjusting their product range to the requirements of the market. In terms of pure term life insurance we offer tailored covers with a differentiated pricing to reward a health-conscious behaviour of customers. This also applies to occupational disability insurance where we 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 them to cover these risks already when starting their career and founding a family, without having to neglect systematically building up their retirement savings. In order to respond to the changed life situations involving an interruption of professional careers, rising mobility and the strong need to complement pensions under the state-run scheme, we continue to develop flexible retirement products, such as the recently launched flexible pension plan of CosmosDirekt.

The rise in single premium business across the life insurance market also illustrates that investors are becoming increasingly aware of the safety provided by life insurance products. They are looking for safe and flexible options to invest available capital on a long-term basis as retirement savings while at the same time maintaining the possibility of using it in the short term in the case of an emergency situation, such as unemployment or short working hours. Our life insurers have responded to this customer preference by offering various single premium products: from highly flexible capitalization covers with low interest rates up to immediate annuities definitely agreed without an option of cancellation, which benefit from the attractive overall return of our life insurers. This allows our customers to adjust their insurance cover on an individualized basis in line with their requirements.

Our life insurers continuously adjust their products to market requirements

The call-money capitalization product Cosmos Tagesgeld Plus links flexible short-term investments with the security of a German life insurance policy. The product, however, does not provide a guaranteed pension. Flexibility and guaranteed pensions are combined in the products AachenMünchener Rendite plus, Generali 3-Phasen-Rente and Cosmos Flexibles Vorsorgekonto. We also continue to generate single premiums under Riester contracts, additional premiums under basic pension contracts, pension contracts with immediate annuities, the reinvestment of maturity benefits, the commutation of direct obligations under corporate pension schemes and our participation in the safety net Pensions-Sicherungs-Verein.

In corporate pension insurance, the Generali Deutschland Group is a competent partner for all vehicles of this business. Our insurance companies provide innovative solutions involving advantages for both employees and employers.

According to the statistics of the German Insurance Association GDV, the market share of Generali Deutschland PENSOR Pensionsfonds has risen to 35 percent in single premium business by year-end 2010. This illustrates that we are excellently positioned in this segment.

In 2010, the pension obligations under the pension schemes of Coca-Cola GmbH and the worker pension scheme of Villeroy & Boch AG were transferred to Generali Lebensversicherung in 2010. These transfers were made pursuant to the amended sec. 14 of the Insurance Supervisory Act; it was the first time this type of transaction was made by an insurance company.

In November 2009 the association Generali Deutschland Treuhand e.V. was founded. This contractual trust agreement (CTA) became operative in 2010 and is used to complement our product range of innovative concepts in corporate pension business.

The Generali Deutschland Group is a competent partner in corporate pension business

For all products, customers get personal advice from our competent fieldstaff networks with regard to the risk and opportunity profile suiting their personal life situation when taking out a contract.

Health insurance

In the year 2010 the German parliament passed important reforms in healthcare policy, in particular the Act on the Financing of Public Health Insurance (GKV-FinG) and the Act on the Reorganization of the Pharmaceuticals Market. These new regulations provide more options for many policyholders and have reinforced competition.

The GKV-FinG abolishes, inter alia, the three-year waiting period for employees when changing over from public health insurance to the private health insurance scheme. This restablishes the situation which had already existed before the previous healthcare reform in the year 2007. Starting from 2011 it is easier for employees to change over to private health insurance because both the salary threshold and the waiting period were reduced. Employees are free to leave the public health insurance scheme at the end of the year in which their salary exceeds the annual salary threshold if their salary is expected to exceed that threshold also in the following year. The new rules came into force on December 31, 2010.

Another major feature of the amended legal rules for the financing of the public health scheme is the increase of the general contribution rate of public health funds from 14.9 to 15.5 percent with effect from January 1, 2011. Furthermore, the public health funds may also charge their members with individual additional contributions which are not related to income and are not subject to a maximum limit.

In November 2010, the German parliament passed the Act on the Reorganization of the Pharmaceuticals Market (AMNOG). For the first time private health insurance, which like the public health insurance scheme is faced with a steep rise in healthcare costs, will be included in the cost-curbing measures of the new act on the discounts on pharmaceutical prices. The prices which the head organization of public health insurance negotiates for pharmaceuticals will in the future also be applied to private health insurers.

The Group's health insurers have further expanded their policyholder portfolio

In 2010 our health insurer Central further expanded its portfolio of policyholders. This success is attributable to multi-channel distribution with a strong advisory capacity and Central's product range providing strong benefits to the target groups at which it is oriented.

Since 2004 already, private health insurers and public health funds 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 biggest public health funds in Germany which has for years distinguished itself from the market by good service and high customer satisfaction. Envivas offers supplementary covers to the members of TK which are in line with their requirements and a perfect addition to their public health insurance. Envivas is one of the most successful companies in the cooperation market offering, in particular, a broad range of products and individualized tariffs which are being consistently enhanced.

Property and casualty insurance

The strategy of the Generali Deutschland Group in property and casualty insurance is characterized by a return-oriented underwriting policy and the selective reinforcement of profitable business fields. In this context, the primary focus is on the requirements of customers. Thanks to the consistent use of our distribution and company resources we were again successful in pursuing our activities in 2010.

Like in previous years, high saturation in the property and casualty market leads to keen competition for business. This is even intensified by the strong price sensitivity of customers.

New motor tariffs improve competitive position in challenging market

We respond to this situation by launching new products for retail and corporate customers. Besides the introduction of new innovative products, the maintenance of the existing product portfolio is of great importance. We thus react swiftly to the changing requirements of customers thereby achieving features which distinguish ourselves from our competitors.

With the new motor insurance tariffs launched in 2010, AachenMünchener and Generali Versicherungen were in a position to offer products with strong benefits and a further enhanced price-benefit ratio. CosmosDirekt swiftly responds to the changes in the direct-selling insurance market with its new motor tariffs. The Group companies are thus setting the course in a market environment that continues to be challenging.

In the third quarter of the year, AachenMünchener expanded its competitiveness in property and casualty insurance by enhancing its property product Vermögenssicherungspolice, which distinguishes itself by numerous extensions of benefits and the abolition of indemnity limits. In the market, the Vermögenssicherungspolice is currently among the products of private property cover with the strongest benefits and best product ratings.

With the launch of its bank-account cover package at the beginning of the year, which obtained the award of the "Insurance Innovation of the Year 2010" CosmosDirekt has extended its product range to include cover against the financial consequences of credit card fraud oriented at the requirements of customers.

Deutsche Bausparkasse Badenia

Deutsche Bausparkasse Badenia is the "residential property specialist" within the Generali Deutschland Group. On the basis of this positioning, Badenia is an important element within the Group's strategic alignment with is diversity of distribution channels and brands. Badenia offers a broad range of financing for the construction, purchase and modernization of residential property and for debt conversion. With its savings contracts and its mortgage, Riester and investment products, Badenia completes the Group's range of integrated financial services.

Badenia is the specialist of the Generali Deutschland Group for the financing of residential property

After the amendment of the Building Society Decree with regard to the maximum limits of so-called loans in blank, Badenia raised these loans to € 30,000 in 2009. The owners of property now have the possibility of obtaining building loans and interim finance up to this statutory limit without registering a mortgage in the land register. In the year under report, these new products met with much acceptance among customers and fieldstaff networks which was illustrated, among others, by an increase in interim finance business.

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) – focuses on the optimization of sales support while at the same time improving customer service. Automation in the field of loans has progressed in 2010. The verification and handling of both loans in blank and loans with a collateral was further accelerated. In building society business, the automation degree was increased by the option of automated contract changes or by changes integrated into the electronic handling process.

Reinsurance

Generali Deutschland does the treaty reinsurance business for the Group companies and manages the external reinsurance requirements. It thereby assumes the function of an internal reinsurer within the Group. The Generali Deutschland Group is thus in a position to benefit from diversification effects between the lines of life, health and property/casualty business as well as between the individual Group companies. Furthermore in property and casualty business, the Group concentrates on business with retail customer and small to medium-sized commercial clients. As a whole, this enables the Group to hold a high retention. On a consolidated basis, the retention of the Generali Deutschland Group in the property and casualty segment is more than 97 percent while the market average amounts to approx. 80 percent. The treaties concluded with reinsurers of a good credit standing protect our Group against major claims, claims accumulations and claims caused by natural perils.

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 particular, in 2010 a special property fund for retail businesses was successfully developed and will be further enhanced in 2011. The future orientation of the property asset class will continue to focus on the active management and optimization of portfolios and an intensified integration of the international Group-wide activities in the property field. For this purpose, the former fields of “indirect investments”, “German investments” and “property development” were consolidated into one area.

97 %

The Group’s retention is noticeably above the market average

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), aiming at enhancing QUALIFICIENCY (quality and efficiency), was introduced for additional projects and thus pushed further. As a whole, 65 AGIL projects were successfully completed in 2010 and since the start of this programme, more than 250 managers and employees have been trained in this methodology which is certified by the German technical inspection agency TÜV. We have further enhanced our Group business architecture as the basis for successful process management. Under that architecture, the responsibilities for all business processes have been clearly defined.

65 AGIL projects successfully completed in 2010

Group benchmarking as an important approach for a continuous improvement of processes has been integrated into the Group planning process and represents the basis, within that process, for formulating targets. Besides the measures aimed to increase productivity and efficiency, the recommendation index “Weiterempfehlungsindex” (WIN) was developed and implemented as a pilot to derive further measures in order to enhance customer satisfaction.

Sustainability

For the Generali Deutschland Group as one of the leading insurers in Germany, sustainability is a central feature of entrepreneurial values. Beyond economic aspects, we consider that business activities involve the overall responsibility to create added value for the company, the environment and for society. The trust of our customers is the prerequisite for our future success and the sustainability of our activities is the basis for ensuring our competitiveness in the future. In order to respond to this responsibility we comprehensively enhanced our sustainability strategy, which is binding across the Group. By means of this strategy we ensure that sustainability is integrated into all business processes.

In the Generali Deutschland Group, sustainability is an element of Group-wide corporate culture. In this context we provide security and peace of mind for our Group companies permitting them to operate sustainably and profitably in their own responsibility. In our strategic orientation it is vital, however, that strategic impulses come from one central place and that the measuring and controlling of sustainability activities are consolidated. For this purpose, a central unit for sustainability management was founded in 2009 and further integrated in the Group in 2010. That unit reports to the Group Sustainability Committee, a body consisting of the members of the Board of Management of Generali Deutschland Holding AG, the Managing Directors of individual Group companies and the heads of the functional departments.

The Generali Deutschland Group also pushes the development of entrepreneurial sustainability by supporting external initiatives and as a member of bodies and organizations with a sustainability relevance.

The Generali Deutschland Group is an independent participant in the "Carbon Disclosure Project". Every year that independent organization invites international companies to disclose its carbon emissions and climate-change strategies in a comprehensive questionnaire. In 2010 the Generali Deutschland Group also joined the Association for Environmental Management and Sustainability in Financial Institutions (VfU). The VfU is the only European association dealing with the special sustainability and environmental issues of financial service providers.

Sustainability is a central feature of our entrepreneurial values

Environmental protection

Environmental protection and ecological responsibility are important elements in our entrepreneurial activities. For this reason, for some time already the Generali Deutschland Group has been implementing measures with a view to energy efficiency and resource management. One important illustration of these efforts is that 100 percent of our electricity consumption has been coming from regenerative energy sources since the beginning of 2010. Within the scope of our Group-wide sustainability strategy we have also defined numerous targets, key performance indicators and activity programmes in the closed business year in order to further improve our environmental performance. In this context we have set ourselves clear targets: by the year 2012 the carbon emissions of the Generali Deutschland Group are planned to decrease by at least 50 percent compared to the 2008 level and the further consumption of energy and resources is to be noticeably reduced compared to 2009. For all areas we have defined the corresponding targets and operating fields. Activities are focussed on the following:

- increasing the energy efficiency of the property occupied by Group companies;
- monitoring the property portfolio with a view to establishing rehabilitation needs in terms of energy consumption;
- improving the environmental efficiency of our information and communication technologies;
- significantly reducing the carbon emissions caused by our business processes;
- ensuring that purchasing is done on an ecological and socially responsible basis;
- reducing business travel.

By cutting the consumption of energy and resources we do not only reduce the negative impacts on the environment but also the costs in this field. With the introduction of a Group-wide environmental management system in 2009 and the publication of our environmental policy last year we have achieved important milestones on our way to a more sustainable corporate orientation.

100% of our energy consumption from renewable sources

In order to link our social commitment also with the issue of protecting nature and the environment, the Generali Deutschland Group entered a perspective cooperation partnership in the closed business year with the Association of German Natural Parks (VDN). The VDN is the umbrella organization of the 103 natural parks representing approx. 25 percent of the total German territory. The natural parks are primarily financed and sponsored by the local districts and communities as well as by the German regional states. The tasks of the natural parks are the protection of nature and landscape, recreation and sustainable tourism, environmental education and a sustainable regional development. They thus make important contributions, such as for a sustainable development in Germany, for climate protection, the preservation of biological diversity and healthcare for the population. The official kick-off for the joint programme “Social commitment in natural parks” was in February 2011.

The Generali Future Fund supports social volunteering

Social commitment

Generali Deutschland Holding has established the Generali Future Fund as a sustainable instrument for responding to the company’s corporate social responsibility. This continues a tradition established in 1825 and places the social commitment of the company under the headline “Demographic change – our shared challenge”. With the Generali Future Fund we make a contribution to supporting the places where our companies are located in terms of science, culture, education, environment, healthcare and society and we sponsor projects across Germany which benefit from social volunteering as an opportunity to respond to demographic change. In this context, we focus in particular on the commitment of the older generation as this group is becoming increasingly bigger and disposes of a great potential of experience, time and energy.

In the year 2010 more than 50 projects were thus sponsored which contributed to turning the rising willingness of the elderly to become involved in favour of others into concrete social activities, to studying scientific findings about social commitment, to creating networks for volunteers and to supporting them in their qualification efforts. In addition to this, more than 400 employees and managers of the Group became active themselves last year as volunteers at the locations of our Group companies by renovating nursery schools, making an excursion with handicapped persons or by providing their support for the development of marketing strategies and competencies in applying for employment.

TODAY FOR TOMORROW: ENTREPRENEUR FOR MY OWN FUTURE.

The Generali Group launched the initiative “TODAY FOR TOMORROW: ENTREPRENEUR FOR MY OWN FUTURE.” with the aim to enhance the employability of the staff. Every individual is invited to continuously look at his or her competencies and to compare them to professional requirements. As employer we encourage employees in acquiring the capabilities required in the future. The instruments for increasing job and company fitness are developed with the active involvement of the employees. For this innovative approach, the Generali Deutschland Group received the “Employability Award 2010”. The official prize awarding ceremony was held at the “Zukunft Personal 2010” fair in Cologne within the scope of the German HR Management Award.

Business development of the Generali Deutschland Group

- The net profit of the Generali Deutschland Group rises markedly by € 61 m to 402 m.
- The net investment income improves substantially to € 3,866 m (previous year: 3,038 m).
- Total premiums experience above-average growth by 9.6 percent to € 16,277 m; gross premiums written increase by 5.0 percent.

Overall business

Our report on the Group's business development 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 a segment. Therefore an addition of the amounts indicated for the segments does not lead to the figures stated in the consolidated balance sheet and in the consolidated statement of comprehensive income. As at December 31, 2010 the companies Generali Deutschland Informatik Services GmbH and Generali Deutschland Services GmbH previously shown under "other" were included into the property/casualty segment.

Like the previous years, the closed business year was marked by various and, in part, contrasting factors of influence. After the world-wide crisis of financial markets had subsided, the eurozone was faced with the sovereign debt crisis in 2010. On the other hand, the German economy recovered successively both with regard to domestic demand and exports which, inter alia, had an impact on unemployment figures.

The trust of consumers in the insurers' capability to live up to their value proposition has not been affected by the turbulences in capital markets. The strong demand for single premium products in life insurance, however, illustrated persistent consumer reluctance to conclude long-term contracts. About one third of our single premium business consists of capitalization products. New business in terms of regular premium products decreased from a high level in the previous year. As a whole, however, our life insurers achieved a substantial new business growth of more than 50 percent.

In the health sub-segment the number of insured persons continued to rise in the highly competitive market of full health covers. Therefore a very good new business was again achieved in 2010 which, as expected, was below the above-average level of the previous year which had been marked by extraordinary impacts.

Positive development of new business in the life/health segment

A major factor regarding new business in the property and casualty segment was intensive competition in a saturated market, especially in motor insurance. In this market environment we continue to focus on an underwriting policy oriented at profitability.

As a result of its outstanding position in the market and the sound financial strength also reflected in its ratings, the Generali Deutschland Group has been able to assert itself despite the current environment and to further expand its business. The net profit rose markedly to € 402 m (previous year: 341 m) in the year 2010. The main drivers were net investment income, which benefited from the positive development of financial markets, and operational improvements which were, inter alia, reflected by a decrease in total costs.

Overall business

	2010 € m	2009 € m
Total premiums[1]	16,277	14,850
Gross premiums written	13,036	12,419
Investment income (net)	3,866	3,038
Ordinary investment income (net)	3,326	3,238
Claims and benefits (net)	-12,872	-11,584
Operating expenses (net)	-2,662	-2,536
Expense ratio in %	16.6	17.4
Earnings before tax and finance costs	612	499
Finance costs	-16	-16
Tax	-194	-142
Net profit[2]	402	341
of which attributable to the Group[3]	399	327
of which attributable to minority interests	3	13
Other comprehensive income	-239	201
Total comprehensive income[2]	163	542
	2010 € m	**2009** € m
Investments[4]	94,725	90,222
Assets under management[4]	98,014	92,621
Equity	4,028	4,024
Unrealized capital gains not recognized in income[2,5]	223	463
Underwriting provisions[4]	92,551	87,740

1 before deduction of savings portions included in premiums and premiums of investment contracts
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

Increase in total premiums over previous year

9.6 %

While the insurance market expects a 4.3 percent rise in total premiums for the year 2010, the premium income of our insurance companies grew by 9.6 percent to € 16,277 m thus witnessing more than twice the growth rate of the market.

The life and health insurers, in particular, experienced a very positive development. The Group’s life insurers expanded their total premiums by 12.5 percent to € 11,064 m. This reflects in particular the strong new business in terms of single premiums to be observed across the market. Adjusted for savings portions and the premiums of investment contracts, the gross premiums written in life insurance increased by 5.7 percent to € 7,823 m. Due to premium adjustments and the excellent new business achieved in the previous year, the premium volume in the health sub-segment rose by 11.8 percent to € 2,214 m. In the property and casualty segment, gross premiums written amounted to € 3,000 m (previous year: 3,036 m) thus witnessing a slight decrease in the wake of our focus on profitable business and intensive price competition.

Financial markets in the year 2010 were marked by strong volatility and contrasting developments. In the third quarter, the yields of German government bonds had reached historic lows but subsequently recovered by year-end. Bonds of foreign issuers, however, witnessed partly contrasting developments. This was in particular attributable to strongly fluctuating premiums for credit risks in the wake of the sovereign

Assets under management

	Carrying amount 2010 € m	Fair value 2010 € m	Carrying amount 2009 € m	Fair value 2009 € m
Land and buildings	2,469	2,580	2,276	2,420
Shares in associated enterprises	563	563	513	513
Loans and receivables	38,063	39,659	39,392	40,692
Financial assets available for sale	40,493	40,493	36,759	36,759
Financial assets at fair value through profit or loss	287	287	858	858
Investments	**81,874**	**83,582**	**79,798**	**81,242**
Investments of unit-linked insurance		12,850		10,424
Current-account balances with credit institutions, cheques, cash in hand		1,582		955
Assets under management		**98,014**		**92,621**

Assets under management

€ 98 bn

debt crisis. By the end of the year, most of the important stock-market indices were able to make up for the losses of the beginning of the year, in some cases closing the year with noticeable gains. As a whole, unlike the situation in the previous year, there were no significantly adverse impacts.

By continuing to concentrate our new investments on first-grade corporate and government bonds as well as European mortgage bonds we respond to the low yields of German government bonds without neglecting the safety-orientation of our investment policy.

Our net investment income of € 3,866 m (previous year: 3,038 m) increased markedly. On the one hand, there were substantially lower impairments and fewer hedging transactions. On the other hand we benefited from the opportunities involved in the improved environment with a view to improving the level of realized capital gains. The ordinary investment income (net) increased by € 88 m to 3,326 m, in particular due to the grown bond portfolio.

The financing resources of the Generali Deutschland Group comprise, first of all, the Group equity whose components are quantified and explained in chapter 3 “Consolidated Financial Statements”. Another important capital element – due to the fact that premiums are paid in advance and as a result of the accumulation process in life and health insurance – are the 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 share not yet allocated. Apart from the loan to finance the acquisition of the stake 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 higher allocation to the provision for premium refunds primarily attributable to the increase in investment income led to a substantial rise in claims and benefits by € 1,288 m to a total of 12,872 m. This was primarily due to the life sub-segment accounting for an increase of € 1,025 m to 8,681 m and the health sub-segment witnessing a rise of € 290 m to 2,266 m. In the property and casualty segment, claims and benefits reduced by € 28 m to 1,924 m. This is, inter alia, the consequence of a lower claims expenditure in the wake of a favourable development of major claims, an improved run-off result and our active claims management.

Operating expenses rose by 5.0 percent to € 2,662 m because of a change in deferred acquisition costs. Following the over-proportionate premium growth, the expense ratio for the business year nevertheless improved to 16.6 percent (previous year: 17.4 percent).

The other income and expenditure improved by € 48 m to -466 m which was mainly due to a reduction of the expenditure for measures to sustainably reinforce competitiveness in comparison to the previous year.

In the business year 2010 the Generali Deutschland Group achieved earnings before tax and finance costs of € 612 m (previous year: 499 m). This positive development was primarily attributable to the good level of net investment income and to operational improvements. Because of the higher pre-tax earnings, the tax charge increased by € 52 m to 194 m. Besides, in the business year 2009 the tax expenditure had been reduced by tax refunds for previous business years. After tax and finance costs, the Generali Deutschland Group increased its net profit to € 402 m (previous year: 341 m).

The revaluation reserve reduced from the previous year's level to € 223 m (December 31, 2009: 463 m). The main factor of influence was the development of interest-bearing securities. Decreasing prices in the wake of the development of interest rates – inter alia influenced by risk premiums for government bonds – and the realization of capital gains had an adverse impact on the revaluation reserve.

Basically in line with the change in the revaluation reserve, the other comprehensive income amounted to € -239 m (previous year: 201 m). In the business year the Generali Deutschland Group achieved a total comprehensive income in compliance with IAS 1 of € 163 m (previous year: 542 m).

Life insurance sub-segment

The closed business year was an extraordinarily successful one for our life insurers. As a whole, new business rose by € 1,268 m to 3,746 m. Both the increase in single premium new business from € 1,622 m to 2,965 m and the decrease in regular premium new business from € 856 m to 781 m followed the general trend in the market. The sums insured under business in force rose by € 8.297 m to 423,878 m.

The total premiums of direct business, including the savings portions of the relevant life insurance products and the premiums from investment contracts grew by 12.5 percent to € 11,073 m. The provisional comparison figure of market growth is 6.0 percent. Gross premiums written under IFRS accounting also rose noticeably by 5.7 percent to € 7,832 m.

Primarily as a result of markedly lower impairments and higher realized capital gains, the net investment income increased by € 706 m to 2,962 m. The ordinary investment income also rose by € 78 m to 2,517 m, which is primarily attributable to a grown portfolio of fixed-income investments.

The higher net investment income and the related allocation to the provision for premium refunds were the major reason for the increase in claims and benefits from € 7,671 m to 8,688 m.

The increase in operating expenses from € 1,449 m to 1,514 m was mainly due to the change in deferred acquisition costs. In conjunction with the over-proportionate rise in single premium income, this led to a decrease of the expense ratio by 1.0 percentage points to 13.9 percent.

The earnings before tax and finance costs increased by € 85 m to 242 m, primarily as a result of the higher net investment income. Accordingly, the tax expenditure increased in line with earnings from € 47 m to 98 m. Besides, the 2009 tax expenditure had been reduced by tax refunds for previous years. The net profit in the life sub-segment thus amounted to € 145 m (previous year: 110 m).

Compared to the previous year the revaluation reserve decreased from € 253 m to 134 m, which was mainly due to changes in market values.

Increase in net profit of life sub-segment compared to 2009

€ +35 m

The income and expenditure included in the other comprehensive income primarily reflects the development of the revaluation reserve and totalled € -119 m (previous year: 115 m). As a result, the total comprehensive income in compliance with IAS 1 dropped from € 225 m to 26 m.

Health insurance sub-segment

The business development of the health insurers of the Generali Deutschland Group was again very positive in the year 2010. Notwithstanding the persistently difficult environment for private health insurance, both premium income and the number of insured persons increased. As expected, however, new business figures decreased after the extraordinarily good previous year.

Life sub-segment

	2010 € m	2009 € m
New business in terms of regular annual premiums	781	856
New business in terms of single premiums	2,965	1,622
Portfolio in terms of sums insured	423,878	415,581
Total premiums[1]	11,073	9,844
Gross premiums written[2]	7,832	7,413
Regular premiums	6,182	6,345
Single premiums	1,650	1,068
Investment income (net)	2,962	2,256
Ordinary investment income (net)	2,517	2,439
Claims and benefits (net)	-8,688	-7,671
Operating expenses (net)	-1,514	-1,449
Expense ratio in %	13.9	14.9
Earnings before tax and finance costs	242	157
Tax	-98	-47
Net profit[3]	145	110
Other comprehensive income	-119	115
Total comprehensive income[3]	26	225

	2010 € m	2009 € m
Investments[4]	75,858	71,545
Unrealized gains not recognized in income[3,5]	134	253
Underwriting provisions[4]	78,813	74,838

1 before deduction of savings portions and the premiums of investment contracts
2 in 2009 including € 1 m of premiums from assumed reinsurance business
3 including minority interests and net income from discontinued operations
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

+12.5 %

While a growth of 6.0 percent is forecast for the market for the year 2010, our health insurers achieved an increase of gross premiums written by 11.8 percent to € 2,214 m. Besides the premium adjustments necessary across the market as a result of higher healthcare expenses, this was also due to the extraordinarily positive new business level in the previous year. In the highly competitive market of full health covers, the number of insured persons was further expanded to nearly 509,000 (previous year: approx. 500,000). Net premiums earned grew from € 1,953 m to 2,175 m.

Net investment income was characterized by the noticeably improved situation of financial markets and thus witnessed an increase of € 122 m to 422 m. Thanks to the more positive market environment impairments reduced substantially compared to the previous year, while realized capital gains increased. Primarily due to the higher portfolio of fixed-income securities, ordinary investment income rose from € 318 m to 337 m.

The claims expenditure increased both due to business expansion and to higher costs for medical treatment. As premium growth exceeded this rise, the claims ratio improved by 2.6 percentage points from the previous year's level to 55.3 percent.

While the allocation to the provision for future policy benefits reduced slightly, claims and benefits as a whole nevertheless increased by € 290 m to 2,266 m. This was primarily attributable to a substantially higher allocation to the provision for premium refunds to the benefit of our policyholders.

Health sub-segment

	2010 €m	2009 €m
Gross premiums written	2,214	1,980
Investment income (net)	422	300
Ordinary investment income (net)	337	318
Claims and benefits (net)	-2,266	-1,976
Claims ratio in %	55.3	57.9
Operating expenses (net)	-266	-202
Expense ratio in %	12.2	10.4
Combined ratio in %	67.5	68.3
Earnings before tax and finance costs	49	43
Finance costs	-16	-16
Tax	-12	-10
Net profit/loss[1]	21	17
Other comprehensive income	-31	5
Total comprehensive income[1]	-10	22
	2010 €m	**2009 €m**
Investments	8,429	7,894
Unrealized capital gains not recognized in income[1,2]	-7	25
Underwriting provisions	9,847	8,963

1 including minority interests
2 after deduction of deferred tax and deferred expenditure for premium refunds

Increase in gross premiums written

+11.8 %

Operating expenses increased from € 202 m to 266 m, mainly due to higher write-downs on deferred acquisition costs. As a result, the expense ratio rose by 1.8 percentage points to 12.2 percent.

The combined ratio of claims and expenses as at December 31, 2010 was 67.5 percent, which is below the previous year's level of 68.3 percent.

Earnings before tax and finance costs rose by € 6 m to 49 m. After the deduction of finance costs at an unchanged level of € 16 m and following the increase in the tax charge from € 10 m to 12 m, the contribution of the health sub-segment to the net profit was to € 21 m (previous year: 17 m).

Primarily due to the higher prices of fixed-income securities, the revaluation reserve reduced from € 25 m as at December 31, 2009 to € -7 m.

In line with the development of the revaluation reserve, the income and expenditure under other comprehensive income totalled € -31 m (previous year: 5 m). As a whole, this led to a total comprehensive income in compliance with IAS 1 of € -10 m (previous year: 22 m).

Property and casualty insurance segment

In 2010 the property and casualty insurance market continued to be characterized by intensive competition in a saturated market and highly price-sensitive customers. We nevertheless maintain our underwriting strategy focussing on profitable business. As a result, the gross premiums of direct business decreased by 1.2 percent to € 2,994 m. Including assumed reinsurance business, the total gross premium income reduced to € 3,000 m (previous year: 3,036 m). Net premiums earned decreased to € 2,930 m (previous year: 2,967 m).

Following a more favourable development of major claims, a higher run-off result and the measures initiated in claims management, the claims expenditure reduced despite a higher amount of claims caused by natural perils. Claims decreased by € 28 m to 1,924 m.

Property and casualty insurance segment

	2010 €m	2009 €m
Gross premiums written	3,000	3,036
Investment income (net)	300	291
Ordinary investment income (net)	278	289
Claims and benefits (net)	-1,924	-1,952
Claims ratio in %	65.4	65.6
Operating expenses (net)	-883	-890
Expense ratio in %	30.1	30.0
Combined ratio in %	95.5	95.6
Earnings before tax and finance costs	290	268
Tax	-80	-69
Net profit/loss[1]	210	199
Other comprehensive income	-90	83
Total comprehensive income[1]	120	282
	2010 €m	**2009 €m**
Investments	5,890	6,314
Unrealized capital gains not recognized in income[1,2]	161	251
Underwriting provisions	4,182	4,223

1 including minority interests and net income from discontinued operations
2 after deduction of deferred tax

Segment profit of property and casualty insurance

€ 210 m

Due to the lower level of net premiums earned, however, the claims ratio only reduced slightly to 65.4 percent (previous year: 65.6 percent).

Operating expenses dropped slightly by € 7 m to 883 m. The expense ratio of 30.1 percent (previous year: 30.0 percent) remained nearly unchanged. The combined ratio of 95.5 percent was slightly below the previous year's level.

Primarily due to a high level of income from participating interests in the previous year, ordinary net investment income reduced by € 11 m to 278 m despite an increase in ordinary investment income from investment-fund units. As a whole, however, the net investment income rose from € 291 m to 300 m. This was due to higher realized capital gains and lower impairments, especially of financial assets.

Mainly as a result of lower expenditure for measures aimed to sustainably increase competitiveness the balance of other income and expenditure improved by € 16 m to -132 m.

In the business year 2010, the property and casualty insurance segment achieved earnings before tax and finance costs of € 290 m (previous year: 268 m). The increase was primarily attributable to lower claims expenditure and to an improved balance of other income and expenditure. Mainly as a result of the higher pre-tax earnings, the claims charge rose by € 11 m to 80 m. After tax, the contribution of the segment to the net profit was € 210 m (previous year: 199 m).

Price decreases for bonds and the realization of capital gains from bonds and dividend-bearing securities led to a reduction of the revaluation reserve. On the other hand, write-downs had a positive impact. As a whole, the revaluation reserve dropped, however, by € 90 m to 161 m.

The other comprehensive income, which is mainly influenced by the development of the revaluation reserve, dropped from € 83 m in the previous year to -90 m. The total comprehensive income in compliance with IAS 1 thus amounted to € 120 m (previous year: 282 m).

Financial services segment

	2010 € m	2009 € m
Building-society new business:		
Target contract sums	2,639	2,511
Number of contracts	143,739	134,789
Contract portfolio of the building society:		
Target contract sums	24,964	25,058
Number of contracts	1,248,180	1,262,729
Investment income (net)	189	205
Ordinary investment income (net)	200	206
Interest surplus of the building society	93	104
Commission result of the building society	2	4
Earnings before tax and finance costs	22	34
Finance costs	0	0
Tax	-4	-12
Net profit[1]	18	22
Other comprehensive income	1	-2
Total comprehensive income[1]	19	20

	2010 € m	2009 € m
Investments	4,948	4,797
Unrealized capital gains not recognized in income[1,2]	4	3
Building loans	3,147	3,161
Deposits under building-society contracts	4,350	4,183

1 including minority interests
2 after deduction of deferred tax

Increase in recognized new business in terms of target contract sums

5.1 %

Financial services segment

Besides Generali Deutschland Immobilien GmbH, the central asset manager for our property portfolio, the financial services segment includes above all Deutsche Bausparkasse Badenia which has a decisive influence on the business development of this segment.

In the business year 2010, the new business of Badenia experienced a positive development. In terms of target contract sums Badenia achieved a growth of 4.8 percent in submitted new business. In terms of contract numbers the increase was 6.9 percent. In terms of new business actually recognized, target contract sums rose by 5.1 percent while contract numbers increased by 6.6 percent.

The general development in the market also showed positive tendencies with a rise in submitted new business by 11.3 percent in terms of target contract sums and by 9.6 percent in terms of contract numbers. As far as the recognized new business in the market is concerned, there was a growth of 4.9 percent in terms of target contract sums and by 1.3 percent in terms of contract numbers.

The portfolio of 1,248,180 contracts as at year-end was below the previous year's figure of 1,262,729 contracts. In terms of target contract sums, the contract portfolio decreased from € 25,058 m to 24,964 m.

The building loans shown under investments dropped from € 3,161 m as at December 31, 2009 to 3,147 m. The decreases caused by loan redemptions and cancellations were not fully compensated by the good demand for forward loans and interim financing. Over the same period, the savings deposits under building society contracts rose from € 4,183 m to 4,350 m.

As a result of the portfolio decrease and the lower interest level for the total loan portfolio, interest income from building-society business decreased and thus also the ordinary investment income (net)

Recognized new business of building society increases by 6.6% in terms of contract numbers

dropped from € 206 m to 200 m. The total investment income (net) reduced from € 205 m to 189 m. This development was mainly due to a lower level of realized capital gains in the year under report and to higher risk provisions compared to the previous year.

Mainly because of the decreasing interest income under building-society business but also due to rising interest expenditure, the interest surplus dropped from € 104 m to 93 m. The commission result reduced from € 4 m to 2 m while the operating expenses of building-society business decreased from € 70 m to 66 m following cost cuts.

In line with the ruling of the Federal Supreme Court of the end of June 2010 regarding the financing of owner-occupied flats against Deutsche Bausparkasse Badenia AG, risk provisions were set up in the balance sheet. This also takes into account the rules of the Federal Supreme Court of January 2011. Nevertheless, the expenditure for risk provisions decreased in comparison to the previous year and had an overall positive impact on the balance of other income and expenditure.

The earnings before tax and finance costs reduced from € 34 m to 22 m. The tax expenditure decreased to € 4 m (previous year: 12 m) in line with the drop in earnings and also as a result of lower tax expenditure for previous years. After tax, the contribution of the financial services segment to the net profit was € 18 m (previous year: 22 m).

As at December 31, 2010 the revaluation reserve increased by € 1 m to 4 m. This was mainly due to the development of fixed income securities.

The other comprehensive income reflecting the change in the revaluation reserve totalled € 1 m (previous year: -2 m). As a result, the total comprehensive income in compliance with IAS 1 amounted to € 19 m (previous year: 20 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 2010 Generali Deutschland Holding AG achieved a net profit of € 340.1 m (previous year: 305.0 m). After winding up the profit brought forward from the year 2009 of € 39 thousand (previous year: 24 thousand), withdrawals from the reserve under the Articles of Association (charitable fund) of € 3,643 thousand (previous year: 2,391 thousand) and an allocation of € 140.4 m (previous year: 149.7 m) to the other revenue reserves, the balance-sheet profit amounted to € 203.4 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 26, 2011:

Balance-sheet profit and appropriation

	€
1. Distribution to the shareholders	
Payment of a dividend of € 3.75 per unit share entitled to dividends, payable on May 27, 2011	201,299,977.50
2. Allocation to the reserve under the Articles of Association (charitable fund)	2,000,000.00
3. Profit carried forward	73,745.40
Balance-sheet profit	**203,373,722.90**

Human resources

- The success of the Generali Deutschland Group is based on the outstanding commitment of our employees.
- The competency and performance of our staff make a vital contribution to the positive business development in 2010.
- Our employees are passionate in their activities for customers, partners and their company thereby ensuring the best possible quality.

We are proud of our motivated and qualified employees who enabled us to continue our positive business development in 2010. It is thanks to their relentless commitment that we are continuously improving our good market position and our competitiveness as an insurance and financial services group.

Employment situation and structure measures

As at December 31, 2010 the Generali Deutschland Group had 14,995 employees compared to 14,952 in the previous year. Out of these, 75 percent are employees in administrative services and 25 percent ensure fieldstaff activities for the customers of our Group. 16 percent of all employees work on a part-time basis. At year-end 427 (previous year: 419) young people were undergoing training as apprentices across the Group. Furthermore, approximately 6,300 professional intermediaries and about 63,000 side-job intermediaries work for the sales networks of our companies.

The Generali Deutschland Group responds to the challenges of the market in order to safeguard the competitiveness of the Group on a long-term basis in the interest of all stakeholders, i.e. shareholders, customers and employees. Besides numerous measures focussing on customers and market, we continued to optimize our business processes in the year 2010. In the year under report this included the PROGRESS programme. Within the scope of the restructuring activities resulting from this programme we transferred the areas of accounting and tax, inter alia, from our central services company to Generali Deutschland Holding AG thus linking them more closely to the financial division. In the closed business year this 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.

Whenever we implement structural changes 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 find socially compatible solutions with our employees in order to avoid redundancy layoffs to the largest possible extent.

In the year under report we also launched a project with the aim to successively replace the existing IT systems in the HR management field by the systems platform SAP HCM. The fact that in the future

14,995 employees

all HR processes will be included in this consistent platform will not only improve efficiency and effectiveness but in particular also increase employee satisfaction with HR processes.

We continue to pursue our Group-wide initiative “TODAY FOR TOMORROW: ENTREPRENEUR FOR MY OWN FUTURE.”. In the future this slogan will be established as the umbrella brand name for our HR activities with regard to all measures regarding the job fitness of our employees. In this context, in the closed business year, one-day guest visits to individual Group companies were distributed in a raffle to interested employees in order to provide them with new insights for their own work. Within the scope of this initiative we will increasingly look at the way the different generations in our companies deal with each other. This is to represent the first foundations for handling the challenges of demographic change which will be in the focus of our HR activities in the coming months and years.

In the year 2010 we already pushed our activities aiming to reconcile job and family life and we will continue to do so in the current year. We attach importance to providing our employees with support as regards both childcare and the nursing needs of relatives in order to enable our staff to continue their job activities.

HR and executive development

We provide our employees 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 become prepared for future challenges. The training and development programmes across the Group are oriented towards the needs of the employees, the interests of the Group companies, the requirements of the market and a changing working environment.

The Generali Deutschland Management Academy pursues the task of continuously improving management competency in the Generali Deutschland Group. The Academy offers a varied programme ranging from trainings for the personal development of managers to the Group-wide exchange and personal dialogue of managers with each other. Besides, the Academy programme includes lectures on relevant issues and trends and provides the opportunity for dialogue with renowned personalities in order to also sharpen the perception of developments beyond everyday business issues.

By means of the Group-wide management programmes for high potentials of the first and second management level we create the basis for filling vacancies in important Group functions from our own staff and to ensure succession in the management team.

After last year the young trainees of our programme realigned in 2009 had completed their training and assumed interesting functions in the Group, we launched the second Group-wide trainee programme last autumn. This programme is thus establishing itself as an indispensable element within the scope of our efforts to win employees for our Group which are highly qualified and customer-oriented.

Thanks to the employees

An environment characterized by constant change is increasingly demanding as far as the readiness of each individual is concerned to adapt to change. It is of vital importance that our employees respond to these challenges, keep pace and support us in implementing the necessary measures. Only with a staff accompanying us in our development with their strong commitment will we be in a position to ensure the economic success of the Generali Deutschland Group on a long-term basis. The Board of Management of Generali Deutschland Holding AG thanks all employees for their great dedication in the closed business year which has been an essential basis for the development of the Generali Deutschland Group. 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. Consistent 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 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 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 this context we use the term risk-adjusted capital (RAC) 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 risk-adjusted capital is calculated on the basis of consistent risk capital 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 a change in assumed volatilities, property risks), credit risks, foreign exchange risks, concentration risks and operational risks as well as underwriting risks and building-society risks. In order to quantify the economic capital, the internal risk model of the international Generali Group is applied 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 are expected to come into force for the year 2013.

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 the return on risk-adjusted capital (RoRAC) and the return on embedded value (RoEV) which allow conclusions with regard to our profitability: The RoRAC 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 attributable to the shareholders. The RoEV is thus an indicator of our overall 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 will substantially change the regulatory requirements for insurance companies in Europe. In particular, the level of capital requirements under the future solvency system is to be more closely linked to the specific business structure of an insurance company's risks. The Generali Deutschland Group has started at an early stage to prepare for the future requirements. Under a process coordinated by Assicurazioni Generali, the Group aims to have an internal (partial) model certified by the regulatory authorities in charge (College of Supervisors). Under these activities, the internal models are being continuously enhanced and the internal risk-management processes are being verified with a view to future requirements. In particular, the requirements changing or becoming more specified within the scope of the Solvency II project are taken into consideration on a continuous basis. As a result of this enhancement the calculation procedures to derive valued-based controlling key figures may change, at least in some areas. For this reason, the present Group Report does not include a publication of the results of internal capital and performance management.

Risks involved in the future development and risk controlling

- An efficient risk management allows us to detect risks at an early stage, to analyze them systematically and in full, to verify and initiate the defined risk steering measures and to monitor the ongoing risk exposure. This is how we ensure the ongoing solvency and earnings power.
- In the light of the financial market crisis that had its origins in 2007, and the deterioration of the creditworthiness of individual member states of the European Union, there is no sustainable impact on our risk-bearing capacity that might jeopardize our existence. The low interest rates, however, do represent a burden on the earnings position and the life insurance companies.
- Overall, despite the negative impact on the assets, liabilities, financial position and earnings during the year, our existence has never been in jeopardy. In addition, the calming down in economic systems towards year-end 2010 is indicative of a noticeable easing of markets.

Risk management in the Generali Deutschland Group

On the basis of the business strategy of our Group and the risk strategy derived from it, our core competencies are risk taking and responsible management of risks. Based on this business strategy, as a major financial services group focussing on insurance, investments and building-society business we manage a variety of risks.

Besides the assumption of risks arising within the context of our business focus, there are also risks arising from our general business operations. With the objective of protecting the interests of our customers to the greatest possible extent, while taking into account the needs of all other stakeholders at the same time, meaning all other interest groups participating in the company's results, we ensure the sustainable success of the Group. In order to achieve this, potential risks are identified at an early stage and analyzed systematically and in full. Based on this analysis we decide whether and to what extent the risks will be borne, or whether to apply appropriate measures to reduce or limit the risks. On the basis of these decisions there is an ongoing monitoring of our risk exposure to ensure the sustainable risk-bearing capacity and guarantee that the existence of our Group and the individual Group companies is not jeopardized.

Besides, the risk strategy which is a part of the risk management system and takes all identified risks of the business conducted into full account, risk management also includes an organizational framework which supports the effective monitoring of the operational business. In addition the organizational framework allows to adjust the operational business to changes in framework conditions.

Risk strategy

Our risk strategy demonstrates how we deal with the risks arising from our business strategy and also defines our risk appetite. The risk strategy describes the impact of the business policy for our risk situation, documents how we deal with existing risks and our ability to bear new risks. The influence of risks on our economic, financial or earnings position and the resulting guidelines for managing risks are illustrated. Risk considerations and capital requirement are integrated in the management and decision-making process. The risk strategy supports the operational management of the risks.

The main elements of risk strategy of the Generali Deutschland Group are:

- Diversity of sales channels, brands and products as the core element of risk diversification
- A sustained focus on retail customers and small to medium-sized commercial clients in order to limit risks and turn the diversification to account
- Concentration on the German market in order to reduce/avoid currency and legal risks
- Concentration of know-how and use of economies of scale in order to reduce and cover operational risks

Organization of risk management in the Generali Deutschland Group

To fulfil the minimum regulatory requirements for risk management (MaRisk VA) and the requirements under Solvency II especially with regard to methods, procedures and models, the organization of the risk management of our Group is harmonized across the Group. A strong link between the central Enterprise Risk Management (GD-ERM) as the controlling unit with the decentralized risk management units in the Group companies, we ensure consistency and efficiency. At the same time, Group-wide bodies (RMCs – Risk Management Committees) have key functions within the Group risk management system. All relevant rules regarding organization and processes of risk management are aggregated and documented within the risk management system. It represents the basis for an integrated risk monitoring and risk management.

Within the context of an integral and systematic risk management, our Group companies collect and present facts and events of risk relevance in the regular risk reports to the Board of Management and the Supervisory Board, in the regular meetings of the internal RMCs, in various work groups and projects as well as in the context of risk conferences taking place at least once a year, and possible measures to reduce the risks are discussed. In doing so, our Group companies are preparing the fulfilment of the requirements of the so-called own risk and solvency assessment (ORSA) under Solvency II. In cooperation with GD-ERM, the decentralized Risk Managers are the specialist contacts for the Board of Management of the particular Group companies.

In order to ensure that the current risk situation is recorded appropriately and comprehensively, the risk conferences are supported by dedicated ad-hoc reporting in the event of any significant new risks or any significant negative changes arising in the existing risk exposure.

Besides the risks identified in the risk conferences, a variety of other risks are analyzed and assessed in the economic capital models applied. Scenario assessments complementing the risk analysis are prepared on a regular basis.

Overall, the risk situation of the particular Group companies, of the segment and of the Group as a whole is recorded comprehensively.

This ensures that the central and the decentralized risk management is informed at all times of the risk situation of the company, and GD-ERM is additionally informed of the Group's exposure, so the risk situation can be reported to the Boards of Management and the Supervisory Board.

The results of risk management are presented at the level of the Group companies concerned within the context of the regular and ad-hoc risk reporting, as well as systematically aggregated and discussed in the regular meetings of "RMC Life/Health", "RMC Property and Casualty" and "RMC Bank" specific to the segments. These Group-wide meetings which are composed of the Board of Management of the companies concerned and of Generali Deutschland Holding AG, as well as of GD-REM and the persons in charge of various areas of Generali Deutschland Holding AG, have the objective to identify changes in the risk situation appropriately and on a timely basis. Building on an extensive risk analysis, in the event of any impairment of the risk-bearing capacity of individual companies or segments, adequate measures are defined. Thereupon their effectiveness is analyzed and monitored. This is one of the main tasks of the Group-wide committees which ensure that systematic monitoring and review of the measures taken for risk controlling is initiated at the level of the company and implemented at the level of the segments.

As a further objective, GD-ERM monitors the allocation of economic capital derived from the risk strategy and the risk-bearing capacity. Within the overall risk management process of our Group, GD-ERM is responsible for the conceptual enhancement and updating of the risk management system at the level of the Group and the holding company, as well as for the initiation, development and coordination of risk management measures as operational tasks together with the persons in charge of the risks and decentralized risk managers. The measures taken and their effectiveness are reported to the Group companies and to the RMCs depending on risk relevance. At the meetings of the “RMC Group”, which take place at least quarterly and are composed of the full Board of Management, GD-ERM and the persons in charge of various areas of Generali Deutschland Holding AG, the risk situations of the segments and of the Group as a whole are assessed based upon the RMCs specific to the segments and additional Group-wide analyses. Furthermore, the interference of risk limitation measures is initiated and the effectiveness of these measures is monitored.

In order to ensure the effectiveness and efficiency of selected elements of the risk management system, a regular review is conducted by the Group’s internal audit department as a superior body independent of processes. In this context the appropriateness and completeness of implementation of the MaRisk regulation was audited both by Group internal audit department and by an external body last year. Based on the results, the work within the context of MaRisk VA was enhanced and aligned to the requirements under Solvency II.

The risk management process in the Generali Deutschland Group

The risk management process of our Group can be interpreted as a control loop running through the process steps of risk identification, risk analysis and risk assessment, risk controlling, as well as communication and monitoring. The Group internal audit department regularly audits selected elements of the risk management system which are defined as a part of the annual risk-oriented audit planning.

Risk identification

Apart from the risks integrated in economic capital models, all other risks are identified within the first step of the risk management system. This includes an assessment of the potential extent of the risk upon occurrence and of period within which the identified risk may occur, which are established in expert interviews. The main result is an estimation of the risk relevance for the management of the Group companies or of the Group. The risk management focuses on the material risks. Material risks are defined as risks which could jeopardize the durable existence or the solvency of individual companies or of the Group or which could hinder the fulfilment of the business targets of our Group. The basis of reference for risk identification are the risk inventories taking place at least once a year in the Group companies, in Generali Deutschland Holding AG and the Generali Deutschland Group, where the risks are comprehensively and systematically registered and thereafter aggregated across the Group.

Based on the categorization established in line with market standards taking into account the specifics of the Group and the requirements under Solvency II, we work with a risk classification scheme that allocates the risks identified to the following risk categories, each with various sub-categories or sub-types of risk.

Market risks

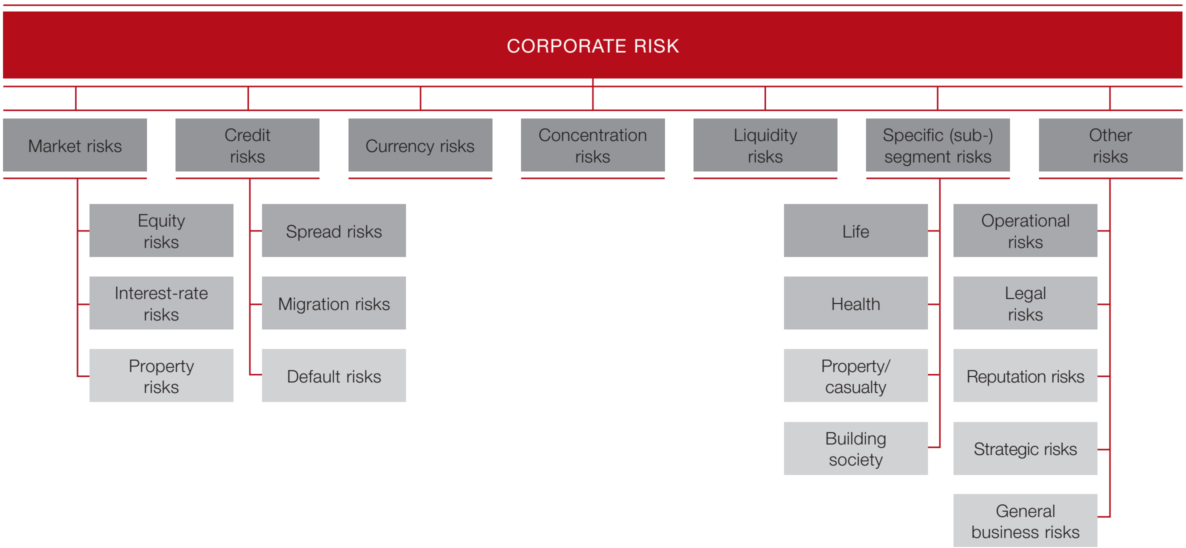
Market risks describe the risk of losses from investments due to sustainable price changes and other factors with an influence on value. Besides equity risks, interest rate risks and property risks, as well as risks of price changes in other investments such as alternative investments, they also comprise the volatility of certain asset classes.

Credit risks

Credit risks describe the risk of a debtor being unwilling or unable to settle his outstanding liabilities at the agreed time or for the agreed amount and thus the associated risk of potential loss of value in the portfolios.

Our risk modelling breaks credit risks down into spread risk, migration risk and default risk. The spread risk refers to the risk that, with constant credit quality of the issuer, the credit spread fluctuates over time. Credit spread here means the profit margin achieved in comparison with an investment in a zero-risk government bond. The investor incurs risks when credit spreads rise due to changed risk aversion among capital market players. Migration risk means the risk that an issuer’s credit standing deteriorates and the market price of a (company) bond decreases as a

Risk types and categories



result. In our models, the migration risk is addressed by reassignment to a different rating class. The default risk is a special case of the migration risk, where the bond migrates into the worst rating class, i.e. the default class. In that case, the investor only receives a part of the still outstanding interest and redemption payments.

Currency risks

Currency risks describe the risk of losses arising from the uncertainty concerning future exchange rate developments if liabilities are covered in foreign currency. The greater the exchange rate volatility, the greater is the uncertainty with regard to the exchange rate.

Concentration risks

Concentration risks are due to an insufficient diversification of portfolios on the assets and/or liabilities sides and refer to all individual commitments with borrowers, in regions or segments involving risks. On the assets side of the balance sheet, concentration risks are mainly the result of dependencies in the default and value fluctuation potential in the above areas. In the area of insurance risks, concentration risks exist to the extent that there are major exposures vis-à-vis individual customers, reinsurers or in certain segments or regions. Concentration risks from commitments on the assets side and liabilities side of the balance sheet occur when inappropriately high exposures have been built up in one of the areas mentioned, both within the investment and insurance environment, as well as within the context of primary insurance and reinsurance.

Liquidity risks

Liquidity risks involve the risks of not being able to fulfil current and/or future payment obligations in particular from insurance contracts in time or for the full amount. Furthermore, there is the risk that refinancing may not take place at appropriate refinancing rates.

Specific segment risks

Life and health segment

The specific segment risk of life and health insurance is composed of claims risks (in health insurance), biometric risks, costs risks and lapse risks. The risks are attributable to the fact that the number, amount and timing of claims, as well as the costs, lapse and/or mortality situation may differ from the mathematical assumptions.

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 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 relate 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 events. 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 and risk types, all identified risks are properly scaled based on their significance according to the results of the economic capital models and expert judgements.

On the one hand, the risks the extent of which in terms of net present value would materially influence the target achievement or the solvency situation on occurrence, are addressed, quantified and aggregated within our economic capital model. At the Generali Deutschland Group we use internal models as well as the standard model as economic capital models. In particular, the risk modelling and risk quantification cover all market risks, credit risks, concentration risks, currency risks and specific segment risks. The other risks are assessed within risk modelling, based on the approaches established in the market, as they are difficult to quantify due to an insufficient empirical basis.

On the other hand, the main risks that are not explicitly included in the existing models are assessed on the basis of expert judgements.

Besides an ongoing monitoring by the persons in charge of the risks, material risks are subject to dedicated and regular reporting to the Board of Management and the Supervisory Board.

Non-material risks are controlled within the context of the regular business processes directly by the persons in charge of the risks.

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 principle of dual control, interface controls and the measurement of key performance indicators. The elements of the control system are, among others, documented in the work instructions and implemented as a documentation tool in the Group business architecture. Within the scope of risk management, the Generali Deutschland Group documents major closing processes. The relevant inherent process risks are identified and the implemented controls are assessed. The objective is to ensure the consistency of the financial reporting with the internal reporting and accounting information and correct measurement and recognition of accounts. In addition, responsibilities are clearly defined. All relevant accounting processes and processes of the insurance and building-society operation, as well as information technology, are audited at least once annually by means of independent walkthroughs and tests. 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. Besides individual processes, the so-called overall closing processes are also documented. They give an overview of the entire closing process. 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 as described above are applied.

Risk controlling

Risk controlling is based on standardized 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 risk conference. Limits are regularly monitored; violations of limits are analysed and corresponding measures are initiated as appropriate. In special circumstances, ad-hoc analyses are made as well.

Communication and monitoring

The identified risks are monitored at regular intervals. On that basis, the Board of Management and the Supervisory Board are regularly informed of the risk exposure, the measures initiated and their effectiveness. To the extent new risks arise or known risks increase outside this reporting cycle during the course of the year, an ad-hoc report is sent to the risk manager of the Group company, who in turn informs GD-ERM so that updating takes place within the context of the Group-wide aggregation. Any additional risks identified within Generali Deutschland Holding AG are reported to GD-ERM first.

Regular reporting also takes place in the RMC meetings, where information relevant to risk management is exchanged across the Group.

Regular risk reporting focuses on all modelled risks and the other material risks. Regarding these risks, detailed statements are made concerning the economic capital required based on the model results and expert judgements.

The economic capital required for the modelled risks is stated individually in each case and after accounting for effects of risk compensation, and thereafter aggregated into the total economic capital required for the Group company concerned and from the segment and Group points of view. The total economic capital required is compared with the existing economic capital. In addition, various key figures referring to capital adequacy are indicated. Reporting is based on the actual quarterly reporting dates and on the planning periods. The controlling of measures is presented as well.

As a whole, risk reporting thus ensures a systematic and orderly forwarding of risk-relevant information to decision-makers and is an important basis for an ongoing risk monitoring.

Reporting on selected risks

For further details on the individual risk categories we refer to the information about risk management on pages 128–145. Within the Generali Deutschland Group, service relating to activities such as information technology, accounting, tax, claims management and investment management are rendered by Generali Deutschland Holding AG and 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 the Group companies, measures can be taken to ensure that the rendering of the services does not involve any material risks.

Market risks

Generating appropriate return while limiting the associated risks is a key challenge for insurance companies in the current capital market environment. While the life insurers have to cover the guarantees given and the health insurers have to cover the technical interest, non-life insurers primarily focus on optimizing the risk-return structure taking into account liquidity requirements.

In order to achieve attractive returns for us and our customers with the current structure of interest rates, our investment strategy is based on a broad spread of investments in order to use diversification effects and reduce the risk. Overall, we consider the Generali Deutschland Group well positioned to benefit from further recovery while limiting adverse impacts on the assets, liabilities, financial position and earnings at the same time.

Equity risks

The economic development in 2010 was marked by a notable recovery from the global burdens and fears of a sustainable and deep recession. The performance of German stocks last year exceeded that of broad European indices, so the overall performance in the stocks sector was moderate. In 2010, in most cases we were able to avoid hedging measures.

Overall, our company pursues a conservative investment policy. Apart from permanently ensuring an adequate mix and spread of our investment portfolio, we only have a very limited volume of high-risk investments such as hedge funds and private equity.

Consequently, in the last annual financial statements all fluctuations in share values could be compensated within the balance sheet.

We regard this as a success of our conservative policy in the area of high-risk investments which is strictly aligned to the risk-bearing capacity of the Generali Deutschland Group while keeping up opportunities to achieve an attractive interest rate on our portfolios at the same time.

The share of equity in our investment portfolio was about 4.1 percent as of December 31, 2010.

Given the uncertainties within the European environment in view of the refinancing problems of individual countries and the associated negative development of the global economy, share prices may decline on short notice in 2011.

Due to our high solvency and the persistently very conservative level of equity investments in our portfolios, we do not see any impact on the risk-bearing capacity of the Generali Deutschland Group which may jeopardize the Group's existence. We will continue to observe the stock markets also in 2011 in order to respond directly and adequately to any changes in market sentiment.

Interest rate risks

While the economic situation stabilized notably in 2010, spreads widened substantially in a number of government bonds in view of forthcoming refinancing. In line with this, the yield on German government bonds was moving at record lows during the course of the year. Interest rates rose only towards the end of the year.

Due to the high proportion of life insurance business of the Generali Deutschland Group, the low interest rates on zero-risk investments represent a significant impact on the Group's risk-bearing capacity, yet without any impact jeopardizing existence over the coming years. Only if the low interest rates persist, there will be a long-term impact in a few years' time unless countermeasures have been initiated by then. Also for the health insurers low interest rate levels tend to have an adverse impact, yet the extent of that impact is much more moderate because of the regulatory conditions. For reducing the impact of low interest rates, interest hedging measures were taken. The property and casualty insurers are much less affected by low interest rates and tend to have a diversifying effect. Due to the low proportion of property and casualty business, however, the effect is too low to compensate the impact on the life insurers.

On the whole, for the life insurers of the Group the effects of the low-interest environment are much lower due to the positive composition of their gross surplus which is significantly independent of capital markets. Through a targeted enhancement of existing products and of the portfolio composition, we will be able to further reduce the dependency on the interest and capital market environment in the future.

Interest rates of zero-risk investments rose again at the end of the year which resulted in a marked improvement in the economic assets, liabilities, financial position and earnings across the Group overall, even though higher interest rates initially reduced hidden reserves of fixed-interest investments in the balance sheet.

Property risks

In the area of property investments we pursue a defensive strategy as in the past, focussing on office and retail properties in good and very good locations.

The risk structure of direct investments has not changed in 2010.

For using diversification effects we have also mixed in indirect property investments in recent years, of which to a limited extent in foreign currencies. The largest addition to the portfolio is an investment in retail properties in Germany.

New investments were primarily made by calling commitments already existing. Also in the future, we will keep our investments in the property markets low and align their share in the portfolio to our medium-term and long-term market assessment. At the same time, we have sufficient flexibility to participate in any market opportunities coming up.

In indirect investments there was a depreciation in a number of property values during the course of the year which was taken into account in the balance sheet. Nonetheless, because of the generally bad property situation we cannot rule out that there will be further impacts in specific investments in the year 2011, so that expectations regarding returns may have to be reduced. At the same time, though, we see an opportunity for value recovery in certain indirect investments.

Credit risks

Spread risk, migration risk and default risk

After credit spreads for corporate bonds decreased significantly at the end of 2009, there was a negative impact of doubts regarding the sustainable capital strength of individual countries and the deterioration of their ratings in the course of 2010. Besides these developments, credit spreads for these countries increased and the refinancing to be issued could only be placed under markedly higher conditions.

Unlike credit spreads, the actual default rates did not indicate any changes, which is mainly attributable to the establishment of the EU rescue package and the efforts for consolidating public finances. As a counter-movement to the expansion of credit spreads for investments in individual countries, the zero-risk interest rate reduced to a historical low in the course of the year.

As a whole, our bond portfolio is characterized by a consistent orientation at debtors of high credit quality and liquidity and a broad diversification. 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. Due to the maturity structure of the securities held by us in government bonds with a marked expansion of credit spreads combined with the protection provided by the EU rescue package and current efforts for stabilizing public finances over the long term, we regard the expansion of credit spreads as a temporary over-subscription. In our judgement the spread risk is of minor significance over the long term and a credit default is extremely improbable. Based on these assessments, no value adjustments will be made in these investments in fixed assets.

Due to the small volume of these investments of 4.6 percent (of which Ireland 1.3 percent, Greece 1.0 percent; average due date in 2016) with hidden liabilities of 0.9 percent related to our investments, we do not see – provided there are no extreme scenarios – any sustainable burden on the assets, liabilities, financial position and earnings. In the event of a so-called haircut, i. e. a partial waiver of claim in Greek government bonds, corresponding adjustments will be made as a result. Even in the event of a distinct expansion of credit spreads resulting from rating deteriorations or higher market nervousness in these investments cumulating in the occurrence of a credit event, we do not see any elements jeopardizing the existence of the companies in the Group or the Group as a whole.

Aside from investments in government bonds, the Generali Deutschland Group holds securities of Federal State banks in the areas of subordinated loans, participation rights and silent-partner interests. Parts of these securities are subject to conditional interest payment which was suspended in 2010. The interest payments are not taken into account which has no material impact on earnings. According to the economic assessment of issuers, value adjustments are to be expected to a very limited extent in relation to the due date structure.

In addition to the default risk involved in the investments indicated above and due to the recent very positive developments of the global economy, we see distinct relief regarding the probability of negative changes in ratings as well as regarding the default probability within the rating classes specifically for corporate bonds the share of which in the portfolio was gradually increased in the past in consideration of risk-return aspects. As a result of the positive economic development, default rates in our mortgage portfolio decrease in perspective. Combined with the reduced percentage of this asset class in our investment portfolio, the low mortgaging limits and the very advanced redemption stage of loans in the portfolio, this leads to the assessment that the default risk does not involve any major adverse impact on earnings.

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.

For the private health insurance industry, especially the default risk of receivables from policyholders has gained in significance. The background is the insurance obligation which came into effect with the new law for strengthening the competitiveness of statutory health insurance on January 1, 2009. As a result, all persons residing in Germany have to take out and maintain a health insurance policy providing at least for the reimbursement of the healthcare costs for outpatient and inpatient medical treatment. For the private health insurance companies this means that the right to terminate contracts with policyholders of the corresponding insurance products is excluded even if the latter are in arrears with premium payment. As a consequence, there will be an increase in receivables from policyholders leading to value adjustments if receivables cannot be recovered. Payment obligations of private health insurers for acute and emergency treatments which continue to exist at the same time may cause sustainable burden on the earnings situation.

We counteract this risk by appropriate risk policy measures relating to cause and effect, such as a more restrictive acceptance policy (excepted here is the basic tariff where we are required by law to provide cover) and professional management of receivables. Furthermore, together with the Association of Private Health Insurance Companies we are seeking political solutions to the problem of premium arrears.

As the inward reinsurance business of Generali Deutschland Holding AG is restricted to reinsurance business ceded by other Group companies, the default risk of receivables from ceding companies/Group companies is basically of minor significance. 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.

Currency risks

Within the context of our investment activities as an insurer we do not invest exclusively in euros, but to a very limited extent also in foreign currencies, while certain positions are hedged against losses from exchange rate fluctuations. Part of the foreign currency exposure is built up directly via equity investments in a broad European index, and to a minor extent also by indirect investments and by investments in alternative asset classes. Besides US dollars, there are significant exposures in British pounds and Swiss francs.

In addition, Generali Deutschland Holding AG has an outstanding liability with a first maturity in 2016 issued in British pounds. This liability is safeguarded against value fluctuations by hedge transactions until 2016.

Overall, our foreign currency exposure is negligible in size and also actively monitored so that there is no material risk position as a result.

Due to the investment policy pursued by us and based on our internal model and the standard model, in the aggregate we currently do not see any investment risks which may influence the risk-bearing capacity in a way jeopardizing existence, even though it cannot be ruled out that adverse developments may have an effect on the assets, liabilities, financial position and earnings of the entire Generali Deutschland Group.

Concentration risks

As an insurance and financial services group, the Generali Deutschland Group is exposed in a variety of areas of investment, assumption of risks of our customers and in the area of reinsurance business ceded. Building on our corporate business model, we act as a primary insurer with a rigorous focus on retail customers and small to medium-sized commercial clients. Therefore and due to the active exclusion of industrial risks, there is no concentration of risks assumed in underwriting. Due to the large size and broad diversification of portfolios there are no increased exposure levels vis-à-vis individual customers in comparison with the insured portfolio as a whole.

The reinsurance cover required by the Group is bought from several market participants at a similar percentage each, so concentration risks only exist to an acceptable extent.

In the business on the assets side of the balance sheet we observe the principles of mixing and spreading as well as the individual limits both at the level of the Group and of the individual companies. Due to the scope of our investment activities, however, high-volume exposure vis-à-vis certain business sectors cannot be avoided. Traditionally, insurance companies invest part of their capital in banks. Therefore, the exposure level of the Generali Deutschland Group vis-à-vis banks and financial services companies is customary in the sector. The exposure is subject to monitoring and reporting on the basis of regular evaluations.

As a result, the percentage of exposure subject to reporting of the Generali Deutschland Group pursuant to Art. 104i of the Insurance Regulatory Act (VAG) in terms of individual borrowers is approximately 25 percent of investments. About 70 percent of these borrowers have an AAA rating and generally outstanding rating structures. At the same time, the majority of these positions consist of mortgage-backed bonds with separate covering funds.

Overall, we consider our exposure risk-adequate and do not see any need to reduce the exposure. Nor do the economic capital models applied by us reveal any major concentration risks in investments.

In the building-society and property financing business we focus on business of small volume with end customers and owner-occupiers in order to prevent any risk concentration here.

The concentration risks existing in the Group due to commitments on the assets and liabilities sides of the balance sheet only regard the exposure vis-à-vis Munich Re because of business relations existing both in the area of investments and in the area of reinsurance. Due to the size, significance and credit quality of Munich Re we consider the exposure risk-adequate.

Liquidity risks

We encounter the liquidity risk by Group-wide liquidity planning during the year and across several years. Our liquidity planning is aimed at aligning the available liquidity to the obligations of the Group Companies and of the Group as a whole in order to guarantee unlimited solvency at all times whilst avoiding excessive liquidity at the same time. Our payment obligations are derived from the known obligations under insurance contracts and from typical run-off patterns of provisions after accounting for a safety margin for example for rising interest rates in order to align the maturity structure of investments and the financial resources to the liquidity requirement.

Although as a private customer insurer and primary insurer we are able to forecast future claims payments to a large extent, they cannot be predicted with any certainty in terms of amount and timing. In order to be able to cover potential fluctuations of anticipated payments any time and for the full amount, we pursue a conservative investment policy with a focus on high and highest liquidity and quality, so investments can be liquidated quickly as needed and typically without losses. This ensures that liquidity is available in sufficient volume at all times.

Specific segment risks

Within the risk management system of our Group, particular importance is attached to specific segment risks. Besides the regular monitoring of risk experience and of the accounting bases for calculating premiums and underwriting provisions, there are comprehensive legal rules and guidelines regarding underwriting. The actuarial departments ensure an appropriate pricing of products and the setting up of adequate underwriting provisions. Despite the risk-adequate management of the business, further risks may occur which have to be identified and limited. These include, among others, concentration risks and the risks under accumulation events and catastrophes which to some extent can be compensated within the 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 monitor 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 because 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 capital accumulated with life insurers in the wake of the financial market crisis. Most unit-linked policies sold within the Generali Deutschland Group also have a guarantee, for example for recovering the premiums paid, and thus the customers' losses on the capital invested in a unit-linked life insurance product will remain limited upon expiry. Also in 2010 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 slows down in 2011, there is the risk that consumers continue to postpone the contracting of long-term commitments such as life insurance policies and that new business in terms of regular premiums will remain weak in 2011.

The biometric risks in life insurance are composed of mortality risks, longevity risks, disability risks and long-term care risks. Mortality rates may differ from assumptions. Depending on the product mix within the portfolio of insurance policies in force, higher mortality generates the death risk while lower mortality generates the longevity risk. Similarly, the number of persons with an occupational 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 the acquisition expenses and administrative expenses taken into account in the premium calculation not being sufficient to cover actual costs. The competent actuaries are of the opinion that the costs included in the calculations with a safety margin are adequate and sufficient.

In addition, the adequacy of the cost assumptions and biometric assumptions is regularly monitored 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 claims risk, the biometric risk, the cost risk, and the lapse risk.

The claims risk refers to future premiums and existing provisions not being sufficient to pay the contractually agreed benefits. The amount of these benefits depends on the claims frequency and on the development of healthcare costs.

The biometric risk within health insurance consists in the deviation of actual mortality rates from the assumptions used for premium calculation.

The cost risk arises when the cost surcharges included in the premium calculation are not sufficient to cover the costs related to health insurance business.

The lapse risk refers to the deviation of the actual lapse behaviour from the mathematical lapse rate assumed as a calculation basis.

Increasing medical progress and higher life expectancy may lead to a deviation of actual insurance claims and mortality rates from current mathematical assumptions. If the mortality risk and the claims risk exceed defined limit values, the law provides the possibility of premium adjustments.

In premium revisions made on that basis, all calculation bases can be adjusted. As a result, the repercussions of the specific segment risk in private health insurance are limited over the long term. In the event of premium adjustments, however, policyholders are entitled to an extraordinary right of termination. Rising premiums involve the risk of higher termination exits and thus a higher lapse risk which may have an adverse impact on the portfolio especially due to the risk segregation.

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.

We minimize the pricing risk by appropriate premium differentiation and our underwriting policy. We calculate higher premiums for risks with higher risk exposure.

The market development in property and casualty business is essentially influenced by motor insurance, which is characterized by a nearly unchanged level of premium income and a still slightly rising number of contracts. The revision of motor tariffs which generally takes place once a year ensures risk-adequate calculation applying state-of-the-art methods of price determination.

In the other lines of property and casualty insurance we regularly revise the products and tariffs taking into account the specific requirements of the segment. Thus we minimize the pricing risk.

In the field of legal expenses insurance, an increase in claims expenditure especially in the area of labour law was to be expected across the market in the wake of the financial and economic crisis. Fortunately, our claims expenditure remained below assumptions. Also the increase in policy cancellations looming across the market failed to manifest itself in our business, so the number of cancelled policies could be kept almost unchanged. Overall, the impending risks did not materialize in our legal expenses insurance business. On the other hand, as far as premium income is concerned we were in a position to raise our new business so our legal expenses business developed above market level. In addition, we have been able to keep the claims and expense ratios at a constant level.

We encounter the reserving risk by regularly reviewing the adequacy of the claims reserves on the basis of actuarial methods.

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

Building-society risks

Credit risks in building-society business

Deutsche Bausparkasse Badenia AG assesses the creditworthiness of potential borrowers and customers by applying its scoring system for assessing creditworthiness which is continually updated. Stringent risk selection may lead to a decrease in the new financing business. The original loan business under building-society contracts would be affected only to a minor extent 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 on a corporate level. Since operational risks can only to a limited extent be assessed by purely quantitative methods and covered by capital appropriate to the risk involved, we control and limit these risks by means of our internal control system (ICS). At present this instrument is being optimized and enhanced by comprehensive projects across the Group. Besides a systematic documentation of business processes involving risks, these activities include in particular the identification and assessment of operational risks and the control measures applied.

The occurrence of serious events (unavailability of buildings, absence of 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” was 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 concept ensures consistent handling across these three components in chronological order after the occurrence of a serious 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 doing so, the so-called crisis task force may also use the concept and strategies of business continuity management. Under the business continuity management, to overcome the crisis, BCM concepts and strategies derived from the business impact analysis, among others, are activated and passed on to the organizational units concerned for implementation. The target is to maintain and/or restore the most important corporate processes and systems.

IT security

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

Thanks to the procedures applied, for example as a protection against computer viruses, major failures were again avoided in the business year 2010.

On the basis of the implemented technical and organizational measures of precaution, GDIS is in a position to ensue IT operations in the Generali Deutschland Group any time.

Fraud risks

Like any economic enterprise the Generali Deutschland Group is exposed to the risk of economical and reputational losses due to internal as well as external white-collar crime. In order to prevent sustainable damage to the company, the Generali Deutschland Group is continuously enhancing its internal control system across the Group, thereby responding to the requirements of professional fraud prevention and detection. Furthermore, in 2010 the Generali Deutschland Group has established an External Fraud working group with the objective to develop a harmonized safety concept for the Generali Deutschland Group and to ensure the permanent transfer of information and know-how regarding external fraud across all lines of business.

Legal risks

Legal and regulatory requirements as well as court decisions may have a substantial impact on the Generali Deutschland Group.

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, 2010 a total of 415 court proceedings were pending in this matter. In 644 proceedings final court orders have already been issued, of which 614 in the favour of and 30 against Badenia. In addition, Badenia has concluded settlements with investors in about 2,700 cases. It has thus enabled many debtors to make a new financial start. The development in jurisdiction is not yet terminated. The identifiable risks have been adequately taken into consideration. For covering 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 the measures implemented by Badenia itself, sufficient precaution has been taken for these risks on the basis of the facts currently known.

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, in particular of AachenMünchener Lebensversicherung AG, AachenMünchener Versicherung AG and Volksfürsorge Holding AG (today Generali Beteiligungs- und Verwaltungs-AG). Furthermore, on the basis of the domination and profit transfer agreements, the shareholders of the Group companies concerned were also offered compensation for no longer receiving a dividend from these companies. Former shareholders of the subsidiaries have filed requests for reviewing the adequacy of our offer of indemnity and compensation in special court proceedings. In some proceedings, legally binding court decisions are still pending. In the event of the company losing its case, it may be obliged to make supplementary payments to all minority shareholders in addition to the indemnities and compensations already paid.

Instalment clause

Individual policyholders have brought legal actions against Group companies for the recovery of the surcharge for premium payment by instalments over the year. The actions are based on the claim that the defendant insurers would have been obliged to indicate an effective interest rate. Aside from the risk referring to the obligation of paying back the surcharge collected and the prohibition of charging any surcharges in the business in force in the future, there is the additional risk of an increasing number of plaintiffs claiming to reverse existing insurance contracts on the grounds of the revocation right resulting from the fact that they were insufficiently informed about the effective interest rate. The majority of judgments issued so far are in support of the legal opinion of the insurers. The decision by the Federal Supreme Court is still awaited.

Complaint by the consumer association Verbraucherzentrale against contract terms in life insurance

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 of 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 is 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 of Hamburg, the clauses regarding the deduction of a lapse charge and regarding 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 of Hamburg goes beyond the requirements of the Federal Supreme Court in its previous rulings. In the instance of appeal the Hanseatic Higher Regional Court confirmed the invalidity of the clauses concerned on July 27, 2010. Generali Lebensversicherungs AG has filed an appeal against this judgment with the Federal Supreme Court which has not yet been decided.

Reputation Risks

Product and company ratings

For the companies of the Generali Deutschland Group and in particular in direct sales good product and company ratings are important instruments for differentiation in the communication with customers. The main objective is to prove the soundness and strength of the companies and the Group as a whole, as well as the attractiveness of our products. Risk Management is the fundamental basis for good rating results. As the risk exposure of the companies in the Group is generally conservative in orientation, the companies achieve ratings at high levels. Through attractive products and a customer-oriented pricing we manage to win numerous awards in product ratings and achieve top rankings in comparative tests. Our company and product ratings support us in communicating with our customers and give us a sustainable competitive edge.

The very good rating results achieved in a broad range of areas allow our companies and especially CosmosDirekt to enhance their communication with specific target groups, thus facilitating first customer contact and strengthening customer retention.

Customer communication

In order to ensure customer communication via our Internet websites, telephony and other channels any time, we have implemented extensive security measures which are subject to regular tests. At the same time, concepts were established which ensure that even in the event of a system failure the communication with our customers is restored as quickly as possible. The enhancement of online offers enables us to communicate professionally and efficiently with our customers. We actively align our communication channels to the needs of our customers and distribution partners.

Especially for our direct insurer CosmosDirekt communication via the Internet, telephony and e-mail are major success factors. CosmosDirekt continuously enhances its communication channels in order to fully meet the needs of the customers with high effectiveness and efficiency.

Strategic and general business risks

Business model in life insurance

In the area of life insurance the insurance sector is currently facing significant challenges due to a substantially changed framework which may have sustainable influence on the business development and the business model.

The interest situation for zero-risk investments which was already discussed in the context of the market risks is a challenge in terms of guarantee coverage in the business in force unless interest rates develop positively over the long term.

Directly connected with that is the prospective need of building a supplementary interest provision. In times of persistently falling interest rates, life insurers must increase provisions in order to cover the guarantees assumed vis-à-vis their customers on a long-term basis. This is regulated by art. 341f para. 2 of the German Commercial Code (HGB) and art. 5 para. 3 of the Mathematical Reserve Decree (DeckRV). The presently applicable regulation, however, leaves some room for interpretation. Without amendment there is the risk that the technical interest rate is reduced relatively late for the total remaining term of all contracts in force and the provision is increased massively in turn. This would lead to very high financing costs at a time when the insurer hardly achieves the required revenues. Therefore the Federal Ministry of Finance intends to amend the DeckRV and the DeckRV relating to pension funds in order to set clear rules for the gradual increase of provisions in times of persistently low interest rates. In comparison with the method applied today, provisions will have to be increased at an earlier stage and step by step. This provides the companies greater planning security. The timing of the provision increase depends on the future development of interest rates and on the guarantees assumed. The provision increase will be released step by step as interest rates go up.

Under international accounting rules the low of interest rates is taken into account in the balance sheet by regularly reviewing the adequacy of the underwriting provisions applying the “loss recognition test” and the calculation parameters of deferred acquisition costs.

The current situation of interest rates has led to a reduction in the maximum technical interest as of January 1, 2012. This generally risk-reducing measure may change the attractiveness of life insurance in comparison with other investment products. The potentially resulting reluctance on the part of the customers would affect the decrease of average guarantees in the portfolio.

On the whole, the position of the companies in the Group is good above average because the gross surplus is permanently composed of biometric components in proportions exceeding the market average.

We encounter this risk by the attractive product range which increases new business. Furthermore, by reducing the component of investments in the products the dependency on capital markets and interest environment is decreasing.

Product development is complemented by sales support measures with the objective to intensify new business in the area of profitable products. Given the sales capacity of the Generali Deutschland Group, we consider ourselves well positioned to meet the challenges.

The low of interest rates combined with the supplementary interest reserve or the reduction of new business does not bring about a situation which is of any influence on the assets, liabilities, financial position and earnings in a way jeopardizing existence.

Aside from the aspects described above, the life insurance companies are facing additional challenges resulting from changes in customer attitude across the market. Triggered by the general uncertainty about the global economic development over the past two years, many customers have a rising need for flexible private provision products. Also the Generali Deutschland Group could benefit from this market-wide trend. Starting from a level of single-premium business clearly below the market average, we have met the needs of customers by attractive and flexible products which additionally provide the opportunity of sustainable customer retention due to the specification of products. Overall, we observe notable growth rates in single-premium business. This may be associated with a change in the lapse behaviour, especially of customers operating in a financially rational manner in an environment of changing interest rates. Nevertheless, even in consideration of the new business in the area of flexible products, we currently do not state any sustainable trend of a significantly rising lapse ratio in our portfolios. We encounter the potential change in lapse behaviour by prudent estimates in liquidity planning and by keeping corresponding liquid assets available.

Besides the changes in customer attitude, the further implementation of European legal requirements of general equal treatment may change the bases for product calculation in life insurance. Generally, insurance companies are able to accommodate the implementation of adjustments of this type, as long as these adjustments are to be applied exclusively to new products. Should any further adjustments being required in addition, the profitability of the existing products may change substantially.

Political discussion on the healthcare system

For the private health insurance industry, a strategic risk arises from any changes in the legal framework which especially under healthcare reforms may constitute political interference in the business model of private health insurers. This interference which is significant at times, involves new challenges for the private health insurance sector requiring fast and foresighted response as appropriate.

The law for strengthening the competitiveness of statutory health insurance (GKV-WSG) and the related introduction of compulsory health insurance triggered the problem of premium arrears in private health insurance. For solving these problems, we actively take part in the political discussion, among other things.

The right granted to statutory health funds under the GKV-WSG of offering their insured elective tariffs, constitutes a risk for the private health insurance sector. The elective tariffs which the holders of statutory health insurance are offered as supplementary cover may restrict the market for supplementary insurance products of the private health insurers without having to meet the same requirements as the products of private health insurers.

Towards the end of the reporting year, it became apparent that statutory health funds increasingly tended to offer their own supplementary insurance products instead of providing supplementary cover through a co-operation with a private health insurer. If this trend increases, the supplementary insurance business of private health insurers will be adversely affected as a result. Especially for Envivas which provides supplementary insurance for the insured of a statutory health fund under an exclusive co-operation agreement, this trend may in the worst case have a sustainable impact on the co-operation, in addition to the competition effect. The legal actions initiated by the Association of Private Health Insurers and a competitor against supplementary insurance policies being offered by statutory health funds are still pending.

In the reporting year the German Bundestag adopted the Law on the Reorganization of the Pharmaceutical Market (AMNOG) on November 11, 2010, and the law on the sustainable and socially balanced financing of statutory health insurance (GKV-FinG) on November 12, 2010. This healthcare reform which came into force on January 1, 2011, offers opportunities for the private health insurers for example by eliminating the three-years moratorium for changing from the statutory to the private health scheme from December 31, 2010 and by including a cost cutting potential resulting from the AMNOG.

Nevertheless, due to the problem of financing healthcare costs in the statutory health scheme and the associated additional need for reforms in the organization of the statutory health insurance system, the risk of further political interference in the business model of the private health insurance companies persists.

In order to manage these risks, we stand up for workable and future-oriented solutions in the political discussions by working closely together with our co-operation partner and by co-operating with the Association of Private Health Insurers.

IT migration of Generali Versicherungen

At the turn of 2009/2010, the property and casualty portfolio data of Generali Versicherungen were migrated into the target application landscape, as scheduled. In addition to the portfolios, all histories and data from external systems were transferred in the process. The stabilization phase launched at the beginning of 2010 could be completed ahead of schedule thanks to the good system stability and error situation. The shutdown of the old property and casualty systems and further optimization measures took place within the “IT Optimisation Generali” project launched at the beginning of 2010. By consolidating the IT systems and the ensuing harmonization of business processes the synergies expected for 2010 could be realized to a large extent. The migration of life insurance portfolios into a standard management system was continued. The remaining risks such as the costs of the migration and/or of operating two portfolio management systems and the costs of the required fill-ups during tariff migration are controlled by stringent project management and project controlling.

Other IT development measures

With the “Generali Internet Application Platform” project, the Generali Deutschland Group has broken new technological ground. The new online distribution portal supersedes the existing specific platforms of the distribution channels and the various associated process layouts. Besides, the portal platform is used as a "single point of service" by other user groups such as the indoor staff and our customers and ensures better and prompter interlocking between the sales network and the indoor staff on the basis of a joint consistent database organization. The numerous targets and systems to be integrated as well as the use of a new technology (Internet-based application development) are a special challenge here. The risks involved in a project of this scale are controlled inter alia by stringent project management and project controlling.

Price sensitivity

Due to the repercussions of the financial market crisis, noticeable price sensitivity on the part of the customers was to be expected across the market. Generally this involves the risk of increasing willingness of customers to change insurance companies, while this risk can be more pronounced for direct insurers. In the various insurance segments a change in customers' demands is to be observed. As the Generali Deutschland Group we have responded comprehensively to this change in customers' demand, aligning our product range even more closely to the expectations of the customers.

The excellent costs structure of our direct insurer CosmosDirekt gives the company a special edge in market comparison. Although the willingness of customers to change is especially apparent in direct insurance, CosmosDirekt was able to stabilise and extend profitable customer relations.

In the segment of direct insurance the search for an attractive price/benefits ratio is particularly significant. Customers look specifically for information in order to contact the insurer afterwards. Thanks to the quality of products, services and counselling we were able to extend our customer base further and reduce the risk of increased change of customers for the Group as a whole due to our alignment to the individual needs and higher price sensitivity of customers.

Risk selection

In addition to professionalism in online communication because of the absence of direct customer contact, underwriting is also a material success factor for CosmosDirekt to encounter the risk of anti-selection. Years of experience and technical support in risk assessment are the guarantors of sustainable success. Against the background of the financial market crisis we focus on checking the credit quality of customers in order to protect our existing and new customers as well as our company against the burden caused by non-payers.

Sustainable securing of the sales capacity

In order to ensure the economic success of the Group and the Group companies, securing the sales capacity of all distribution channels is a key factor.

This is the more important the keener competition is. Therefore, securing and extending the sales capacity is and will be the fundamental element of profitable growth for the Generali Deutschland Group.

In order to secure our sales capacity sustainably, the products we offer must be attractive and aligned to the needs of the customer segments targeted by the sales network. With a view to stabilizing and/or improving the income of the sales network in the current environment of fierce competition, our broad product range offers potential for the sales network to benefit from other products (so-called cross-selling) or extend the scope of coverage (so-called up-selling). In that way we were able to consolidate the income situation of our sales network while commission rates were generally in line with the market. At the same time, in the environment of strong competition for customers this aspect is an important point for maintaining the sales capacity of the Group.

We create attractive services, IT support and a favourable framework for our sales network. Over the past years extensive initiatives were launched for improving the information base of the sales network and providing them ample opportunities for efficient work and optimal customer attendance. This generates added value for the customers and distribution partners.

Solvency requirements

All companies in the Group 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 € 5,271 m (previous year: € 5,513 m) is by € 1,587 m (previous year: € 2,008 m) or 43 percent (previous year: 57 percent) in excess of the required level. On that basis the calculated solvency ratio in the Group is 143 percent (previous year: 157 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 with the BaFin. 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 Solvency II, the Generali Deutschland Group has implemented – as already described – an internal risk model aligned to the requirements of the future. 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

Following the complete implementation of the requirements resulting from the 9th Amendment of the Insurance Regulatory Act (VAG) and from MaRisk VA, the enhancement of the risk management in the Generali Deutschland Group is focussed on the systematic orientation to value creation and the requirements under Solvency II. Aside from regularly calculating the solvency ratio in accordance with the internal model and the standard model as well as reporting on the solvency situation under the new solvency regime, the preparation of governance issues and future reporting duties are the focal points of activity. The analysis and anticipated alignment to the requirements under the “own risk and solvency assessment” (ORSA) were started at Group level. Thus the Generali Deutschland Group is preparing in a targeted and prospective manner for the requirements of the future.

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. The recovery of the global economy and the easing of the interest rate situation have improved the assets, liabilities, financial position and earnings of the Generali Deutschland Group sustainably.

Outlook

- The global economic recovery is expected to continue in 2011 and 2012. The reversal of earlier fiscal stimuli, a merely reluctant recovery of lending and moderate growth in Asia will, however, slow down the speed of recovery to some extent.
- In international stock markets, positive one-digit percentage returns are anticipated per annum for 2011 and 2012. In bond markets, a slight rise in interest rates is expected for 2011.
- On the basis of our favourable operating development and our success in insurance business, the Generali Deutschland Group is looking to the future with optimism.

Expectations for 2011 and 2012 regarding the economic development

We anticipate that in 2011 and 2012 the global economy will continue its recovery. It is, however, likely to lose some of its impetus. In most industrial countries the necessary consolidation of public households will reduce growth. In addition, the stock cycle is hardly expected to provide any more noticeable momentum. After the financial crisis and tightened capitalization requirements, loan granting by banks will only get started reluctantly. In the emerging Asian countries the very high current growth rates are expected to normalize somewhat. In some peripheral countries of the eurozone (in particular Greece, Ireland and Portugal) the risk of another recession will persist.

Nevertheless there are good basic conditions for a further recovery beyond the current year. Monetary policy in Europe and the U.S. will further support the upswing by a persistently low interest level. In the core states of the eurozone (in particular in Germany) the upswing, which in the year under report had been largely based on exports, will be increasingly supported by domestic demand thus making the recovery more stable. At the same time, the more moderate but still strong growth in the Asian emerging countries should support demand for exports. In the U.S. the extension of tax relief has somewhat brightened growth expectations.

We assume that, as a whole, inflation in the eurozone and in the U.S. will remain low in 2011, too. Only rising prices for food and raw materials are expected to lead to a transitory increase of overall inflation. We do, however, not anticipate a sustainable inflation risk in 2011 or 2012. A large part of production capacities has not yet been utilized. Furthermore, sustainable price pressure caused by wage increases is improbable given the persistently high level of unemployment.

The European Central Bank is assumed to continue its policy of slowly abandoning unconventional measures. In particular it will presumably keep reducing the granting of liquidity to the banking sector. The first tightening of interest rates, however, is not expected before year-end 2011. In the U.S., the first rate increases will presumably not take place before the year 2012.

Development in financial markets

The outlook for international stock markets remains favourable in 2011 and 2012. Valuation ratios are not indicative of exaggerations. Furthermore, with growth becoming more stable worries about a backslide into recession should decrease. This should underpin profit expectations and at the same time further abate caution about share investments.

Despite the correction in bond markets towards the end of 2010, the general interest level remains very low. Furthermore, prospects for the bond market are rather below average. Given the low base rates of central banks, fixed-interest investments for the short term will keep earning low yields. For long-term bonds there will be an increasing risk of price losses if interest levels start increasing again in the light of economic recovery. We do, however, not expect a steep rise of long-term interest rates for the next two years. Economic recovery will be too moderate for this and inflation pressure will be too low for the foreseeable future. Nevertheless rising state indebtedness in the wake of the crisis could lead to an increase in risk premiums also for very liquid and safe government bonds. In addition, the reversal in interest policy expected for the 2011/2012 turn of the year will lead to a stabilization of the upward pressure on yields.

Positive overall outlook for international stock markets

The sovereign debt crisis in the eurozone will continue to involve uncertainties in financial markets. We assume that a stringent pursuit of consolidation, continued support from the rescue fund of the European Union (EU) and the International Monetary Fund (IWF) as well as an improved coordination and monitoring of the economic policy of the member states of the monetary union will lead to a gradual stabilization of the debt crisis. Nevertheless this process will continue to cause market fluctuations. At the same time there remains the risk of the sovereign debt crisis escalating.

The yields of German government bonds are expected to remain below average in the next two years. Regular interest, which is still low, will probably be consumed by price losses. On the other hand, better economic prospects, moderately favourable valuation ratios and a monetary policy still having a supporting impact for some time should involve favourable prospects for stock markets. Due to persistent uncertainties regarding the economic development and the risks involved in the sovereign debt crisis, however, we only expect share earnings per year in the high one-digit percentage range.

Insurance industry anticipates moderate decline in premium income

Despite the beginning economic recovery, the German Insurance Association GDV anticipates a stagnation or a slight decrease in total premiums for 2011 compared to the previous year. The expected decline in premiums will be exclusively attributable to life insurance and in particular to an assumed reduction of single premiums which had previously witnessed an extraordinarily dynamic growth. Besides this decrease, there are also factors having a long-term impact which would rather be indicative of stagnating or even decreasing premium income. These factors include the high amount of maturing policies in the portfolio, changes in tax rules and the political environment, the high degree of market penetration in some areas as well as intensive competition and demographic change.

The business development in life insurance will continue to be marked to a decisive extent by the economic situation of private households, the interest environment and also by the wait-and-see attitude as regards financial investments. The demand for life insurance is again expected to be supported by the increasing importance of funded retirement pensions. Besides security aspects, the guarantee of life-long pension payments provides life insurance with a unique selling proposition. In addition, the attractiveness of life insurance has generally increased in the wake of the financial and economic crisis. In 2011, the strong demand for Riester contracts and basic pension policies is therefore expected to continue but there will be no more positive extraordinary impacts. Although the level of funded old-age provisions continues to be insufficient in Germany, it will be difficult to benefit from this potential in the foreseeable future in the absence of new political impulses.

GDV expects slight decrease in total premium income

In 2011 new business in terms of regular premiums could be slightly above the previous year's level. It is, however, also anticipated that there will be a high number of scheduled maturities as 12 years ago a large number of policies was concluded ahead of the introduction of tax changes regarding life insurance policies. Therefore the regular premium income in life insurance as a whole is expected to witness a slight decline. The further development of single premium business is difficult to estimate. If that business should decrease more or less compared to the previous year, this could result in a decline of premium income as a whole for the insurance industry.

Private health insurance is expected to benefit from the improvement of the economic environment in 2011. The environment of healthcare policy, however, could be even more important for private health insurance. As from December 31, 2010, for instance, employees will no longer have to fulfil a waiting period of three years before being eligible for a changeover from the public health scheme to private health insurance. Therefore, starting from the beginning of 2011, employees may opt for private cover just on the basis of exceeding the salary limit in the year 2010. The deductibility of insurance premiums from tax is also anticipated to have a positive impact on new business. On the other hand, demographic developments curb demand as the decreasing population in younger age groups also reduces the new business potential of private health insurance.

Against this background the number of insured persons with full health covers in private life insurance is again anticipated to rise slightly. It is expected that business with supplementary covers will no longer expand as strongly as in previous years. Due to the low average premium level of that latter business, however, this will only have a limited impact for the premium development of private health insurance as a whole. For 2011 the association of private health insurers forecasts total premium growth in line with the previous year's level.

Besides the expected improvement of the economic situation of private households accounting for about two thirds of demand in property and casualty insurance, the economic recovery of business enterprises, too, will presumably have a positive impact in this line of business. At the same time long-term trends, such as high market penetration and persistent price competition, will prevail across the entire property and casualty segment.

In motor insurance, the price-cutting cycle in new business is mostly expected to come to an end in 2011. Furthermore price increases could become effective for business in force, with the market, however, continuing to be very heterogeneous. Nevertheless premium income will also be curbed by changeovers to better no-claims categories and more favourable price segments. The pricing approach and the growing importance of direct-selling insurers also have a decreasing influence on premiums. It is a positive feature that for a long time the motor portfolio has been witnessing slight increases. Similar to the previous year, premium growth is thus expected to be moderate in the full year 2011.

In motor insurance the end of the price-cutting cycle is anticipated in new business

In property insurance for retail customers, too, a slight increase in premium income is forecast for 2011. In the light of high market penetration premium development will again be marked by adjustments of sums insured and premiums as a result of general price increases. There will, however, only be minor adjustments in the light of the development of the relevant price indices. Extended covers for claims caused by natural perils might also support turnover to some degree. As a whole, the market expects that the premium volume in property and casualty insurance will slightly exceed the previous year's level.

In the light of low interest rates, stable property prices and a rising trust of customers in an economic upswing, this is a favourable moment for the acquisition of property. Meanwhile 45 percent of the German population anticipate a persistent upward trend, another 35 percent expect the situation to be largely stable.

Building-society contracts are an important instrument for the accumulation of capital to finance the acquisition of residential property. Since the financial crisis, this business has been seen more intensively as a safe type of investment. Even though in the present situation of low interest rates the central advantages of building-society contracts, i.e. stable interest rates and reliability, do not quite have the important role they deserve, they nevertheless remain an important element in financing the acquisition or refurbishment of residential property. In recent months the interest curve started to rise again. In the case of a further increase in interest rates, the advantages involved in building-society contracts could contribute to an expansion of this business.

Focus of the Generali Deutschland Group in 2011

The Generali Deutschland Group is excellently positioned in the German primary insurance market. A consistent orientation towards the needs of our customers through all distribution and customer access channels is required to maintain our strong competitive situation and the successful development of our insurance activities. Our business model creates the basis for a stable and sustainable further development of the Group. After the restructuring measures of previous years we now benefit increasingly from the cost reductions achieved following the creation of bigger units and the elimination of redundant areas.

In the next few years, we will continue to consolidate our strengths and 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 improvement of our processes and structures.

The consistent enhancement of our proximity to markets and sales networks as well as further developments specific to the business fields, such as those within our product strategy, will continue to remain the central tasks of our Group companies in the year 2011. Furthermore, the orientation towards customers and services will continue to be our focus. We will use our strong distribution capacity in order to expand our excellent market position. To achieve this target, among other things IT support for distribution activities will be sustainably improved and a standardized online platform will be established and enhanced for our fieldstaff. Furthermore, we will continue to develop our claims processes in the current business year. This will improve quality for our customers and at the same time increase the efficiency of our Group companies.

The Generali Deutschland Group is also preparing intensively for the future requirements in the regulatory environment. The objective is the optimum implementation of the requirements for the Generali Deutschland Group resulting from Solvency II. A cross-national project has been initiated for this purpose. In this project, we will further improve the existing risk model and develop an internal model that meets certification criteria and can also be used for control and capital allocation in the future. With regard to international accounting rules, the goal will be to implement the final IFRS expected in the summer of 2011 for the recognition of insurance policies (IFRS 4 phase 2). In order to take the interdependence between Solvency II and IFRS 4 phase 2 into account systematically, it is ensured that the respective project activities are closely linked.

In the current year it will moreover be crucial to make use of the initiated changes to open up further 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.

Life insurance

The environment and development trends in the life insurance segment are of special importance for the success of the Generali Deutschland Group since life insurance accounts for approx. 68 percent of the Group's total premium income. Life insurance certainly is an important market in the long term due to the demographic situation, the structural financing problems of state-run retirement schemes and the growing awareness of the necessity of supplementary old-age provision on a private or corporate basis.

> The business model of Generali Deutschland is the basis for the Group's stable structures and long-term success

Our broad and comprehensive product range and the quality of our field staff networks create the best conditions for successful positioning. 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 supplementary retirement provision in particular for the self-employed, for earners of high incomes and for individuals approaching retirement age. We offer a complete product line and expect a further long-term stimulation of demand in this segment.

In 2011 we expect a further increasing importance of the corporate pension business of the Generali Deutschland Group. Generali Lebensversicherung has positioned itself successfully as a specialist for the commutation of pension obligations under corporate pension schemes and will exploit the opportunities involved in this business also in the year 2011.

We also expect demand for the Riester pensions of the second tier to remain stable, as the target group of persons eligible for state incentives has by no means been fully penetrated. As one of the market leaders in Riester business, we will particularly benefit from this. Being an established provider of both unit-linked and conventional Riester pensions, we are expecting a continued above-average development in this segment.

The provision products of the third tier, which comprise endowment life insurance and private pension insurance, are particularly attractive for customers at present. In the wake of the financial market crisis, customers have come to appreciate the security 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.

Generali Deutschland offers a comprehensive product range for all three tiers of retirement business

New business in 2011 will also be characterized by single-premium business although to a lesser extent than in 2009 and 2010. Our life insurers offer various flexible single premium products with competitive yields which are thus also particularly suited for the reinvestment of maturity benefits.

We anticipate that the attractiveness of fund investments will rise again in the medium term. 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. In addition to traditional low-risk products, mixed types of cover, such as a traditional product with a unit-linked profit bonus and hybrid products with a premium guarantee, provide return opportunities while simultaneously offering a secure basic guarantee. Our product range entails flexible investments in different funds of excellent quality. We also expect growth momentum from covers of purely biometric risks, such as term life or occupational disability insurance. 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 this existential risk at an early stage. To close this gap also for customers who, for a variety of reasons, are unable to insure themselves against occupational disability for specific jobs, the Generali Deutschland Group is going to introduce full disability covers this year. Combinations with Riester or basic pensions will enable people to take out a tax-privileged disability cover without having to neglect the systematic build-up of old-age provision.

In 2011 new business will again be characterized by single premiums

In the growing senior market we will increasingly position ourselves with products of long-term care insurance. Apart from stand-alone long-term care policies we are also offering a system of supplementary covers and optional modules from which tailor-made product packages can be set up. We expect additional momentum in the course of the changes announced in statutory long-term care insurance for 2011. As this depends primarily on political decisions, an exact forecast regarding the development of private long-term care insurance is difficult.

We will benefit from the growth opportunities opening up in the wake of demographic developments and the gradual restructuring of social security schemes by making use of our innovative product development oriented towards 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 2011 and subsequent years we plan to achieve stronger growth than the life insurance market as a whole.

In doing so we will reinforce and expand our excellent market position in Riester pensions, unit-linked life insurance and term life insurance. On January 1, 2012 the maximum technical interest rate of presently 2.25 percent will be reduced to 1.75 percent. It goes without saying that our products will be adapted to the new technical interest rate.

Health insurance

In the year under review, the federal government's health policy incorporated important steps towards freedom of choice and competition in healthcare. These steps will become effective in 2011. The coalition treaty also announced the beginning of the funded long-term care scheme. In the long term, statutory long-term care insurance will not be able to cover the demand of an ageing society and is to be supplemented by funded long-term care insurance. Whether the government will make long-term care insurance mandatory by law and whether private health insurers and/or the public health scheme will be allowed to offer products needs further clarification. The issue of long-term care insurance will therefore be an important item on the health policy agenda in 2011.

In 2011, the Association of Private Health Insurers expects the industry to grow at last year's level. The health insurers of the Generali Deutschland Group with their powerful sales networks and products tailored to meet demand are optimally positioned and we anticipate that they will again achieve a development above the market average.

In the year under review, Central gave a convincing performance with strong products and received numerous awards. Various initiatives and the use of new media moreover focused on the improvement of customer service. In addition, the current health programmes were extended. Central thus fortifies its position as healthcare specialist. The company anticipates a development above the market average in the next two years. This is indicated by the successful multi-channel strategy and continued reinforcement of the sales network, consistent quality orientation as well as competitive rates. Envivas also expects its growth above market average to continue in the next two years. The company's aims are a further improvement of its customer service and an optimization of the product portfolio in line with demand. Envivas, too, expects to continue its growth above the market average in the next two years. The company will further improve its customer service and optimize its product portfolio in line with the requirements of customers. For 2011 Envivas anticipates a noticeable increase in its customer portfolio.

Property and casualty insurance

Fierce competition will again characterize the property and casualty insurance market in 2011. Economic recovery, particularly in the last quarter of 2010, set positive signals so that slight growth appears possible for 2011. Especially the improved economic situation of private households but also the economic recovery in the corporate field should lead to a stabilization of demand patterns in property and casualty insurance. Nevertheless the price sensitivity of customers remains high and this will again lead to fierce price competition in the current business year. The opportunities for premium increases – even by means of adjustment clauses – are very limited.

Health Insurance Association expects stable market growth at previous year's level

In motor insurance, an end to the soft market for new business is expected in 2011. However this will not alter the continued low price level in the market. The migration of policyholders to higher no-claims bonuses and the conscious changeover to cheaper tariff groups will additionally lead to a stagnation in premium income.

The Generali Deutschland Group with its Group companies and distribution capacity is positioned very well in this demanding market. New products and the use of modern pricing methods offer innovative insurance cover to customers while simultaneously optimizing profitability. The broad-based positioning of our Group companies enables us to adequately satisfy customers' requirements in all segments. The differentiated product policy applied in this context helps us achieve decisive competitive advantages in a price-sensitive environment.

Property and casualty insurance for retail customers is highly attractive to all market participants due to its high profitability. In this market segment, success is conditional on a targeted and integrated customer approach. The identification of customer needs and the customer-specific design of products are the factors for achieving success in this market. Taking the customer's individual life and risk situation into account becomes a crucial competitive factor. Our Group companies are always close to the market in this respect and will continue to successfully satisfy the requirements of customers and sales networks with their products.

The Generali Deutschland Group will again launch new motor tariffs in 2011

In the corporate customer segment, we focus primarily 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. Attending to and extending the identified lines of business and industries represents a highly attractive extension of the Group's portfolio, although industrial business involving high sums is not a line operated by the Generali Deutschland Group.

Based on the extensive specialized and technical know-how of the Group's staff, we are able to adapt our product range to our customers' needs also in the short term.

The overhaul and modernization of corporate customer property products initiated in 2010 will be continued in the current business year. The aim of this initiative is to achieve a better position in the large-scale enterprise segment.

In the motor insurance segment, new motor tariffs will be introduced by AachenMünchener, Generali Versicherungen and CosmosDirekt in 2011 as well, with the objective of sustainably enhancing competitiveness while improving the profit situation. The focus in this respect is on making the main renewal date, now concentrated on January 1, more flexible and on introducing variable licence plates in motor insurance.

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 2011 our development will at least be in line with the market.

Building society business

A product portfolio tailored to the market, an excellent customer and sales service, a lean organization, efficient processes and stringent risk and cost management are aimed at sustainably ensuring the success of Deutsche Bausparkasse Badenia.

On the basis of attractive products, high-performance distribution networks – first and foremost Deutsche Vermögensberatung – and the strong growth in refurbishing activities, Badenia is anticipating stable new business in the coming years. The expiry of an important bank distribution channel may, however, result in a temporary decline in new business in the current business year.

The basis for ensuring the company's medium and long-term competitiveness is an adequate profitability of its operating business. This guarantees an adequate contribution to the overall earnings of the Generali Deutschland Group. The precondition for achieving these goals is a sustainable orientation towards earnings and values expressed by the consistent exploitation of the efficiency potential as well as by safeguarding credit quality.

The “ELSE” project is to be completed in 2011 following a further optimization of the sales-related credit and contract portfolio processes.

Continuation of a prudent investment policy

Stock markets started in a friendly environment in 2011. The current yield increases observed for European bonds can be regarded as positive in the medium term by German insurers.

We have an overall positive view of the economic environment and thus the market trend observed during the first weeks could ultimately set the course for the entire year. A stabilization of the U.S. economy will, in our opinion, support global growth at last year's level. However, this might entail a more dynamic development of the inflation rate, driven particularly by rising commodity and food prices.

As our core scenario, we anticipate a moderately positive development of European stock markets and, on average, a sideways performance in property markets. Bond markets are, of course, especially sensitive to a potential inflation risk. Therefore our expectation range for 2011 is fairly high with a rise of 50 to 100 basis points for 10-year German government bonds.

The main risk for European stock and bond markets in the current year continues to be the highly dynamic indebtedness of some eurozone countries. We anticipate a calmer development compared to the previous year. With a view to the still fragile market sentiment, however, we must also be prepared for a new escalation.

Our investment policy 2011 will essentially continue to focus on last year's topics. We want to maintain the current equity exposure and set the bond focus on covered bonds. In the light of the positive market development in the last two years, we will concentrate less on non-financial corporates. From today's point of view and if yields continue to rise, it is planned to extend the portfolio duration in the course of the second half of this year. In the property and alternative investment segments, one of the major focus areas is on infrastructure.

Sustainability

Sustainability has an increasing influence on the economy. The pronounced public interest and the developing regulatory framework increasingly promote the companies' sustainable commitment. As a result the German Sustainability Council is presently preparing a draft of a German Sustainability Code based on a mandate by the German government. As a financial market instrument, the Code's purpose is to strengthen sustainable business models, provide orientation, substantiate sustainability and make the requirements transparent.

For this reason, the Generali Deutschland Group will continue to drive the integration of sustainability in all business processes until 2012. The awareness of sustainability that already exists at management level will have to penetrate the entire Group even more strongly in the future. In order to achieve this ambitious goal, we will concentrate particularly on the further integration of the topic of sustainability into the Group strategy as well as into our core segments, such as sustainable products, capital investments and property from the business year 2011 on. Within the scope of our Group-wide sustainability strategy, we defined numerous goals, key performance indicators and action programmes in the last business year in order to continue to improve our sustainability performance in the future. In this context, we continuously review all the relevant processes and develop corresponding solutions. Furthermore, we are working on the exploitation of market opportunities and the further systematic integration of our stakeholders.

Planned earnings at a continued high level

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

Sustainability integrated in all business processes

These expectations regarding our core business activities still are subject to the environment of international capital markets which we will again be facing in the current year. Based on our good operational development and our success in insurance business, we look confidently into the future and proceed from the assumption that earnings will continue to be positive in the coming years, as in the business year 2010.

Provided that there are no extraordinary claims and capital markets are not affected by substantial and sustained adverse developments in the current year, we expect a net profit of more than € 390 m for the business year 2011. For subsequent years we expect 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 addition to the Group net profit. In 2011 we anticipate higher interest rates in the bond market and corresponding decreases in reserves on bonds. We expect a slight rise in prices on stock markets. As a whole, however, we anticipate a negative balance of the other comprehensive income. Therefore the total comprehensive income is expected to be lower compared to the Group's net profit.

Group targets 2011 through 2013

	Targets 2010	Actual 2010	Targets 2011	Outlook 2012/2013
Premium development life	growth above market level	+12.5%	growth above market level	growth above market level
Premium development health	growth above market level	+11.8%	growth above market level	growth above market level
Premium development property/casualty	growth at market level	-1.2%	growth at market level	growth at market level
New business value[1]	> € 170 m	€ 186 m	€ 169 m	€ 175–184 m
Combined ratio[2]	95–96%	95.5%	< 95.5%	< 95%
Total costs[3]	< € 1,600 m	€ 1,542 m	—	—
Group net profit under IFRS	> € 360 m	€ 402 m	€ 390–410 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

Group targets 2011 through 2013 on the basis of internal management parameters

The above overview gives an outline of the Group targets for the period 2011 through 2013. 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 and the Group net profit under IFRS accounting.

In the business year 2010 we were able to considerably improve our cost efficiency due to measures taken in the past to enhance competitiveness and we succeeded in clearly exceeding our ambitious goal regarding total costs. Following the successful realization of these savings potentials, an explicit total cost target is no longer defined for the future. The focus, however, will continue to lie on operational improvements and we will work in a targeted manner on continuously improving our cost position.

The rulings of the European Court of Justice of January 22, 2009 and of the Supreme Financial Court of October 28, 2009 come to the conclusion that the 2001 prohibition of deducting profit reductions in the context of participating interests in limited companies abroad represents a violation of the freedom of movement of capital guaranteed by article 56 of the EC Treaty. We are currently studying the impact of these rulings for the Group companies and expect this to lead to tax relief which cannot be finally quantified at the moment the Consolidated Financial Statements are established.

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 sec. 30 ff. of the Co-Determination Act (MitbestG) in conjunction with sec. 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 sec. 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 sec. 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 art. 19 of the Articles of Association.

The Board of Management manages the company in its own responsibility (sec. 76 AktG) and represents the company in court and out of court (sec. 78 AktG). Pursuant to art. 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 art. 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 sec. 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 sec. 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 sec. 71 AktG. In particular, by resolution of May 27, 2010 the General Meeting authorized the Board of Management pursuant to sec. 71 para. 1 item 8 AktG to acquire shares of the company, with the approval of the Supervisory Board, until May 26, 2015. 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 sec. 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 stock market trading day on which the obligation to acquire company shares is assumed 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 sec. 8 para. 3 AktG (sec. 237 para. 3 no. 3 AktG). The Board of Management is authorized to amend the number of shares indicated 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 and acquisitions 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 sec. 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 a sales cooperation agreement – in favour of Group companies – which is of material importance for the Group and which includes provisions for the case of a change of control. Under that 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 sec. 289a HGB is published on the Internet at www.generali-deutschland.de in the section "Generali Deutschland Group>Generali Deutschland Holding>Corporate Governance>Statement pursuant to sec. 289a HGB".

Basic structure of the remuneration of the members of the Board of Management and 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. 14 ff. That remuneration report is also an integrated part of the Group Management Report.

Chap. 3
Consolidated Financial Statements

Pages 090–204

Consolidated Statement of Comprehensive Income for the period January 1–December 31, 2010

Consolidated Income Statement

	Note	€'000	€'000	2010 €'000	2009 €'000
1. Gross premiums written				**13,036,480**	**12,418,870**
2. Net premiums earned	6		12,746,113		12,096,156
3. Investment income (net)	7				
a) income from shares in equity-method enterprises		17,445			78,209
b) other investment income		3,849,006			2,959,297
			3,866,451		3,037,506
4. Other income	8		413,604		381,595
				17,026,168	**15,515,257**
5. Net claims and benefits	9				
a) life/health		-10,947,691			-9,631,924
b) property/casualty		-1,924,483			-1,952,483
			-12,872,174		-11,584,407
6. Net operating expenses	10		-2,662,343		-2,536,229
7. Other expenditure	11		-879,447		-895,634
				-16,413,964	**-15,016,270**
8. Result before goodwill amortization				**612,204**	**498,987**
9. Goodwill amortization				**–**	**–**
10. Earnings before tax and finance costs				**612,204**	**498,987**
11. Finance costs				**-16,456**	**-16,456**
12. Tax	12			**-193,567**	**-141,982**
13. Net profit from continuing operations				**402,181**	**340,549**
14. Net profit/loss from discontinued operations				**-71**	**–**
15. Net profit				**402,110**	**340,549**
a) of which attributable to the equity holders of the parent				398,896	327,113
b) of which minority interests				3,214	13,436
	Note			**2010 €**	**2009 €**
16. Earnings per share	13				
a) diluted				7.43	6.09
b) basic				7.43	6.09

Other comprehensive income

	Note	€'000	€'000	2010 €'000	2009 €'000
15. Net profit				**402,110**	**340,549**
17. 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		-42,091			84,048
Change during the period		-202,058			123,800
			-244,149		**207,848**
Change of other comprehensive income from equity-method enterprises					
Change during the period			**3,248**		**672**
Change from cash-flow hedges					
Reclassification due to the realization of gains and losses		-658			-658
Change during the period		1,318			-6,132
			660		**-6,790**
Foreign exchange differences			**1,145**		**-665**
				-239,096	**201,065**
18. Total comprehensive income				**163,014**	**541,614**
a) of which attributable to the equity holders of the parent				159,799	527,931
b) of which minority interests				3,215	13,683

Consolidated Balance Sheet as at December 31, 2010 – Assets

	Note	€'000	2010 €'000	2009 €'000
A. Owner-occupied property/tangible assets	14		**994,028**	**1,033,196**
B. Intangible assets	15			
I. Goodwill		269,389		269,389
II. PVFP of insurance contracts		58,431		64,613
III. Other intangible assets		59,540		64,267
			387,360	**398,269**
C. Deferred acquisition costs	16		**7,734,994**	**7,868,847**
D. Investments				
I. Investment property	17	2,469,026		2,275,706
II. Equity-method investments	18	562,613		512,613
III. Financial assets				
1. loans and receivables	19	38,062,744		39,392,259
2. available for sale	20	40,492,811		36,758,553
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)		280,576		832,544
b) held for trading		6,463		25,903
		78,842,594		77,009,259
			81,874,233	**79,797,578**
E. Investments for the account and at the risk of life insurance policyholders	22		**12,850,343**	**10,424,408**
F. Receivables	23		**2,289,654**	**2,290,565**
G. Tax assets	35			
I. for current tax		255,735		280,856
II. for deferred tax		19,906		15,361
			275,641	**296,217**
H. Reinsurers' shares in underwriting provisions			**1,549,888**	**1,480,536**
I. Other assets			**371,642**	**261,343**
J. Inventories	24		**17,367**	**10,747**
K. Non-current assets held for sale and discontinued operations				
I. Non-current assets held for sale	25	14,614		12,571
II. Discontinued operations	26	162,376		–
			176,990	**12,571**
L. Current-account balances with credit institutions, cheques and cash in hand			**1,582,234**	**954,995**
Total assets			**110,104,374**	**104,829,272**

Consolidated Balance Sheet as at December 31, 2010 – Equity and Liabilities

	Note	€'000	2010 €'000	2009 €'000
A. Group equity	27			
I. Subscribed capital		137,421		137,421
II. Capital reserves		1,310,358		1,310,347
III. Revaluation reserve		216,697		456,927
IV. Profit carried forward		1,947,215		1,776,726
V. Reserve from foreign currency translation		-607		-2,277
VI. Net profit attributable to the equity holders of the parent		398,896		327,113
VII. Minority interests		18,489		17,812
			4,028,469	**4,024,069**
B. Underwriting provisions				
I. Unearned premiums	28	467,658		473,449
II. Provision for future policy benefits	29	69,970,146		66,858,340
III. Provision for outstanding claims	30	4,783,651		4,745,530
IV. Provision for premium refunds	31	4,633,802		5,309,407
V. Other underwriting provisions		21,471		29,887
			79,876,728	**77,416,613**
C. Underwriting provisions concerning unit-linked life insurance			**12,674,301**	**10,322,944**
D. Other provisions				
I. Provisions for pensions and similar commitments	32	1,955,253		1,942,277
II. Tax provisions		417,086		391,968
III. Other provisions	33	467,921		483,678
			2,840,260	**2,817,923**
E. Payables	34			
I. Subordinated liabilities		240,291		231,534
II. Bonds and loans		247,923		172,833
III. Other payables		9,920,913		9,346,607
			10,409,127	**9,750,974**
F. Tax liabilities	35			
I. for current tax		66,362		64,283
II. for deferred tax		208,478		431,743
			274,840	**496,026**
G. Other liabilities			**649**	**723**
Total equity and liabilities			**110,104,374**	**104,829,272**

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
31.12.2009	137,421	1,310,347	455,190	3,587	-1,850
Total comprehensive income	—	—	-244,138	3,248	660
Dividend to shareholders	—	—	—	—	—
Change of consolidation scope	—	—	—	—	—
Share-based payment	—	11	—	—	—
31.12.2010	**137,421**	**1,310,358**	**211,052**	**6,835**	**-1,190**
31.12.2008	137,421	1,309,573	256,339	2,914	4,940
Total comprehensive income	—	—	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**

Reserve from foreign currency translation	Profit carried fw. and net profit	Minority interests	Equity
€'000	€'000	€'000	€'000
-2,277	2,103,839	17,812	**4,024,069**
1,670	398,359	3,215	**163,014**
—	-155,672	-2,973	**-158,645**
—	-415	435	**20**
—	—	—	**11**
-607	**2,346,111**	**18,489**	**4,028,469**
-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**

Statement of Cash Flows

	2010 €'000	2009 €'000
Net profit	402,110	340,549
Change of underwriting provisions (net)	5,920,572	5,545,779
Change of deferred acquisition costs	133,853	-34,682
Change of reinsurance deposits receivable and payable as well as current accounts receivable and payable	101,351	-2,571
Change of financial assets held for trading	13,423	106,054
Change of other amounts receivable and payable	516,881	339,986
Realized capital gains/losses from the disposal of investments and of plant and equipment	-901,597	-814,939
Change of deferred tax assets/liabilities	-125,844	-70,677
Change of other balance-sheet items	-26,794	-18,784
Profits/losses due to deconsolidation	—	-3,981
Adjustment for investment income and expenditure not involving cash movements	-595,292	-740,608
Cash flow due to operating activities	**5,438,663**	**4,646,126**
Receipts due to the disposal of affiliated and associated enterprises	282	8,482
Payments due to the acquisition of affiliated and associated enterprises	-65,954	-15,237
Receipts due to the disposal of other investments	22,913,944	28,093,559
Payments due to the acquisition of other investments	-26,298,388	-30,717,735
Receipts due to the disposal of investments under unit-linked life insurance	2,188,283	228,483
Payments due to the acquisition of investments under unit-linked life insurance	-3,425,929	-1,617,751
Other receipts	48,722	41,728
Other payments	-85,868	-89,129
Cash flow due to investing activities	**-4,724,908**	**-4,067,600**
Change of bonds, loans and subordinated liabilities	71,466	-37,089
Receipts due to capital increase	—	-89,300
Dividend payment	-158,645	-165,887
Cash flow due to financing activities	**-87,179**	**-292,276**
Impact of currency translation on cash position	663	-293
Change of the cash position due to the acquisition/disposal of consolidated subsidiaries	—	—
Cash position at the beginning of the business year	954,995	669,038
Change of the cash position	626,576	286,250
Cash position at the end of the business year	**1,582,234**	**954,995**

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, € 964,617 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

	2010 €'000	2009 €'000
Dividends received	303,826	330,058
Interest received	3,087,420	2,984,335
Interest paid	-40,877	-38,993
Tax paid	-254,947	-11,384

Notes

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Notes to the Consolidated Financial Statements 2010

1 Accounting regulations

The Consolidated Financial Statements of the Generali Deutschland Group 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

Revised IFRS 3 “Business Combinations”

On January 10, 2008 the IASB issued an amended 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 on the basis of 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 application of IFRS 3 does not involve a material impact for the Generali Deutschland Group.

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. In this context, any difference between the purchase price or proceeds from the disposal and the proportionate share of the carrying amount has to be set off against the revenue reserve without recognition in income. Disposals of interest leading to a loss of control, however, must be recognized in income. The implementation of IAS 27 does not involve a material impact for the Generali Deutschland Group.

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 for the Generali Deutschland Group.

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

On November 27, 2008 and on July 23, 2009, the IASB issued amendments to IFRS 1. These were endorsed as European law on November 25, 2009 and June 23, 2010. The amendments are applicable to business years starting after December 31, 2009. The amendments mainly refer to changes in the structure of the standard and to relief for specific first-time adopters. The material requirements of the standard remain unchanged. The amendments do not have an impact for the Generali Deutschland Group.

IFRS 2 "Share-based Payment"

In June 2009 the IASB published amendments to IFRS 2 which were endorsed by the European Parliament on March 23, 2010. The amendments clarify the presentation of cash-settled share-based payment arrangements by individual subsidiaries in their separate financial statements if the remuneration 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 have no impact for the Generali Deutschland Group.

"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. The amendments were endorsed by the European Parliament on March 23, 2010. As a general rule, they refer to the elimination of inconsistencies in or between existing standards or to editorial clarifications. The amendments concern the following standards: IFRS 2 "Share-based Payment", IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 8 "Operating Segments", IAS 1 "Presentation of Financial Statements", IAS 7 "Statements of Cash Flows", IAS 17 "Leases", IAS 36 "Impairment of Assets", IAS 38 "Intangible Assets", IAS 39 "Financial Instruments: Recognition and Measurement", IFRIC 9 "Reassessment of Embedded Derivatives", IFRIC 16 "Hedges of a Net Investment in a Foreign Operation". The amendments will be applicable at the earliest for business years starting on or after July 1, 2009. The implementation does not involve a material impact for the Generali Deutschland Group.

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. There is no impact for the Generali Deutschland Group.

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 interpretation does 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 on June 4, 2009. The interpretation has to be applied for the first time for business years starting 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 on November 26, 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. There is no material impact for the Generali Deutschland Group.

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 implementation does not involve a material impact for the Generali Deutschland Group.

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.

IAS 32 “Financial Instruments: Classification of Rights Issues”

In October 2009, the IASB issued amendments to IAS 32 which were endorsed as European law on December 23, 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.

IAS 24 "Related Party Disclosures"

In November 2009 the IASB published a revised version of IAS 24 which was endorsed as European law on July 19, 2010. 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 the term related party was clarified in more detail. 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 were endorsed as European law on July 19, 2010. They 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 a material impact on the future Consolidated Financial Statements.

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

Furthermore the IASB amended IFRS 1 in January 2010. The amendments have to be applied for business years starting on or after July 1, 2010. On June 30, 2010 the amendments were endorsed as European law. They refer primarily to exemptions for first-time adopters regarding the disclosure of comparative figures in compliance with IFRS 7 "Financial Instruments: Disclosures". There will be no impact on the Consolidated Financial Statements of the Generali Deutschland Group as these rules are not of relevance.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

On November 26, 2009 IFRIC 19 was published by the IASB. The interpretation was endorsed as European law on July 23, 2010. It has to be applied for business years starting on or after July 1, 2010. IFRIC 19 indicates 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.

"Improvements to IFRSs"

Within the scope of its annual IFRS improvement project, the IASB issued another amendment standard on May 6, 2010. On February 18, 2011 the amendments were endorsed as European law. As a general rule, it refers to the elimination of inconsistencies in or between existing standards or to editorial clarifications. The amendments concern the following standards: IFRS 1 "First-Time Adoption of International Financial Reporting Standards", IFRS 3 "Business Combinations", IFRS 7 "Financial Instruments: Disclosures", IAS 1 "Presentation of Financial Statements", IAS 27 "Consolidated and Separate Financial Statements", IAS 34 "Interim Financial Reporting" and IFRIC 13 "Customer Loyalty Programmes". The amendments will primarily be applicable for business years starting on or after January 1, 2011. The Generali Deutschland Group does not expect a major 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 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 to which IAS 39 is currently applicable 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 EU has not yet endorsed this amendment and endorsement has been postponed until further notice. Against this background it is not possible to give a final assessment of the impact.

"Amendments to IFRS 7 Disclosures – Transfers of Financial Assets"

On October 7, 2010 the IASB published amendments of IFRS 7 which are applicable for business years starting on or after July 1, 2011. The amendments provide for additional disclosures on the risks that remain in the entity having transferred financial assets. The disclosures have to be made separately in the Notes. In the year of first application no comparative information on the previous year has to be provided. The Generali Deutschland Group does not expect a major impact on future Consolidated Financial Statements.

Amendments to IAS 12 "Income taxes"

On December 20, 2010 the IASB published amendments to IAS 12. These refer to clarifications regarding the treatment of temporary tax differences resulting from the application of the fair-value model under IAS 40. The amendments have to be applied for the first time for business years starting on or after January 1, 2012. As the fair-value model under IAS 40 is not applied, the amendments do not have an impact for the Generali Deutschland Group.

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"

On December 20, 2010 the IASB published amendments to IFRS 1. Besides amendments regarding references to the dates of transition, rules were adopted which have to be applied in case an entity is unable to comply with all IFRSs due to hyperinflation. The amendment has to applied for the first time for business years starting on or after July 1, 2011. There is no impact for the Consolidated Financial Statements of the Generali Deutschland Group as the rules are not of relevance.

2 Principles of preparation

Consolidation scope

Pursuant to IAS 27 in conjunction with SIC 12, the Consolidated Financial Statements as at December 31, 2010 comprise Generali Deutschland Holding AG as well as 62 subsidiaries and 29 special funds. In addition, six associated enterprises 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.

A complete list of shareholdings pursuant to section 313 para. 2 HGB is enclosed to these Notes.

Reporting date

The reporting date of the annual financial statements included in the consolidated financial statements is the reporting date of Generali Deutschland, i.e. December 31. Special funds with a different reporting date are included on the basis of interim financial statements prepared as at December 31.

Consolidation principles

Subsidiaries, investment funds and special purpose entities are consolidated if they can be dominated, directly or indirectly, by the Generali Deutschland Group. Domination exists if the financial and business policy of the company can be controlled by the Generali Deutschland Group. As a general rule, this is the case if the Generali Deutschland Group holds the majority of votes or is able to determine the financial and business policy on the basis of the articles of association or other rules. Furthermore companies are consolidated if domination exists from an economic point of view, such as in the case of special purpose entities.

A **business combination** exists if the Generali Deutschland Group obtains control of another enterprise. Business combinations are accounted for by the purchase method. As a matter of principle, all identifiable assets and liabilities of the acquired company are measured at their fair value at the moment of acquisition. The acquisition costs of a company purchase result, as a matter of principle, from the fair value of the consideration. For business combinations acquired on or before December 31, 2009, the costs directly attributable to the acquisition of the business combination had to be included. For business combinations acquired on or after January 1, 2010, any directly attributable costs of the company acquisition have to be recognized in income at the moment they are incurred.

If the acquisition costs exceed the share of the Generali Deutschland Group 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.

As a matter of principle, non-Group interests in the net assets of the subsidiary are shown separately in the balance sheet at their corresponding share.

Acquisitions and disposals of minority interests which do not lead to obtaining or losing domination are recognized as equity transactions. Any difference between the purchase price or sales proceeds and the carrying amount of the stake is set off against revenue reserves without recognition in income. In the year under report, no business combinations were acquired.

Interests in **associated enterprises** where the Generali Deutschland Group has a material influence are, as a matter of principle, measured and consolidated by the equity method. The Generali Deutschland Group is supposed to have a material influence if it is able to participate in the financial and business policy of a company without there being a domination. It is assumed that there is a material influence if the Generali Deutschland Group holds at least 20 percent but not more than 50 percent of the voting rights in the enterprise unless there is a dominating majority shareholder or contractual stipulations indicate that there is no material influence. In cases of an interest of below 20 percent of voting rights it is assumed that there is no material influence unless such material influence can be proven unequivocally in individual cases.

Interests in **jointly controlled enterprises** are also recognized and consolidated 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 the Generali Deutschland Group. Enterprises are jointly controlled if the partner companies have concluded an agreement about sharing the control of the economic activities of the jointly controlled company.

The annual financial statements of associated enterprises and jointly controlled enterprises 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 Generali Deutschland Group in the net assets of enterprises included by the equity-method 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 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. Some associated enterprises are not included by the equity method because they are not material.

Foreign currency translation

The Consolidated Financial Statements of Generali Deutschland are established in euro, the functional currency of the Group. All figures indicated in the Notes are rounded to full thousand euro (€’000) amounts.

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 the line items of the balance sheet and of the statement of comprehensive income as well as on the other financial commitments and contingent liabilities of the Generali Deutschland Group. In line with the applicable standard, 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 assumptions, which are updated annually, and on experience as regards future expectations. Nevertheless, due to their very nature estimates involve uncertainties which may lead to differences between the actual figures and the estimates in the subsequent business year. Therefore estimates may have an increasing or decreasing impact on earnings.

Fair value of financial instruments

When determining the fair value of financial instruments, initially all available stock-market prices quoted in active markets are used. If such prices are not available, fair values are determined on the basis of recognized valuation methods the significant valuation parameters of which can be observed, directly or indirectly, in the market. A detailed explanation of the valuation parameters is provided within the description of the methods of accounting and measurement with regard to investments. Within the valuation models, assumptions and estimates are made in order to take into account the uncertainties involved in the valuation models. The adequacy of the assumptions and estimates which, for instance, comprise the expected market and credit risks, is continuously monitored.

Determination of amortized cost

For those balance-sheet line items recognized at amortized cost, such as loans and receivables and most part of payables, assumptions and estimates are implicitly included in the application of the effective interest method. The uncertainties involved in estimates refer primarily to the amount and the moment of cash flows.

Impairment of financial instruments and of other specific balance-sheet line items

Financial instruments and other specific balance-sheet line items are regularly tested for impairment. If impairments are applied (depreciation on an individual or lump-sum basis), uncertainties involved in estimates cannot be fully excluded with regard to the amount or the moment of payment default. More details on impairments are provided under the methods of accounting and measurement or directly in the notes referring to the items concerned. For information regarding the credit quality of financial instruments, reference is made to p. 138 ff. of the Group Report.

Present value of insurance contracts, deferred acquisition costs, provision for future policy benefits

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 of insurance contracts, deferred acquisition costs, terminal bonus reserve (TBR) and unearned revenue reserve (URR) and are the result of updated assumptions referring to mortality, interest and costs. 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.

Provision for outstanding claims

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 through profit or loss in the statement of comprehensive income.

The measurement of the assumptions and estimates on which other items of the balance sheet and the statement of comprehensive income are based is explained in the section referring to the general methods of accounting and measurement or directly in the notes referring to these individual items. Besides, the assumptions and estimates regarding the other financial commitments and contingent liabilities involve uncertainties and therefore a quantification with regard to the amount and the due date is not possible.

3 Methods of accounting and measurement

General information

The financial statements of Generali Deutschland and of the subsidiaries and special funds covered by the Consolidated Financial Statements are established, on a consistent basis, in line with the IAS/IFRS principles of accounting and measurement to be applied in the European Union.

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.

Technical items of insurance business

General information

Under IFRS 4, the previous accounting practice 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. In compliance with IFRS 4.13, the rules of US-GAAP are applied to the above contracts in line with the FASB Accounting Standards Codification Subtopic 944 “Financial Services – Insurance” (previously FAS 60, FAS 97, FAS 120 and FAS 133).

Contract classification under IFRS 4

The Generali Deutschland Group has verified whether the contracts of its insurance portfolio include a significant risk. For most of the contracts in the portfolio there is a significant risk as defined by IFRS 4. For a small part of the contracts in 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 IAS 39 “Financial Instruments” these contracts are recognized at amortized cost and included in the balance-sheet line item of payables.

Present value of future profits (PVFP) from insurance contracts

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 within the scope of a true-up. If there is an impairment, the value is written down to the realizable amount. The PVFP-value of insurance contracts is included in the intangible assets.

Deferred acquisition costs (DAC)

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. Property and casualty policies similar to life insurance are treated analogously.

In long-term health insurance, acquisition costs are amortized over the total average contract term in proportion to premium income. The calculation parameters are adjusted to the current situation.

For property and casualty insurance amortization is also in proportion to premium income over the contract term, the maximum period being five years.

Unearned premiums

Unearned premiums are recognized for short term insurance contracts and comprise the premiums attributable to future years. As a matter of principle, unearned premiums are determined for each individual insurance contract on a daily pro-rata basis.

Provision for future policy benefits

The recognition of provisions for future policy benefits in the balance sheet is, as a matter or principle, 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 the expected future net premiums (prospective method).

Life insurance and property/casualty insurance similar to life insurance

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 the principles of FASB Accounting Standards Codification Subtopic 944-40 (previously FAS 120). In these cases the provision for future policy benefits is composed of the provision for insurance benefits (net level premium reserve) and the revalued terminal bonus reserve (TBR).

The determination of the technical items for Riester policies complies with the principles of the FASB Accounting Standards Codification Subtopic 944-40 (previously FAS 97). In these cases the provision for future policy benefits also includes the unearned revenue reserve (URR).

At contract inception, the assumptions for mortality, interest and costs are determined for the purpose of establishing the premium for the full duration of the contract.

- In individual business the mortality tables issued by the German Actuary Association (DAV) are used. In group business different mortality tables are used, where appropriate. The tables are established on the basis of internal statistics and statistical analyses made by reinsurers.
- The interest rate used is the guaranteed interest rate contractually agreed.
- Costs are determined on the basis of past experience in line with recognized actuarial principles.

In subsequent years, for the purpose of contract valuations the assumptions with regard to the underwriting items, the deferred acquisition costs (DAC), the revalued terminal bonus reserve (TBR), the unearned revenue Reserve (URR) and the present value of the future profits (PVFP) of insurance contracts are verified at each reporting date and adjusted as necessary. The resulting impacts are reflected in the true-up figures.

Health insurance

For determining the provision for future policy benefits in health insurance, the rules of the FASB Accounting Standards Codification Subtopic 944-40 (formerly FAS 60) are applied, as a matter of principle. For that purpose, calculation bases with security margins are used. Under the applied prospective unlocking principle, the calculation bases fixed at the commencement of the contract are maintained until the premium for the contract is adjusted. The calculation bases are then applicable until the next premium adjustment date.

In health insurance, assumptions are made with regard to per-capita claims, mortality, lapse probability, interest and costs. The assumptions are verified annually according to specific legal rules. If the verification shows a deviation, premiums have to be adjusted.

- the per-capita claim is the average annual benefit payable to an insured person of a specific age. The per-capita claim is determined separately by gender and tariffs;
- for mortality, the mortality tables published by the financial services regulator BaFin for private health insurance are used;
- lapse probabilities are determined specifically for the company on the basis of past experience and future expectations;
- the technical interest rate is determined on the basis of past experience and future expectations;
- costs are taken into account on the basis of past experience.

Provision for outstanding claims

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 on the balance-sheet date and claims incurred but not yet reported to the insurer as well as claims settlement expenses. Amounts receivable on the basis of recourses, salvages and knock-for-knock agreements are deducted from the provision for outstanding claims.

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. With the exception of the annuity provision, provisions for outstanding claims are not discounted.

The provision for outstanding claims in life and health insurance is adequately set up at the settlement amount for the claims run-off. The provision in property and casualty insurance is determined by means of mathematical-statistical procedures based on the FASB Accounting Standards Codification Subtopic 944-40 (previously FAS 60). For that purpose, future payment amounts have to be calculated taking into account past figures and an estimate of trends having an influence on the adequacy of these payment amounts.

Provision for premium refunds

The provision for premium refunds includes amounts of profit-related or 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.

Underwriting provisions of unit-linked life insurance

If the investment risk is borne by the policyholder, the underwriting provision of unit-linked life insurance reflects the status of investments as at the reporting date (based on the FASB Accounting Standards Codification Subtopic 944-40, formerly FAS 97).

Liability adequacy test

IFRS 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 the 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 the FASB Accounting Standards Codification Subtopic 944-60 (previously 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 bases is verified regularly. If adequacy is no longer ensured it is possible to adjust premiums (prospective unlocking principle).

Reinsurers' shares in underwriting provisions

The reinsurers' shares in underwriting provisions are determined on the basis of the reinsurance treaties. Reinsurance treaties are measured at the moment of conclusion without recognition in income. In the business year 2010 no retrospective reinsurance treaties were concluded. On the basis of the FASB Accounting Standards Codification Subtopic 944-20 (previously FAS 113)/IFRS 4 no profits had to be set up as a liability item to be amortized over the treaty term.

Premiums

The premiums written include, as a matter of principle, all regular and single premiums as well as premium instalments plus instalment charges and ancillary charges having become due in the business year under direct business and assumed reinsurance business. For life insurance contracts recognized in compliance with the principles of the FASB Accounting Standards Codification Subtopic 944-605 (previously FAS 97), only that part of the premium paid by customers which covers the assumption of the risk and current expenses is recognized as gross premiums written. Furthermore, for such products any change in the unearned revenue reserves is 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. On the other hand, individual and lump-sum write-downs of premium receivables as well as insurance tax are deducted from premiums written. The change in unearned premiums reflects the periodical delimitation of the premium income.

Claims and benefits

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

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

Coinsurance business

To the extent the Generali Deutschland Group assumes business under coinsurance, the underwriting items are assessed on the basis of the information provided by the leading coinsurer.

Owner-occupied property and tangible assets

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

Owner-occupied property

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 Generali Deutschland Group is measured within a period of five years by external experts (appointed by official authorities) under a multi-year plan.

Tangible assets

The tangible assets mainly comprise plant and equipment. Depreciations on tangible assets are on a straight-line basis over their useful life. The useful life is a maximum of 25 years. Write-downs are made in the case of impairment, such as damage to the asset. For the insurance companies of the Group, write-downs are allocated to the line items of the statement of comprehensive income, i.e. investment income, claims and benefits, operating expenses and other expenditure.

Intangible assets

The intangible assets are composed of the goodwill, the present value of the future profits of insurance contracts (cf. information on the technical items of insurance business) and of the other intangible assets.

Goodwill

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, since January 1, 2005 goodwill from acquisitions has no longer been amortized on a scheduled basis but has been recognized in the balance sheet at acquisition costs less accumulated impairments. At least once a year, goodwill is subject to an impairment test on the basis of cash-generating units in compliance with IAS 36. 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 statement of comprehensive income.

Negative goodwill from first-time consolidation has to be immediately recognized in profit or loss in line with IFRS 3 after a reassessment.

Other intangible assets

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, such as restrictions or limitations of the further use. If there is an impairment the realizable amount is written down.

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). Other acquired intangible assets with a finite useful life are written down over the useful life. The useful life is a maximum of eight years. For the insurance companies, depreciation is allocated to the line items of the statement of comprehensive income, i.e. net investment income, claims and benefits, operating expenses and other expenditure.

Investments

Investment property

Investment property is recognized at acquisition or construction costs less accumulated scheduled and unscheduled depreciation and accumulated impairment. 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 between 25 and 60 years. If the realizable value of land and buildings falls durably below the carrying amount, impairment write-downs are made. As a matter of principle, the realizable value is the market value determined by means of recognized methods, such as capitalized earnings or reference value. Exceptions were, inter alia, the assessment of building plots and buildings under construction which were measured at acquisition or construction costs. The measurement of property for which disposal contracts had been concluded before the reporting date and which provide for a transfer of ownership in the following year was based on the sales price. The property of the Group is measured within a period of five years, as a general rule, by external experts (appointed by official authorities) under a multi-year plan. Investment property only includes the property mainly occupied by third parties.

Shares in equity-method enterprises

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.

At the moment of acquisition, the shares are recognized at cost. In subsequent periods, the carrying amount changes on the basis of the changes in the equity of the equity-method enterprises attributable to the Generali Deutschland Group. The earnings result from the share in the profit for the year of the enterprise and are shown separately under “income from shares in equity-method enterprises”.

To the necessary extent, the accounting principles of the equity-method enterprises were adjusted to the accounting and valuation principles of the Generali Deutschland Group and were used for preparing the financial statements within the scope of updated reconciliation statements.

The shares in equity-method enterprises are tested for impairment. Any write-downs for impairment are recognized in the “income from shares in equity-method enterprises”.

Financial instruments

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 the following items, which at the same time are the balance-sheet line items:

- "loans and receivables",
- "available for sale financial assets" and
- "financial assets at fair value through profit or loss".

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.

To determine the fair values, the contractual cash flows are discounted at basic interest curves. Depending on the market and credit risks of each case, valuation spreads (risk premium) are also taken into account. The valuation spread depends on the credit quality concerned and takes into consideration, inter alia, the type of the issuer, external ratings, coverage, hierarchies and hedging systems.

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. Internal impairment tests are made if various criteria for making such tests are applicable. These include, inter alia, a material rating downgrade or other indications of substantial financial distress of the issuer or a breach of contract already occurred. If payment default is considered to be very probably or has already occurred ("incurred loss model"), the impairment is applied. 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.

Available-for-sale financial assets are recognized in the Consolidated Financial Statements at their fair value on 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. For that purpose, contractual cash flows are discounted at the basic interest curve. Depending on the market and credit risks of each case, valuation spreads (risk premium) are also taken into account. The valuation spread depends on the credit quality concerned and takes into consideration, inter alia, the type of the issuer, external ratings, coverage, hierarchies and hedging systems. For variable-income assets not listed at the stock exchange, the fair value is determined by means of recognized valuation methods, such as the present value of future earnings. Besides that method, the fair value is also determined on the basis of the net asset value.

Any 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 as valuation basis. 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. Objective evidence of an impairment may be, for instance, a substantial rating downgrade or other indication of substantial financial distress of the issuer or a breach of contract already occurred. 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.

Within the sub-item of **financial assets at fair value through profit or loss (not held for trading)**, which primarily comprises hybrid instruments, the fair value (if a stock-market value is not available) is determined taking into account valuation spreads, implicit volatilities and correlations on the basis of common valuation models, such as the models of Black-Scholes and Hull-White.

For non-listed financial assets of the **held for trading** sub-item, which primarily comprise stand-alone derivatives, the fair value is determined by the market values of traded reference options, taking into account the individual default risk, or on the basis of valuation models, such as the model of Black-Scholes, taking into account the implicit volatility of options traded in the market. 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 in 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. If there is an option, the fair-value option is adopted which is consistent with the internal risk-management and investment guidelines.

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 sub-categories 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"
  shares and other equity instruments, investment-fund units, other variable-yield securities, fixed-income securities and other securities, government bonds, other bonds, other financial assets and the payables measured at fair value through profit or loss
- "Financial assets and liabilities at fair value through profit of loss"
  hybrid instruments (inter alia, annual call zero bonds, securitized loans with embedded swaptions as well as credit-linked notes, stand-alone derivatives and the 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.

Investment income

With regard to investment income a distinction is made between income from interests in equity-method enterprises and other investment income. The income from equity-method enterprises includes the attributable share in the net profit. The other investment income includes ordinary investment income and expenditure as well as capital gains and losses and the 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. All dividends are recognized on an accrual basis.

Investments for the account and at the risk of life insurance policyholders

Investments for the account and at the risk of life insurance policyholders (these are insurance contracts and investment contracts) 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

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 an impairment. This includes, for instance, payment delay, a pending judicial dunning procedure, an imminent insolvency or other financial distress of the debtor. The impairment loss is recognized in income.

Tax assets, tax liabilities and tax provisions

Tax assets, tax liabilities and tax provisions comprise the tax assets and liabilities for current tax. Furthermore, the tax assets and tax liabilities also comprise assets and liabilities for deferred tax.

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

As a general rule, deferred tax is attributable to temporary differences, i.e. the difference amounts between the carrying amount of an asset or liability under IFRS accounting and the corresponding value in the tax balance sheet. For permanent differences, no deferred tax is allowed to be recognized. Besides, deferred tax assets may be set up for tax losses and interest carried forward.

Deferred tax assets are only set up if the future tax relief is probable.

Deferred tax assets and liabilities are not set up if the temporary difference results from the first-time recognition of an asset or liability within the scope of a business transaction that is not a business combination and if at the moment of the transaction there is no impact on the earnings before tax nor on taxable earnings. Furthermore deferred tax liabilities are not allowed to be set up for the first-time recognition of goodwill.

For temporary differences referring to shares in subsidiaries, branch offices and associated enterprises as well as to shares in joint ventures, the following rules apply:

- Deferred tax assets are only set up if their realization is probable and the temporary differences will dissolve in the foreseeable future.
- Deferred tax liabilities have to be set up as a matter of principle. They are not allowed to be set up as a liability, if it is possible to control the dissolution of the temporary difference over time and if it is probable that the temporary difference will not dissolve in the foreseeable future.

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

Tax assets and tax liabilities are set off in the balance sheet, if they refer to income tax within the same fiscal-unity scope.

For temporary differences, deferred taxes are set up for the full amount, as a matter of principle.

Other assets

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

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.

Non-current assets held for sale and discontinued operations

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 assets for which the following requirements are fulfilled:

- Management resolved to sell the asset.
- The asset must be in a saleable condition (not in a status requiring maintenance work as far as property is concerned or requiring other measures to be done before disposal).
- The transfer of ownership is more than probable within the next twelve months.

The disposal is made for strategic reasons. Assets fulfilling the above requirements 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 acquisition model.

The sub-item of **discontinued operations** comprises company components which were sold or classified as held for sale or subsidiaries acquired for the purpose of disposal. As far as the latter are concerned, a separate disclosure of assets and debt and a breakdown of earnings are not required.

Current-account balances with credit institutions, cheques and cash in hand

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

Other provisions

Provisions for pensions and similar commitments

The provision for pensions refers to the **defined-benefit obligations** of the employer under the pension schemes existing in the companies of the Generali Deutschland Group. The employee is promised a pension by the company which focusses on a defined benefit rather than the contributions to be paid by the company for financing. After the company liable to pay the benefit, the pension guarantee association PENSIONS-SICHERUNGS-VEREIN Versicherungsverein a.G. is liable for the fulfilment of the promised pensions under its articles of association.

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 is not recognized in income by the 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.

In addition, there are **defined-contribution obligations** in the Generali Deutschland 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. As a matter of principle, these commitments are measured in line with the measurement of the pension provision. Actuarial gains and losses as well as unrecognized past service cost, however, are recognized in income in the year they arise.

Other provisions

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, technical provisions under building-society business and risk provisions for safeguarding a distribution channel in the long term. 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

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 through profit or loss in the statement of comprehensive income. For derivatives used within the scope of cash-flow hedge accounting, this only applies to the ineffective portions of the hedge relationship.

Leases

A Group company is the contracting party of leasing contracts 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, 2010

	Life/health		Property/casualty	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
1. Gross premiums written				
from insurance business with other segments	9,177	10,110	—	—
from insurance business with external third parties	10,036,941	9,382,938	2,999,539	3,035,932
	10,046,118	**9,393,048**	**2,999,539**	**3,035,932**
2. Net premiums earned	9,825,363	9,138,865	2,929,927	2,967,401
3. Investment income (net)[1,2]	3,383,942	2,555,405	300,468	291,128
4. Other income[2]	276,010	264,614	667,389	545,592
5. Net claims and benefits	-10,954,488	-9,647,174	-1,924,482	-1,952,483
6. Net operating expenses	-1,780,618	-1,651,304	-882,660	-889,766
7. Other expenditure[2]	-459,312	-459,712	-799,532	-693,896
8. Earnings before goodwill amortization	290,897	200,694	291,110	267,976
9. Goodwill amortization	—	—	—	—
10. Earnings before tax and finance costs	290,897	200,694	291,110	267,976
11. Finance costs	-16,456	-16,456	—	—
12. Tax	-108,981	-57,316	-80,460	-69,220
13. Net profit from continuing operations	165,460	126,922	210,650	198,756
14. Net profit/loss from discontinued operations	569	—	-640	—
15. Net profit/loss	**166,029**	**126,922**	**210,010**	**198,756**

1 In the life/health segment there was a net income of € -11,703 thousand (previous year: -8,082 thousand) from interests in equity-method enterprises, in the property/casualty segment a net income of € 24,762 thousand (previous year: 81,748 thousand) and in the financial services segment a net income of € 3,342 thousand (previous year: 4,543 thousand). An amount of € 1,044 thousand (previous year: -) was consolidated. In the Group, the net income totalled € 17,445 thousand (previous year: 78,209 thousand).

2 In the life/health segment, an amount of € 2,702,975 thousand (previous year: 2,601,248 thousand) was recognized as interest received and an amount of € -34,152 thousand (previous year: -31,672 thousand) as interest paid, in the property/casualty segment an amount of € 188,564 thousand (previous year: 180,908 thousand)

The segment reporting of the Generali Deutschland Group is based on IFRS 8 “Operating Segments”. 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 financial state-

	Financial services		**Other/consolidation**			**Group**
	2010	2009	2010	2009	2010	2009
	€'000	€'000	€'000	€'000	€'000	€'000
	—	—	-9,177	-10,110	—	—
	—	—	—	—	13,036,480	12,418,870
	—	**—**	**-9,177**	**-10,110**	**13,036,480**	**12,418,870**
	—	—	-9,177	-10,110	12,746,113	12,096,156
	189,160	205,483	-7,119	-14,510	3,866,451	3,037,506
	131,532	133,280	-661,327	-561,891	413,604	381,595
	—	—	6,796	15,250	-12,872,174	-11,584,407
	—	—	935	4,841	-2,662,343	-2,536,229
	-299,133	-304,722	678,530	562,696	-879,447	-895,634
	21,559	34,041	8,638	-3,724	612,204	498,987
	—	—	—	—	—	—
	21,559	34,041	8,638	-3,724	612,204	498,987
	—	—	—	—	-16,456	-16,456
	-3,668	-11,802	-458	-3,644	-193,567	-141,982
	17,891	22,239	8,180	-7,368	402,181	340,549
	—	—	—	—	-71	—
	17,891	**22,239**	**8,180**	**-7,368**	**402,110**	**340,549**

as interest received and an amount of € -6,674 thousand (previous year: -7,276 thousand) as interest paid and in the financial services segment an amount of € 198,385 thousand (previous year: 203,157 thousand) as interest received and € -2,555 thousand (previous year: -1,809 thousand) as interest paid. € -2,504 thousand (previous year: -978 thousand) of interest received and € 2,504 thousand (previous year: 1,764 thousand) of interest paid were consolidated. In the Group, a total of € 3,087,420 thousand (previous year: 2,984,335 thousand) of interest income was received and an amount of € -40,877 thousand (previous year: -38,993 thousand) paid as interest.

ments. 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, 2010 – Assets

	Life/health		Property/casualty	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
A. Owner-occupied property/tangible assets[1]	520,841	571,298	438,959	382,364
B. Intangible assets	256,705	276,904	129,848	109,008
C. Deferred acquisition costs	7,513,759	7,626,825	221,235	242,022
D. Investments[2]	71,436,517	69,013,915	5,889,998	6,313,656
E. Investments for the account and at the risk of life insurance policyholders	12,850,343	10,424,408	—	—
F. Receivables	1,875,315	1,785,062	544,233	635,140
G. Tax assets	79,866	81,550	172,705	194,535
H. Reinsurers' shares in underwriting provisions	1,271,936	1,189,493	277,952	291,043
I. Other assets	316,384	222,068	54,806	17,560
J. Inventories	2,883	2,893	7,980	735
K. Non-current assets held for sale and discontinued operations	22,295	12,449	154,695	122
L. Current-account balances with credit institutions, cheques and cash in hand	1,330,443	916,460	249,607	34,552
Total segment assets	**97,477,287**	**92,123,325**	**8,142,018**	**8,220,737**

1 In the life/health segment an addition of € 18 thousand (previous year: 8,881 thousand) was recognized in non-current assets and in the property/casualty segment an amount of € 21,344 thousand (previous year: 32,590 thousand). In the Group this leads to an addition of € 21,362 thousand (previous year: 41,471 thousand).

2 In the life/health segment an amount of € 236,573 thousand (previous year: 187,894 thousand) was recognized as interests in equity-method enterprises, in the property/casualty segment an amount of € 256,273 thousand (previous year: 256,296 thousand) and in the financial services segment an amount of € 68,723 thousand (previous year: 68,423 thousand). An amount of € 1,044 thousand (previous year: -) was consolidated. In the Group the interest in equity-method enterprises totals € 562,613 thousand (previous year: 512,613 thousand).

We made a segmentation by the operating segments of "life/health", "property/casualty" and "financial services". The basis for the segmentation are comparable customer groups of policyholders, a similar regulatory environment and the significant economic characteristics. The methods of accounting and measurement for segment reporting are identical with those for preparing the Consolidated Financial Statements and are explained under "3 Methods of accounting and measurement". As at December 31, 2010 the companies Generali Deutschland Informatik Services GmbH and Generali Deutschland Services GmbH previously shown as "other" were integrated into the property/casualty segment.

Financial services 2010 €'000	Financial services 2009 €'000	Other/consolidation 2010 €'000	Other/consolidation 2009 €'000	Group 2010 €'000	Group 2009 €'000
35,657	36,706	-1,429	42,828	994,028	1,033,196
2,077	1,526	-1,270	10,831	387,360	398,269
—	—	—	—	7,734,994	7,868,847
4,948,223	4,797,256	-400,505	-327,249	81,874,233	79,797,578
—	—	—	—	12,850,343	10,424,408
132,816	137,267	-262,710	-266,904	2,289,654	2,290,565
23,070	20,132	—	—	275,641	296,217
—	—	—	—	1,549,888	1,480,536
452	345	—	21,370	371,642	261,343
6,504	6,239	—	880	17,367	10,747
—	—	—	—	176,990	12,571
2,184	3,257	—	726	1,582,234	954,995
5,150,983	**5,002,728**	**-665,914**	**-517,518**	**110,104,374**	**104,829,272**

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

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.

Segment reporting is not broken down by geographical regions as 99.5 percent of the gross premiums written are generated in Germany and 0.5 percent abroad.

Segment reporting Consolidated Balance Sheet as at December 31, 2010 – Equity and Liabilities

	Life/health		Property/casualty	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
B. Underwriting provisions	75,985,781	73,478,322	4,182,019	4,222,676
C. Underwriting provisions concerning unit-linked life insurance	12,674,301	10,322,944	–	–
D. Other provisions	1,659,441	1,653,116	1,020,826	904,996
E. Payables	5,636,593	5,014,648	460,237	486,476
F. Tax liabilities	190,239	315,976	103,940	210,024
G. Other liabilities	628	720	21	3
Total segment liabilities	**96,146,983**	**90,785,726**	**5,767,043**	**5,824,175**

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	
	2010	2009	2010	2009	2010	2009
	€'000	€'000	€'000	€'000	€'000	€'000
	—	—	-291,072	-284,385	79,876,728	77,416,613
	—	—	—	—	12,674,301	10,322,944
	160,993	158,411	-1,000	101,400	2,840,260	2,817,923
	4,480,313	4,331,505	-168,016	-81,655	10,409,127	9,750,974
	9,175	9,099	-28,514	-39,073	274,840	496,026
	—	—	—	—	649	723
	4,650,481	**4,499,015**	**-488,602**	**-303,713**	**106,075,905**	**100,805,203**

Equity	4,028,469	4,024,069
Total equity and liabilities	**110,104,374**	**104,829,272**

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 lines of life, health, as well as property and casualty insurance, primarily in direct business. Accepted reinsurance business is written to a limited extent only. In addition, the Group operates in financial services with a focus on building-society business.

Within the scope of its insurance business and the investment activities closely related to that business, the Group takes in particular specific segment risks, as well as market and credit risks. In addition, there may be concentration and liquidity risks, as well as currency risks.

The Generali Deutschland Group encounters these risks with a variety of measures.

Our Group companies have a sufficient level of own funds and fulfil all regulatory requirements with regard to solvency and coverage. Furthermore the results obtained under the Quantitative Impact Studies (QIS) methodology 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 the 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 a degree of uncertainty 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 the changes in the calculation bases or to a changing composition of the portfolio.
- The risk of error exists in particular for new types of insurance products 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 is the fortuity risk.

The business-society risk of the Generali Deutschland Group relates to Deutsche Bausparkasse Badenia and is largely composed of liquidity risks and/or a negative change of the interest margin as a result of adverse changes in customer behaviour (e.g. low saving rates, no loans taken out).

Market risks involve the risk of losses from capital investments due to sustainable price changes and other factors with an influence on value. Besides equity risks, interest rate risks and real estate risks, as well as risks of price changes of other investments, such as alternative investments, they also comprise the volatility of certain asset classes.

Credit risks describe the risk of a debtor being unwilling or unable to settle his outstanding liabilities at the agreed time or for the agreed amount and the associated potential loss of value in the portfolios.

Our risk modelling breaks credit risks down into spread risk, migration risk and default risk. The spread risk refers to the risk that, with constant credit quality of the issuer, the credit spread fluctuates over time. Credit spread here means the profit margin achieved in comparison with an investment in a zero-risk government bond. The investor incurs risks when credit spreads rise due to changed risk aversion among capital market players. Migration risk means the risk that an issuer's credit standing deteriorates and the market price of a (company) bond falls as a result. In our models, the migration risk is addressed by reassignment to a different rating class. The default risk is a special case of the migration risk, where the bond migrates into the worst rating class, i.e. the default class. In that case, the investor only receives a part of the still outstanding interest and redemption payments.

Currency risks describe the risk of losses arising from the uncertainty concerning future exchange rate developments if liabilities are covered in foreign currency. The greater the exchange rate volatility, the greater is the uncertainty with regard to the exchange rate.

Concentration risks are due to an insufficient diversification of portfolios on the assets and/or liabilities sides and refer to all individual commitments with borrowers, in regions or segments involving risks. On the assets side of the balance sheet, concentration risks are mainly the result of dependencies in the default and value fluctuation potential in the above areas. In the area of insurance risks, concentration risks exist to the extent that there are major exposures vis-à-vis individual customers, reinsurers or in certain segments or regions. Concentration risks from commitments on the assets and liabilities sides of the balance sheet occur when inappropriately high exposures were built up in one of the areas mentioned, both within the investment and insurance contexts, as well as within the context of primary insurance and reinsurance.

Liquidity risks involve the risks of not being able to fulfil current and/or future payment obligations in particular from insurance contracts in time or for the full amount. Furthermore, there is the risk that refinancing may not take place at appropriate refinancing rates.

Management of specific segment risks

Specific sub-segment risks in life insurance and sensitivity analysis

The Generali Deutschland Group's life insurance business focuses 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 taking 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 at the conclusion of the contract:

- The moment of payment under term and endowment life policies 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 is a mortality risk, longevity risk, disability risk or long-term care risk.
- A cost risk exists for all life insurance policies where the development of acquisition expenses 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.

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 developments.

- In premium calculation, the Group companies use prudently determined biometric calculation bases with adequate safety margins. The adequacy of the calculation bases is reviewed 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 may serve 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 margins are not needed in the calculation 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 by adjusting the assumptions regarding the future profit bonus of policyholders. In the event of a future loss to be expected from part of the insurance portfolio, the acquisition costs, which are not expected to be amortised in the future, will be written down and, if necessary, reserves will be increased (loss recognition).

By concluding reinsurance treaties, especially the fluctuation risk (within the existing portfolio the risk has shown a different behaviour due to statistical fluctuations even though the calculation bases are still valid) in the case of small portfolios, the risk of error in the coverage of new risks and the concentration risks 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 mortality/longevity, disability and long-term care risks. Concentrations of insurance risks are reduced by a broad product range in a variety of customer segments.

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

In the case of policies with a mortality 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 are at least reduced, 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 anticipated total yield may reduce the future gross margins expected under the contracts. This can be the case in a sustained low interest environment if the capital returns fall or an increase in reserves under the German Commercial Code (HGB) changes the profiles of margins. Should the gross margins overall no longer 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 higher expenditure. This applies only to a limited extent to those parts of the policies where the investment risk is borne by the policyholder. Here an expenditure only arises if future risk and cost margins are insufficient. These impacts on gross earnings can be distributed between the policyholders and the 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 at the conclusion of the contract, the part of the premium calculated for that purpose would be adjusted accordingly for new contracts, so no durable impact on earnings is to be expected in this regard. Besides, a durable change of future administrative expenses could lead to an adjustment of the costs surplus participation. The future expectations regarding the margins on interest, mortality, lapse and costs are regularly verified and taken into account within the scope of true-ups with an effect on earnings in the business year.

A change of assumptions regarding interest, mortality and lapses can have an effect on deferred acquisition costs, the terminal surplus participation 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 balance sheet. If interest assumptions increased by 100 base points (bp), the total positive impact on earnings of the balance sheet items indicated above would be € 18,468.41 thousand (previous year: € 5,331.19 thousand) or, before allocation to the provision for premium refunds and tax, € 161,429.60 thousand (previous year: € 88,311.35 thousand). If, however, interest assumptions decreased by 100 bp, the adverse impact on earnings would be € 126,965.18 thousand (previous year: € 97,929.97 thousand) or before allocation to the provision for premium refunds and tax, € 968,653.94 thousand (previous year: € 766,366.24 thousand) with regard to the above-mentioned balance sheet items. A reduction of mortality by 10 percent leads to an improvement of earnings by € 4,922.79 thousand (previous year: € 4,708.82 thousand) or, before allocation to the provision for premium refunds and tax, of € 44,921.21 thousand (previous year: € 53,338.15 thousand). An increase in mortality by 10 percent leads to deterioration in earnings of € 4,453.52 thousand or, before allocation to the provision for premium refunds and tax, of € 58,017.50 thousand.

Insurance products may include the following major options for policyholders and with regard to the guarantees given 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).

The included options are recognized separately in the balance sheet only done if this is required for insurance contracts under the provisions of IFRS 4.

Specific sub-segment risks in health insurance

The health insurance contracts of the Generali Deutschland Group are mainly long-term contracts covering medical expenses, daily hospital allowance, daily benefits 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 similar way to life insurance business, the regular right of the insurer to cancel the contract is excluded by law in order to protect the policyholder. Furthermore, under the law for strengthening the competitiveness of statutory health insurance, compulsory health insurance was introduced from January 1, 2009. As a result, all persons residing in Germany have to take out and maintain a health insurance policy providing at least for the reimbursement of the healthcare costs for outpatient and inpatient medical treatment. For the private health insurance companies this means that the right to terminate contracts with policyholders of the corresponding insurance products is excluded, even if the latter are in arrears with premium payment. For tariffs calculated in the same way as life insurance, the health insurer is required by law (based on section 12b VAG) to monitor annually the difference between the required benefits and the calculated benefits in the individual monitoring units consisting of groups of specific tariffs and persons. If this monitoring shows a difference in our portfolios of as a rule more than 5 percent, which can be regarded as not merely temporary, the premiums and all calculation bases are checked by the health insurer and – to the extent necessary – adjusted for the business in force and the new business with the approval of an independent trustee. Furthermore, for all tariffs calculated in a similar way to life insurance, the insurer has to compare the calculated mortalities with mortality probabilities recently published by the financial services regulator (BaFin) by looking at their present values. If the comparison to be submitted to the regulatory authority and the trustee shows a difference of more than 5 percent for any tariff, the insurer has to check all premiums of this tariff and adjust them, with the approval of the trustee, for the business in force and the new business.

The adjustment possibility relates to all calculation bases. As a result, the changes required in respect of amounts and frequency of claims, and also with respect to age and gender sensitivity of risks, mortality and lapse probabilities and the expenses of the individual tariffs and groups of persons can be implemented within 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, an expected interest rate of 4.5 percent is applied for contracts concluded by December 31, 2008. For contracts concluded from January 1, 2009, the expected interest rate assumption is 3.5 percent. Calculations (liability adequacy test) have shown that even if the achievable investment return is lower, future benefits and costs can be covered out of the provision for future policy benefits and future premium income.

Specific segment 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. 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. Besides, the insurer may be affected by an unfavourable concentration of loss events at one location. Examples for these are adverse climatic conditions, such as storms or floods, which induce high claims expenditure.

The property and casualty insurers of our Group counteract 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 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 certain risks or because of local factors. 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 (private as well as commercial customers) in order to achieve a balanced risk spread. The front inside cover shows the business mix 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 transferred by means of outward reinsurance arrangements.

To ensure that the benefits promised can be paid at any time, appropriate provisions are set up which are continuously analyzed by means of actuarial methods with regard to their adequacy by line 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 active claims management. Thanks to optimized claims settlement, active claims management is in a position to both meet the demands of claimants and to minimize the burden for the insured portfolio. During the period from 2003 to 2010 our net claims ratios developed as follows:

Claims ratios (net)*

2010	2009	2008	2007	2006	2005	2004	2003
65.4	**65.6**	**64.3**	**64.9**	**65.0**	**65.6**	**66.9**	**68.0**

Figures in %
* net claims expenditure as a percentage of net premiums earned

Despite an increase in the number of elementary losses, fewer major claims and a higher run-off result resulted in a slight decline in the net claims ratio.

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*

2010	2009	2008	2007	2006	2005	2004	2003
11.5	**10.5**	**10.1**	**10.7**	**8.4**	**8.7**	**8.7**	**8.4**

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 general liability.

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 recognized actuarial methods (including the Chain Ladder method). Estimating claim reserves is by its very nature subject to uncertainties. To counteract these, we use stochastic methods to calculate the potential variance of provisions and monitor the economic capital required. In addition, we measure, monitor and control the interest change risk in property and casualty insurance with the help of our economic capital model, which is the result of different payment flows in assets and liabilities in terms of amount and time. As the payment flows on the assets and liabilities sides are incongruent, they respond differently to interest stress situations. These stress situations are measured, monitored and controlled in our economic capital model. For the part of the underwriting provisions discounted at the technical interest rate there is an economic risk to the extent that the discounting effect has to be earned from investment.

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 occurring and/or the average claims amount deviate substantially from expectations and/or the assumptions on which the calculation is based. These risks are continuously monitored by means of internal risk models combined with controlling of underwriting.

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

In order to control the risks of the building-society business – in particular the risks relating to liquidity and interest margins – the major portfolio parameters 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 also 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 proven to be especially reliable amid the financial crisis.

Management of market risks

Equity and interest-rate risks as well as sensitivity analysis

As a major investor, the management of market risks and the permanent safeguarding of the companies' solvency and earnings position are of fundamental significance for the Generali Deutschland Group. Although our portfolio structure can be regarded as conservative, adequate detection of the risks associated with capital investments is important. Controlling and monitoring these risks is a central task of the total risk management 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.

Against this background, our investment management, which works closely together with risk management, is set up professionally. Our investment strategy aims at a broad mix and spread of investments in order to use diversification effects and reduce risks. A core challenge in the current environment of low interest rates is to achieve an appropriate return in the portfolios of the companies in the Group.

In order to reduce the impact of value fluctuations at an early stage in times of volatile markets, we actively monitor market sentiment and market developments. Based on these observations and the findings of our research, we actively hedge positions against value fluctuations. Overall, we have succeeded in improving returns in the equity sector significantly during the now waning financial crisis. Based on the assessment of our research, we generally expect positive equity performance in the future. Yet we may not ignore the risk of setbacks over the short and medium term due to the nervousness of the markets in view of the refinancing problems faced by individual states. As a consequence, we keep our equity exposure low in total and, when volatility increases, reduce our exposure using appropriate derivative instruments.

Also in the future, we will observe the development of stock markets and respond directly and adequately to any changes in market sentiment.

For the Generali Deutschland Group the low interest level in zero-risk investments is a core challenge for the future because of the high share of life insurance business. Guaranteed benefits and the persisting low interest level for reinvestment make this risk especially critical. In order to maintain our risk-bearing capacity and position the company for the future, we use to an appropriate extent the opportunities to protect ourselves against the risk of further drops in interest rates, without foregoing the opportunities of rising interest rates. Against this background we monitor interest rate developments and use various interest rate scenarios to analyse in detail the impacts on the companies of the Group and derive recommendations for action from them. A key parameter in maintaining our risk-bearing capacity in the long term is the companies' dependence on the interest environment, which we actively reduce within the context of new product development. As these measures work only in the long term, we also use short-term measures such as interest rate hedging in order to avoid increasing the risk position inappropriately. Nevertheless, we do not see the key task in short-term measures, but in positioning the companies for the long term. In doing so, we manage to account for the possibility of rising interest rates in order to avoid negative consequences for our Group. As our research expects interest rates to rise during the coming years, the duration is actively geared to these forecasts, yet without ignoring the risks of a low interest environment.

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 shifts 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	
		2010	2009	2010	2009	2010	2009
		€'000	€'000	€'000	€'000	€'000	€'000
Change of share price	-35%	-1,352,827	-1,290,734	-131,780	-115,289	-216,597	-212,930
	-10%	-386,522	-368,781	-16,731	-4,306	-61,885	-60,837
	+10%	386,522	368,781	8	58	61,885	60,837
	+35%	1,352,827	1,290,734	11	91	216,597	212,930
Change of interest rate	-200 BP	8,967,073	8,475,992	23,498	28,615	663,864	548,067
	-100 BP	4,306,251	4,069,294	11,039	14,005	318,995	262,665
	+100 BP	-3,955,997	-3,725,748	-10,189	-12,219	-293,707	-238,740
	+200 BP	-7,561,820	-7,118,042	-19,618	-24,317	-562,200	-455,196

* impact on Group result calculated without taking into account the decree on minimum allocations

The basis of the sensitivity analysis is the investment portfolios at year-end 2010. In this context, investments with share-price sensitivity are all the shares of the direct and indirect portfolio of the category of “available-for-sale financial assets”.

Investments with share-price 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 recent years, we also simulated extreme market fluctuations, especially in the area of certain government bonds. The findings in these simulations were within the range we expected. Any possible impact would not affect the risk-bearing capacity of the Generali Deutschland Group in a way jeopardizing its existence.

Property risks

In the area of real estate investments we pursue a defensive strategy as in the past, focussing on office and retail properties in good and very good locations. The risk structure of direct investments has not changed in 2010.

For using diversification effects we have also mixed in indirect property investments in recent years, of which to a limited extent in foreign currencies. The largest addition to the portfolio is an investment in retail properties in Germany.

New investments were primarily made by calling commitments already existing. Also in the future, we will keep our investments in the property markets low and align their share in the portfolio to our medium-term and long-term market assessment. At the same time, we have sufficient flexibility to participate in any market opportunities coming up.

Management of credit risks

Spread risk, migration risk and default risk

Management of credit risks is one of the core challenges related with the financial market crisis and its consequences. After credit spreads on corporate bonds reduced at the end of 2009, individual countries began to have first refinancing problems in the spring of 2010. The refinancing problems, which showed in the massive widening of credit spreads, increased over the course of the year and expanded to several countries. Market excesses could be curbed by establishing the EU rescue package.

Within the scope of its overall credit risk management, the Generali Deutschland Group pursues a long-term strategy of assuming credit risks to a limited extent only. We attach importance to the credit quality of debtors and verify this on the basis of rating categories customary in the market. To the extent corporate portfolios are added to our investments, we do so on a broadly diversified basis in order to minimize concentration in default risks and at the same time we demand an adequate return premium in order to account for the increased risks.

As a whole, our bond portfolio is characterized by a consistent orientation at debtors of high credit quality and liquidity as well as 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. In handling these investments, extensive analyses and calculations were made which showed that the current exposure does not jeopardize the existence of the Generali Deutschland Group. This also applies to the occurrence of credit events with the risk of being covered merely on a pro rata basis.

As we do not see any serious default risks due to the guarantees granted and the EU rescue package, no depreciations on investments in fixed assets were made. Current discounts are mostly due to exaggerated market sentiment, so we chose not to sell the positions at a loss. We will continue to actively observe our exposure in these investments and, if necessary, will make reductions as soon as the financial markets settle down.

Besides the credit risk in the investments area, the credit risk includes receivables specifically from policyholders and intermediaries. These credit risks are subject to continuous monitoring within risk management. The default rate of receivables from policyholders and insurance agents in the period from 2008 to 2010 was approx. 6 percent on average.

For the private health insurance industry, especially the default risk of receivables from policyholders has gained in significance. The background is the insurance obligation which came into effect with the new law for strengthening the competitiveness of statutory health insurance on January 1, 2009. We counteract this risk by appropriate risk policy measures relating to cause and effect, such as a more restrictive acceptance policy (excepted here is the basic tariff where we are required by law to provide cover) and professional management of receivables. Furthermore, together with the Association of Private Health Insurance Companies we are seeking political solutions to the problem of premium arrears.

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 Insurance Regulatory Act and on the recommendations for verifying the efficiency and solvency of reinsurers and retrocessionaires 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 use of the assessments of rating agencies of international renown.

In property financing we limit credit risks by granting new loans almost exclusively to retail customers. Also in the light of the global economic situation we do not expect any adverse 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. Therefore, besides its own real estate loans, the company also manages the corresponding credit portfolios of its sister companies. Group-wide monitoring of borrower default risks takes place on a monthly basis. Badenia manages its borrower default risks mainly by:

- the scoring of applications and further measures for evaluating the credit standing and the real property when loans are granted,
- an automated dunning procedure,
- a classification of risks under the loan portfolio,
- analyses regarding the developments 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 subjected to intensive management. Starting from three instalments in arrears, financing transactions are classified as “problem loans”.

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 based on historical data.

The tables at the end of this risk report 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 is the guarantee assets (Sicherungsvermögen) as defined by section 66 of the Insurance Regulatory Act (VAG) amounting to € 77,405,622 thousand (previous year: € 73,187,377 thousand). In order to guarantee the obligations towards policyholders, this part of the assets is internally held as separate assets. In the case of 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 currency risks

Within the context of our investment activities as an insurer we do not invest exclusively in euros, but to a very limited extent also in foreign currencies, while certain positions are hedged against losses from exchange rate fluctuations. Part of the foreign currency exposure is built up directly via equity investments in a broad European index, and to a minor extent also by indirect investments and by investments in alternative asset classes. Besides US dollars, there are significant exposures in British pounds and Swiss francs.

Overall, our foreign currency exposure is negligible in size and also actively monitored so that there is no material risk position as a result.

Management of concentration risks

As an insurance and financial services group, the Generali Deutschland Group is exposed in a variety of areas of investment, assumption of risks of our customers and in the area of reinsurance business ceded. Building upon our corporate business model, we act as a primary insurer with a rigorous focus on private customers and small and medium-sized enterprises. Therefore and due to the active exclusion of industrial risks there are no concentrations of risks assumed in underwriting. Due to the large size and broad diversification of portfolios there are no increased exposure levels vis-à-vis individual customers in comparison with the insured portfolio as a whole.

The reinsurance cover required by the Group is bought from several market participants at a similar percentage each, so concentration risks only exist to an acceptable extent.

In the business on the assets side of the balance sheet we observe the principles of mixing and spreading as well as the individual limits both at the level of the Group and of the individual companies. Due to the scope of our investment activities, however, high-volume exposure vis-à-vis certain business sectors cannot be avoided. Traditionally, insurance companies invest part of their capital in banks. Therefore, the exposure level of the Generali Deutschland Group vis-à-vis banks and financial services companies is customary in the sector. The exposure is subject to monitoring and reporting on the basis of regular evaluations.

In the building-society and property financing business we focus on business of small volume with end customers and owner-occupiers in order to prevent any risk concentration here.

Management of liquidity risks

We encounter the liquidity risk by Group-wide liquidity planning during the year and across several years. Our liquidity planning is aimed at aligning the available liquidity to the obligations of the Group Companies and of the Group as a whole in order to guarantee unlimited solvency at all times whilst avoiding excessive liquidity at the same time. Our payment obligations are derived from the known obligations under insurance contracts and from typical run-off patterns of provisions – after accounting for a safety margin – for rising interest rates, for example in order to align the maturity structure of investments and the financial resources to the liquidity requirement.

Although as a private customer insurer and primary insurer we are able to forecast future claims payments to a large extent, they cannot be predicted with any certainty in terms of amount and timing. In order to be able to cover potential fluctuations of anticipated payments any time and for the full amount, we pursue a conservative investment policy with a focus on high and highest liquidity and quality, so investments can be liquidated quickly as needed and typically without losses. This ensures that liquidity is available in sufficient volume at all times.

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	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Loans and receivables				
Mortgage loans	2,026,685	2,310,921	68,527	70,475
Building loans	2,980,975	2,954,982	—	—
Loans and advance payments on policies	640,089	659,230	—	—
Debt securities and loans	14,664,189	16,063,435	—	—
Registered bonds	13,610,964	13,815,793	—	—
Other loans	1,296,816	992,740	—	—
Deposits with credit institutions	2,506,534	2,089,727	—	—
Deposits with ceding companies	13,666	14,617	—	—
Available for sale				
Fixed-income securities				
Government bonds	17,434,940	15,958,060	—	—
Other bonds	17,121,376	14,702,820	—	—
Other securities	9,914	9,987	—	—
Financial assets at fair value through profit or loss (not held for trading)	280,576	832,544	—	—
Total	**72,586,724**	**70,404,856**	**68,527**	**70,475**

Credit quality of financial assets

	Gross carrying amount		Individual write-downs	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Receivables under insurance business				
from policyholders	389,467	413,691	—	-57,971
from insurance intermediaries	182,414	216,822	-3,312	-3,092
Accounts receivable	66,819	84,996	—	—
Reinsurers' share in underwriting provisions	1,549,888	1,480,536	—	—
Other receivables (insofar as financial assets)				
Accrued interest and rent	1,387,788	1,347,394	—	—
Receivables under investments	77,558	83,602	-8,310	-7,704
Other receivables	238,532	240,202	-61,666	-74,582
Total	**3,892,466**	**3,867,243**	**-73,288**	**-143,349**

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	
2010	2009	2010	2009	2010	2009	2010	2009
€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
35,497	23,454	-8,338	-10,168	2,122,371	2,394,682	-21,680	-18,148
200,743	248,287	-34,675	-42,366	3,147,043	3,160,903	-14,146	-24,170
—	—	—	—	640,089	659,230	-6	—
—	—	—	—	14,664,189	16,063,435	—	—
—	—	—	—	13,610,964	13,815,793	—	—
61,072	201,132	—	—	1,357,888	1,193,872	-821	-20,610
—	—	—	—	2,506,534	2,089,727	—	—
—	—	—	—	13,666	14,617	—	—
—	—	—	—	17,434,940	15,958,060	—	—
—	—	—	—	17,121,376	14,702,820	—	-2,564
—	—	—	—	9,914	9,987	—	—
—	—	—	—	280,576	832,544	—	—
297,312	**472,873**	**-43,013**	**-52,534**	**72,909,550**	**70,895,670**	**-36,653**	**-65,492**

Lump-sum write-downs		Carrying amounts		Total impairments through profit or loss	
2010	2009	2010	2009	2010	2009
€'000	€'000	€'000	€'000	€'000	€'000
-72,070	-32,585	317,397	323,135	-21,413	-22,179
-25,870	-14,882	153,232	198,848	-17,568	-15,160
—	—	66,819	84,996	—	—
—	—	1,549,888	1,480,536	—	—
—	—	1,387,788	1,347,394	—	—
—	—	69,248	75,898	-1,007	-1,111
-13,335	-16,774	163,531	148,846	-4,892	-22,574
-111,275	**-64,241**	**3,707,903**	**3,659,653**	**-44,880**	**-61,024**

Age analysis of financial assets which are overdue but not individually impaired

	2010 €'000	2009 €'000
Loans and receivables, mortgage loans		
Up to 90 days	60,676	47,209
90 days – 1 year	5,568	14,719
1 – 2 years	2,283	8,547
More than 2 years	—	—
Total	**68,527**	**70,475**

Rating classes of financial assets neither overdue nor individually impaired

	AAA €'000	**AA** €'000
Loans and receivables		
Mortgage loans	—	2,026,685
Building loans	—	2,980,975
Loans and advance payments on policies	—	640,089
Debt securities and loans	7,203,661	3,570,443
Registered bonds	12,277,424	555,979
Other loans	115,816	345,741
Available for sale		
Fixed-income securities		
Government bonds	6,275,516	7,690,332
Other bonds	9,085,492	2,272,052
Other securities	—	—
Financial assets at fair value through profit or loss		
Financial assets at fair value through profit or loss (not held for trading)	—	99,229
Trading	—	—
Total	**34,957,909**	**20,181,525**

	A	BBB	BB	B and lower	Not rated	Total
	€'000	€'000	€'000	€'000	€'000	€'000
	—	—	—	—	—	2,026,685
	—	—	—	—	—	2,980,975
	—	—	—	—	—	640,089
	3,696,868	86,342	90,743	—	16,132	14,664,189
	777,561	—	—	—	—	13,610,964
	756,839	36,859	41,506	—	55	1,296,816
	1,874,928	1,024,935	569,229	—	—	17,434,940
	3,591,300	2,023,054	49,597	42,119	57,762	17,121,376
	—	—	—	—	9,914	9,914
	179,878	—	—	—	1,469	280,576
	—	—	—	—	6,462	6,462
	10,877,374	**3,171,190**	**751,075**	**42,119**	**91,794**	**70,072,986**

Supplementary information on the Statement of Comprehensive Income 2010

6 Earned premiums (net)[1]

	Life/health		Property/casualty		Total	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Total premiums	13,277,948	11,814,094	2,999,539	3,035,932	16,277,487	14,850,026
less: savings portions[2]	-2,283,471	-2,254,174	—	—	-2,283,471	-2,254,174
less: premiums of investment contracts (in acc. with IAS 39)	-957,536	-176,982	—	—	-957,536	-176,982
Gross premiums written (under Income Statement)	**10,036,941**	**9,382,938**	**2,999,539**	**3,035,932**	**13,036,480**	**12,418,870**
Reinsurance premiums ceded	-179,920	-176,584	-75,670	-75,479	-255,590	-252,063
Net premiums written	**9,857,021**	**9,206,354**	**2,923,869**	**2,960,453**	**12,780,890**	**12,166,807**
Change of gross unearned premiums	-405	-812	6,209	7,818	5,804	7,006
Change of premium components carried as a liability	-40,429	-76,786	—	—	-40,429	-76,786
Change of the reinsurers' share in gross unearned premiums	—	—	-152	-871	-152	-871
Earned premiums (net)	**9,816,187**	**9,128,756**	**2,929,926**	**2,967,400**	**12,746,113**	**12,096,156**

1 fully consolidated figures

2 in compliance with FASB Accounting Standards Codification Subtopic 944-605, previously FAS 97

Gross premiums written of direct insurance business

	2010 €'000	2009 €'000
Life insurance business	**7,822,717**	**7,401,986**
Health insurance business	**2,213,552**	**1,980,220**
Property/casualty insurance business		
Motor insurance	1,069,696	1,105,019
General liability insurance	412,897	415,474
Personal accident insurance	468,767	470,344
Householders insurance	233,118	231,245
Fire insurance	47,615	47,060
Homeowners insurance	274,238	270,662
Legal expenses insurance	196,972	192,431
Other classes	290,326	298,863
Total property/casualty	**2,993,629**	**3,031,098**
Gross premiums written, direct business	**13,029,898**	**12,413,304**

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 € 6,582 thousand (previous year: 5,566 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 rules of the FASB Accounting Standards Codification Subtopic 944-605 (previously 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	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
I. Investment property	119,738	135,487	7,116	1,397
II. Equity-method investments	-11,703	-8,082	25,806	81,748
III. Financial assets				
1. loans and receivables	1,584,839	1,579,354	77,821	79,586
2. available for sale				
a) variable yield	230,415	-219,287	21,750	42,486
b) fixed interest	1,550,679	1,194,947	185,632	117,834
3. financial assets at fair value through profit or loss				
a) financial assets at fair value through profit or loss (not held for trading)	-28,909	91,708	-1,493	1,615
b) held for trading	-45,076	-223,782	2,349	-31,258
IV. Investments for the account and at the risk of life insurance policyholders	108,744	140,993	—	—
Expenditure for the management of investments, interest expenditure and other investment expenditure	-132,357	-138,240	-18,060	-16,253
Total	**3,376,370**	**2,553,098**	**300,921**	**277,155**

* fully consolidated figures

	Financial services		Group	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
	—	—	126,854	136,884
	3,342	4,543	17,445	78,209
	169,222	182,968	1,831,882	1,841,908
	127	1,349	252,292	-175,452
	16,864	18,790	1,753,175	1,331,571
	—	—	-30,402	93,323
	9	-110	-42,718	-255,150
	—	—	108,744	140,993
	-404	-287	-150,821	-154,780
	189,160	**207,253**	**3,866,451**	**3,037,506**

Investment income (net, by types of income and expenditure)

	Ordinary income		Write-ups and unrealized capital gains[5]	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
I. Investment property[1,2]	167,698	161,786	4,052	—
II. Shares in enterprises measured at equity	17,163	88,823	—	—
III. Financial assets				
1. loans and receivables[3]	1,692,053	1,736,937	17,745	27,552
2. available for sale				
a) variable yield	266,876	224,567	—	—
b) fixed interest[3]	1,336,343	1,165,199	—	—
3. financial assets at fair value through profit or loss				
a) financial assets at fair value through profit or loss (not held for trading)	30,243	44,576	2,044	69,220
b) held for trading	—	—	31,120	84,126
IV. Investments for the account and at the risk of life insurance policyholders	4,398	5,797	108,928	140,074
Expenditure for the management of investments, interest expenditure and other investment expenditure[4]	-150,821	-154,780	—	—
Total	**3,363,953**	**3,272,905**	**163,889**	**320,972**

1 The write-downs include impairment write-downs as defined by IFRS 5 of € -2,491 thousand (previous year: -4,996 thousand).
2 The ordinary income from investment property equals the rental income for property held as financial investment.
3 The interest income is € 3,028,397 thousand (previous year: 2,902,136 thousand).
4 The expenditure for let property is € -43,023 thousand (previous year: -40,760 thousand); for unlet property it amounts to € -10,432 thousand (previous year: -7.231 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	
	2010	2009	2010	2009	2010	2009	2010	2009
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
	68,048	74,894	-112,899	-98,654	-45	-1,142	126,854	136,884
	282	39	—	-10,653	—	—	17,445	78,209
	162,092	140,347	-36,653	-62,928	-3,355	—	1,831,882	1,841,908
	369,678	553,737	-288,257	-831,916	-96,005	-121,840	252,292	-175,452
	429,833	207,298	—	-2,564	-13,001	-38,362	1,753,175	1,331,571
	6,059	584	-47,026	-21,057	-21,722	—	-30,402	93,323
	85,666	317,914	-18,221	-111,644	-141,283	-545,546	-42,718	-255,150
	773	479	-5,099	-5,065	-256	-292	108,744	140,993
	—	—	—	—	—	—	-150,821	-154,780
	1,122,431	**1,295,292**	**-508,155**	**-1,144,481**	**-275,667**	**-707,182**	**3,866,451**	**3,037,506**

8 Other income*

	2010 €'000	2009 €'000
Other net underwriting income of life and health insurance	84,460	44,074
Other net underwriting income of property and casualty insurance	9,289	11,395
Income from investment contracts	4,026	1,857
Income of building-society business	69,790	70,474
Income from capital consolidation	8,249	8,847
Other income		
from services rendered	68,238	64,707
from winding-up non-underwriting provisions	27,517	34,818
interest and similar income	28,780	37,623
foreign exchange profits	3,403	840
other	109,852	106,960
Total	**413,604**	**381,595**

* fully consolidated figures

9 Net claims and benefits*

Claims and benefits under life and health insurance

	Gross 2010 €'000	Gross 2009 €'000	Reinsurers' share 2010 €'000	Reinsurers' share 2009 €'000	Net 2010 €'000	Net 2009 €'000
Claims expenditure						
Claims paid	-6,672,831	-6,583,180	141,421	133,839	-6,531,410	-6,449,341
Change of the provision for outstanding claims	-68,560	-95,052	7,826	-1,646	-60,734	-96,698
Total	**-6,741,391**	**-6,678,232**	**149,247**	**132,193**	**-6,592,144**	**-6,546,039**
Change of the provision for future policy benefits	-2,154,222	-1,920,931	9,810	5,915	-2,144,412	-1,915,016
Expenditure for profit-related, not profit-related and deferred premium refunds	-1,481,157	-454,511	—	—	-1,481,157	-454,511
Other profit participation	-729,978	-716,358	—	—	-729,978	-716,358
Total amount of claims and benefits	**-11,106,748**	**-9,770,032**	**159,057**	**138,108**	**-10,947,691**	**-9,631,924**

* fully consolidated figures

Net claims and benefits*

Claims and benefits under property and casualty insurance

		Gross		Reinsurers' share		Net
	2010	2009	2010	2009	2010	2009
	€'000	€'000	€'000	€'000	€'000	€'000
Claims expenditure						
Claims paid	-1,977,140	-1,974,108	45,299	55,855	-1,931,841	-1,918,253
Change of the outstanding claims provision	29,676	14,210	-12,986	-43,092	16,690	-28,882
Total	**-1,947,464**	**-1,959,898**	**32,313**	**12,763**	**-1,915,151**	**-1,947,135**
Change of the provision for future policy benefits	-1,324	-331	—	—	-1,324	-331
Expenditure for premium refunds	-8,008	-5,017	—	—	-8,008	-5,017
Total amount of claims and benefits	**-1,956,796**	**-1,965,246**	**32,313**	**12,763**	**-1,924,483**	**-1,952,483**

* fully consolidated figures

10 Net operating expenses*

	2010	2009
	€'000	€'000
Life and health insurance		
Acquisition costs		
Payments	-1,392,427	-1,469,005
Change of deferred acquisition costs	-113,066	50,645
Administrative expenses	-309,784	-320,842
less		
Commissions and profit shares received under reinsurance business ceded	33,136	82,899
Total life and health insurance	**-1,782,141**	**-1,656,303**
Property and casualty insurance		
Acquisition costs		
Payments	-288,191	-276,230
Change of deferred acquisition costs	-20,787	-15,963
Administrative expenses	-582,130	-599,011
less		
Commissions and profit shares received under reinsurance business ceded	10,906	11,278
Total property and casualty insurance	**-880,202**	**-879,926**
Total	**-2,662,343**	**-2,536,229**

* fully consolidated figures

11 Other expenditure[1]

	2010 €'000	2009 €'000
Other net underwriting expenditure of life and health insurance	-71,890	-57,523
Other net underwriting expenditure of property and casualty insurance	-6,543	-15,347
Expenditure from investment contracts	-15,501	-5,197
Expenditure for building-society business	-232,912	-235,030
Other expenditure:		
Expenditure that cannot be allocated to functional areas	-251,245	-272,622
Interest and similar expenditure[2]	-138,032	-127,618
Services, agency, leading and co-insurance business	-70,385	-64,570
Write-downs and portfolio-based value adjustments	-24,936	-40,021
Capital consolidation	-14,363	-27,780
Foreign exchange losses	-10,889	-74
Other	-42,751	-49,852
Total	**-879,447**	**-895,634**

1 fully consolidated figures
2 of which € -3,437 thousand (previous year: -3,585 thousand) are attributable to interest expenditure for financial liabilities

The other expenditure includes, inter alia, leasing payments for operating leases. Primarily the leasing payments are the result of the contractual relationship described below. 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 € 9,480 thousand are included in the other expenditure. The agreement had a total volume of € 168,347 thousand and a term of three years.

In the business year 2009, the term of the agreement was extended until December 31, 2012. In the business year 2010, the agreement was extended by two modification agreements. The new total volume of the agreement is € 165,357 thousand. Under this volume there still is a financial obligation of € 93,357 thousand. Both parties to the agreement have an extraordinary cancellation right within the term of the agreement. At the end of the agreement term there is a purchase option at arm's length conditions. The minimum leasing payments up to one year are € 2,079 thousand and between one and five years € 3,242 thousand.

12 Tax

Tax expenditure

	2010 €'000	2009 €'000
Income tax		
Current tax		
Corporation tax and solidarity charge	-162,839	-128,511
Trade income tax	-141,438	-74,646
Corporation tax asset	567	—
Deferred tax		
due to temporary differences	137,942	73,165
due to change of tax losses carried forward	-13,966	-1,063
Total	**-179,734**	**-131,055**
Other tax	-13,833	-10,927
Aggregate tax amount	**-193,567**	**-141,982**

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 2010 a corresponding accrued interest of € 2,632 thousand was added to the tax asset and recognized as other interest and similar income.

The actual tax expenditure of the year 2010 includes an expenditure of € -10,568 thousand (previous year: income of € 21,726 thousand) referring to previous business years.

Furthermore no deferred tax is set up for part of the tax loss carried forward (corporation tax: € 187,325 thousand; trade tax: € 187,905 thousand) as it is not probable that it will be used in the near future.

In connection with interests in subsidiaries, branch offices and associated enterprises as well as interests in jointly controlled enterprises, no deferred tax liability was set up for temporary differences of an amount of € 3,178 thousand. For tax-deductible temporary differences of an amount of € 9,768 thousand no deferred tax asset was recognized.

Reconciliation statement

	2010 €'000	2009 €'000
Earnings before tax (under HGB balance sheet)	595,678	482,531
Expected tax expenditure*	-190,617	-154,410
Corrected for tax impact due to:		
non-deductible operating expenses	-3,930	-3,906
tax-free income	35,754	35,780
tax of previous years	-10,568	21,726
income from tax-rate change	—	—
deductible tax	2,105	-9,133
difference between tax balance sheet and HGB balance sheet	7,629	1,988
other impact	-20,107	-23,100
Income tax expenditure	**-179,734**	**-131,055**

* 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.

The European Court of Justice in its ruling of January 22, 2009 and the Federal Financial Court in its ruling of October 28, 2009 come to the result that the prohibition of tax deductions for profit reductions in the context of stakes in foreign limited companies in 2001 represents a violation of the freedom of capital guaranteed in art. 56 of the EC treaty. We are currently studying the impact of these rulings on our Group companies and we expect this to lead to tax relief which could not yet be finally quantified at the time of preparing the Consolidated Financial Statements.

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	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Revaluation reserve				
Gains and losses from the revaluation of available-for-sale financial assets				
Reclassification due to the realization of gains and losses	-396,122	574,168	333,294	-469,192
Other changes	-1,144,901	739,230	860,248	-561,369
Change of other comprehensive income from equity-method entities	3,248	672	—	—
Change from cash-flow hedges				
Reclassification due to the realization of gains and losses	-658	-658	—	—
Other changes	1,938	-9,018	—	—
Foreign exchange differences	16,361	-5,772	-14,462	4,854
Total	**-1,520,134**	**1,298,622**	**1,179,080**	**-1,025,707**

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. € 7.43 (previous year: 6.09).

On the basis of the shareholder resolution at the General Meeting of Generali Deutschland Holding AG of May 27, 2010 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 26, 2011 to distribute a dividend of € 3.75 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	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
	20,737	-20,928	-42,091	84,048
	82,595	-54,061	-202,058	123,800
	—	—	3,248	672
	—	—	-658	-658
	-620	2,886	1,318	-6,132
	-754	253	1,145	-665
	101,958	**-71,850**	**-239,096**	**201,065**

Supplementary information on the Consolidated Balance Sheet 2010 – Assets

14 Owner-occupied property

	2010 €'000	2009 €'000
Gross carrying amount Jan. 1	1,279,923	1,273,163
Accumulated write-downs by Jan. 1	-359,323	-355,829
Net carrying amount Jan. 1	**920,600**	**917,334**
Additions	21,362	41,471
Change of consolidation scope	—	—
Non-current assets held for sale and other disposals	-2,224	-1,702
Reclassifications	-36,456	-3,721
Write-ups	—	—
Scheduled write-downs	-19,708	-18,482
Impairments	-594	-14,300
Net carrying amount Dec. 31	**882,980**	**920,600**
Accumulated write-downs by Dec. 31	-358,466	-359,323
Gross carrying amount Dec. 31	1,241,446	1,279,923

Tangible assets*

	Life/health €'000	Property/casualty €'000	Financial services €'000	2010 €'000	2009 €'000
Gross carrying amount Jan. 1	120,109	270,885	13,571	404,565	402,142
Accumulated write-downs by Jan. 1	-87,424	-193,884	-10,661	-291,969	-280,099
Net carrying amount Jan. 1	**32,685**	**77,001**	**2,910**	**112,596**	**122,043**
Additions	8,199	27,809	756	36,764	35,271
Change of consolidation scope	—	—	—	—	—
Non-current assets held for sale and other disposals	-1,735	-4,460	-195	-6,390	-8,966
Write-ups	—	—	—	—	—
Reclassifications	-54	54	—	—	—
Write-downs	-8,433	-22,595	-894	-31,922	-35,752
Net carrying amount Dec. 31	**30,662**	**77,809**	**2,577**	**111,048**	**112,596**
Accumulated write-downs by Dec. 31	-91,528	-190,043	-11,197	-292,768	-291,969
Gross carrying amount Dec. 31	122,190	267,852	13,774	403,816	404,565

* fully consolidated figures

15 Intangible assets

Composition of intangible assets

	2010 €'000	2009 €'000
Goodwill	269,389	269,389
PVFP of insurance contracts	58,431	64,613
Self-developed software	8,785	10,697
Other intangible assets acquired	50,755	53,570
Total	**387,360**	**398,269**

Goodwill allocation to segments*

	Life/health €'000	Property/ casualty €'000	Financial services €'000	2010 €'000	2009 €'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	-2,233
Balance-sheet amount Jan. 1	**161,404**	**107,163**	**822**	**269,389**	**269,389**
Reclassification	—	—	—	—	—
Impairments	—	—	—	—	—
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

Goodwill allocation to cash-generating units

	2010 €'000	2009 €'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**

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 allocation of the goodwill and for performing the impairment test. The carrying amount of the cash-generating unit is the equity capital under IFRS accounting and the goodwill attributable to the subsidiary concerned. The Generali Deutschland Group recognizes the fair value of the subsidiary concerned as at December 31, 2010 as the realizable amount determined on the basis of the value in use. The assumptions in the cash-flow forecast are based on the corporate planning of the Generali Deutschland Group for the period 2011 through 2013. Furthermore, the cash-flow forecasts of each cash-generating unit have been extrapolated in the long term within the scope of a perpetual annuity taking into account a growth rate which is regarded as probable in the light of the environment of each individual enterprise. The growth rates applied are primarily within the range of 0.5 to 1.0 percent.

The value in use of each subsidiary results from discounting future cash-flows by applying a capitalization interest representing the capital cost, taking into account the individual risk structure of the subsidiary concerned. The capitalization interest rate is determined, in each case, under the capital asset pricing model (CAPM). It is composed of a risk-free basic interest and a risk premium determined for each individual enterprise. The capitalization interest rates applied in the detailed planning phase and under the perpetual annuity are in a range between 6.5 and 8.5 percent.

PVFP from insurance contracts*

	Life/health	Property/ casualty	2010	2009
	€'000	€'000	€'000	€'000
Gross carrying amount Jan. 1	191,979	6,976	198,955	198,955
Accumulated amortization by Jan. 1	-127,366	-6,976	-134,342	-111,359
Net carrying amount Jan. 1	**64,613**	**—**	**64,613**	**87,596**
Additions	—	—	—	—
Write-ups	8,249	—	8,249	4,866
Scheduled amortization	-330	—	-330	-320
Impairments	-14,101	—	-14,101	-27,529
Net carrying amount Dec. 31	**58,431**	**—**	**58,431**	**64,613**
Accumulated amortization by Dec. 31	-133,548	-6,976	-140,524	-134,342
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 € -14,115 thousand (previous year: -27,529 thousand).

Self-developed software*

	Life/ health	Property/ casualty	Financial services	2010	2009
	€'000	€'000	€'000	€'000	€'000
Gross carrying amount Jan. 1	75,910	89,521	6,587	172,018	171,014
Accumulated amortization by Jan. 1	-65,213	-89,521	-6,587	-161,321	-159,409
Net carrying amount Jan. 1	**10,697**	**—**	**—**	**10,697**	**11,605**
Additions	—	—	—	—	1,004
Scheduled amortization	-1,912	—	—	-1,912	-1,912
Net carrying amount Dec. 31	**8,785**	**—**	**—**	**8,785**	**10,697**
Accumulated amortization by Dec. 31	-67,125	-89,521	-6,587	-163,233	-161,321
Gross carrying amount Dec. 31	75,910	89,521	6,587	172,018	172,018

* fully consolidated figures

Other acquired intangible assets*

	Life/ health €'000	Property/ casualty €'000	Financial services €'000	2010 €'000	2009 €'000
Gross carrying amount Jan. 1	169,175	201,764	5,993	376,932	377,071
Accumulated amortization by Jan. 1	-128,985	-189,088	-5,289	-323,362	-303,253
Net carrying amount Jan. 1	**40,190**	**12,676**	**704**	**53,570**	**73,818**
Additions	1,761	24,062	1,178	27,001	13,450
Disposals	-2,334	-29	—	-2,363	-3,023
Change of consolidation scope	—	—	—	—	—
Scheduled amortization	-11,690	-15,137	-626	-27,453	-25,897
Impairments	—	—	—	—	-4,778
Net carrying amount Dec. 31	**27,927**	**21,572**	**1,256**	**50,755**	**53,570**
Accumulated amortization by Dec. 31	-134,645	-199,390	-5,914	-339,949	-323,362
Gross carrying amount Dec. 31	162,572	220,962	7,170	390,704	376,932

* fully consolidated figures

16 Deferred acquisition costs*

	2010 €'000	2009 €'000
Life and health insurance		
As at Jan. 1	7,628,440	7,577,794
Amount deferred	860,140	943,547
Interest charge	283,932	291,602
Write-downs	-1,257,138	-1,184,503
As at Dec. 31	**7,515,374**	**7,628,440**
Property and casualty insurance		
As at Jan. 1	240,407	256,371
Amount deferred	103,444	110,731
Write-downs	-124,231	-126,695
As at Dec. 31	**219,620**	**240,407**

* fully consolidated figures

In health insurance an interest rate of 3.5 percent (previous year: 3.5 percent) is applied. For life insurers, as a matter of principle, the interest yield on the policyholder funds (3.3–4.5 percent (previous year: 3.0–4.5 percent) and the margin remaining for the insurer are taken into account.

As at December 31, 2010 there is a negative true-up effect of € -163,551 thousand (previous year: -281,603 thousand) on deferred acquisition costs.

17 Investments

Investment property*

	Life/health €'000	Property/ casualty €'000	2010 €'000	2009 €'000
Gross carrying amount Jan. 1	2,750,317	277,329	3,027,646	2,993,849
Accumulated write-downs by Jan. 1	-649,774	-102,166	-751,940	-708,996
Net carrying amount Jan. 1	**2,100,543**	**175,163**	**2,275,706**	**2,284,853**
Additions by purchase	316,065	899	316,964	209,164
Additions by capitalized supplementary acquisition costs	1,360	21	1,381	1,099
Change of consolidation scope	—	—	—	—
Non-current assets held for sale and other disposals	-60,744	-5,080	-65,824	-119,713
Reclassifications	36,456	—	36,456	3,721
Write-ups	3,995	—	3,995	—
Write-downs	-33,991	-3,902	-37,893	-35,152
Impairments	-67,722	-4,794	-72,516	-63,502
Change due to currency translation	10,757	—	10,757	-4,764
Net carrying amount Dec. 31	**2,306,719**	**162,307**	**2,469,026**	**2,275,706**
Accumulated write-downs by Dec. 31	-738,528	-106,308	-844,836	-751,940
Gross carrying amount Dec. 31	3,045,247	268,615	3,313,862	3,027,646
Market value	**2,380,552**	**199,830**	**2,580,382**	**2,420,028**

* 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 € 223,438 thousand.

18 Shares in enterprises measured at equity

	2010 €'000	2009 €'000
Balance-sheet values Jan. 1	**512,613**	**526,436**
Additions	60,278	11,144
Change of share in equity	-14,804	-11,543
Disposals	—	-3,443
Write-downs	—	-10,653
Unrealized gains and losses	3,248	672
Change due to foreign currency translation	1,278	—
Balance-sheet values as at Dec. 31	**562,613**	**512,613**

Financial information on associated enterprises and jointly controlled enterprises

	Associated equity-method enterprises €'000	Associated enterprises measured at amortized cost €'000	Jointly controlled enterprises included by equity method €'000
Short-term assets	1,575,666	394	91,295
Long-term assets	776,649	160	284,166
Assets	**2,352,315**	**554**	**375,461**
Short-term debt	595,058	332	114,936
Long-term debt	365,517	116	89,944
Debt	**960,575**	**448**	**204,880**
Income	1,231,042	2,063	10,328
Expenditure	-1,103,009	-2,031	-15,562
Profit/loss for the period	**128,033**	**32**	**-5,234**

The financial information was taken from the latest available annual financial statements of the companies and included in this list with an interest of 100 percent. The companies' financial statements were established in compliance with local accounting rules or international financial reporting standards. In those cases where the financial statements were prepared in a foreign currency, the currency was translated as at the reporting date without recognition in income. The measurement of equity-method enterprises was based on updated reconciliation.
There are obligations under guarantees and warranties of an amount of € 7,343 thousand.

Financial instruments

Presentation of the fair value of financial instruments under assets

	Carrying amount		Fair value	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
Loans and receivables				
Mortgage loans	2,122,371	2,394,682	2,272,561	2,555,754
Building loans	3,147,043	3,160,903	3,147,043	3,160,903
Loans and advance payments on policies	640,089	659,230	640,089	659,230
Debt securities and loans	14,664,189	16,063,435	15,326,292	16,637,235
Registered bonds	13,610,964	13,815,793	14,454,989	14,378,927
Other loans	1,357,888	1,193,872	1,297,870	1,195,776
Deposits with credit institutions	2,506,534	2,089,727	2,506,534	2,089,727
Deposits with ceding companies	13,666	14,617	13,666	14,617
Available for sale				
Variable-yield securities				
Shares and other equity instruments	4,323,106	4,480,977	4,323,106	4,480,977
Fund units	1,512,186	1,508,664	1,512,186	1,508,664
Other variable-yield securities	91,289	98,045	91,289	98,045
Fixed-income securities				
Government bonds	17,434,940	15,958,060	17,434,940	15,958,060
Other bonds	17,121,376	14,702,820	17,121,376	14,702,820
Other securities	9,914	9,987	9,914	9,987
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss (not held for trading)	280,576	832,544	280,576	832,544
Trading	6,463	25,903	6,463	25,903
Investments for the account and at the risk of life insurance policyholders	12,850,343	10,424,408	12,850,343	10,424,408
Receivables under insurance business				
from policyholders	317,397	323,135	317,397	323,135
from intermediaries	153,232	198,848	153,232	198,848
Accounts receivable	66,819	84,996	66,819	84,996
Reinsurers' share in underwriting provisions	1,549,888	1,480,536	1,549,888	1,480,536
Other receivables (insofar as financial instruments)				
Accrued interest and rent	1,387,788	1,347,394	1,387,788	1,347,394
Receivables under investments	69,248	75,898	69,248	75,898
Other receivables	163,531	148,846	163,531	148,846
Total	**95,400,840**	**91,093,320**	**96,997,140**	**92,393,230**

19 Loans and receivables

	Amortized cost 2010 €'000	Amortized cost 2009 €'000	Fair value 2010 €'000	Fair value 2009 €'000
Mortgage loans	2,122,371	2,394,682	2,272,561	2,555,754
Building loans	3,147,043	3,160,903	3,147,043	3,160,903
Loans and advance payments on policies	640,089	659,230	640,089	659,230
Debt securities and loans	14,664,189	16,063,435	15,326,292	16,637,235
Registered bonds	13,610,964	13,815,793	14,454,989	14,378,927
Other loans	1,357,888	1,193,872	1,297,870	1,195,776
Deposits with credit institutions	2,506,534	2,089,727	2,506,534	2,089,727
Deposits with ceding companies	13,666	14,617	13,666	14,617
Total	**38,062,744**	**39,392,259**	**39,659,044**	**40,692,169**

Loans and receivables

	Mortgage loans €'000	Building loans €'000	Loans and advance payments on policies €'000	Debt securities and loans €'000
Balance-sheet values as at Jan. 1	2,394,682	3,160,903	659,230	16,063,435
Additions	21,618	733,094	226,760	676,479
Change of consolidation scope	—	—	—	—
Disposals	-287,251	-735,650	-245,895	-2,060,124
Redemption	99	—	—	-15,601
Write-ups	14,903	2,842	—	—
Impairments	-21,680	-14,146	-6	—
Change due to currency translation	—	—	—	—
Balance-sheet values as at Dec. 31	**2,122,371**	**3,147,043**	**640,089**	**14,664,189**

Remaining terms to maturity of loans and receivables

	Amortized cost		Fair value	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
up to 1 year	4,414,443	3,989,825	4,418,952	4,013,899
between 1 and 2 years	2,572,358	2,075,491	2,632,174	2,106,774
between 2 and 3 years	2,466,126	2,873,990	2,598,185	2,969,677
between 3 and 4 years	3,127,789	2,496,652	3,329,877	2,598,805
between 4 and 5 years	2,356,455	3,161,742	2,499,195	3,334,197
between 5 and 10 years	12,613,839	15,159,313	13,294,469	15,823,130
more than 10 years	10,511,734	9,635,246	10,886,192	9,845,687
Total	**38,062,744**	**39,392,259**	**39,659,044**	**40,692,169**

Registered bonds	Other loans	Deposits with credit institutions	Deposits with ceding companies	Total
€'000	€'000	€'000	€'000	€'000
13,815,793	1,193,872	2,089,727	14,617	39,392,259
534,253	574,896	541,849	284	3,309,233
—	—	—	—	—
-846,035	-415,608	-125,042	-1,235	-4,716,840
106,953	5,549	—	—	97,000
—	—	—	—	17,745
—	-821	—	—	-36,653
—	—	—	—	—
13,610,964	**1,357,888**	**2,506,534**	**13,666**	**38,062,744**

20 Financial assets

Available for sale

	Balance-sheet values Jan. 1 €'000	Additions €'000	Change of consolidation scope €'000	Redemption €'000
Variable-yield securities				
Shares and other equity instruments	4,480,977	1,941,170	—	—
Fund units				
Equity funds	425,307	1,488,367	—	—
Bond funds	440,442	468,481	—	—
Property funds	642,915	269,803	—	—
Other variable-yield securities	98,045	3,208	—	-130
Fixed-income securities				
Government bonds	15,958,060	9,748,746	—	12,893
Other bonds	14,702,820	9,278,291	—	43,772
Other securities	9,987	—	—	—
Total	**36,758,553**	**23,198,066**	**—**	**56,535**

Available for sale

	Amortized cost 2010 €'000	Amortized cost 2009 €'000	Unrealized gains/losses 2010 €'000	Unrealized gains/losses 2009 €'000	Fair value 2010 €'000	Fair value 2009 €'000
Variable-yield securities						
Shares and other equity instruments	3,439,132	3,523,766	883,974	957,211	4,323,106	4,480,977
Fund units						
Equity funds	397,661	357,524	75,104	67,783	472,765	425,307
Bond funds	341,018	415,327	41,808	25,115	382,826	440,442
Property funds	649,156	662,924	7,439	-20,009	656,595	642,915
Other variable-yield securities	89,835	94,812	1,454	3,233	91,289	98,045
Fixed-income securities						
Government bonds	18,114,252	15,538,655	-679,312	419,405	17,434,940	15,958,060
Other bonds	17,067,269	14,231,863	54,107	470,957	17,121,376	14,702,820
Other securities	9,914	9,987	—	—	9,914	9,987
Total	**40,108,237**	**34,834,858**	**384,574**	**1,923,695**	**40,492,811**	**36,758,553**

Disposals €'000	Write-ups €'000	Impairments €'000	Unrealized gains and losses €'000	Change due to currency translation €'000	Balance-sheet values Dec. 31 €'000
-2,075,448	—	-259,930	236,378	-41	4,323,106
-1,476,208	—	-388	35,687	—	472,765
-480,682	—	-90	-45,325	—	382,826
-245,868	—	-27,849	17,594	—	656,595
-4,534	—	—	-5,300	—	91,289
-7,416,456	—	—	-868,321	18	17,434,940
-6,637,708	—	—	-272,098	6,299	17,121,376
-73	—	—	—	—	9,914
-18,336,977	**—**	**-288,257**	**-901,385**	**6,276**	**40,492,811**

Remaining terms to maturity of available-for-sale financial assets

	Amortized cost		Fair value	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
up to 1 year	2,451,652	2,497,775	2,484,990	2,512,325
between 1 and 2 years	1,621,150	2,803,203	1,638,261	2,956,027
between 2 and 3 years	1,880,602	2,000,794	1,951,486	1,985,097
between 3 and 4 years	2,553,126	1,814,892	2,613,341	1,926,868
between 4 and 5 years	2,999,727	3,174,585	3,060,577	3,329,972
between 5 and 10 years	15,763,675	11,493,924	15,200,839	11,956,454
more than 10 years	7,911,589	5,985,345	7,606,822	5,994,137
Total	**35,181,521**	**29,770,518**	**34,556,316**	**30,660,880**

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 of an amount of € 181,856 thousand (previous year: 729,256 thousand). Furthermore the item includes loans of an amount of € 98,155 thousand (previous year: 96,107 thousand) as well as convertible bonds of € 565 thousand (previous year: 7,181 thousand).

The fair value amounts to € 280,576 thousand (previous year: 832,544 thousand). The maximum credit risk of the credit element equals the carrying amount of € 280,576 thousand (previous year: 832,544 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 € 180,951 thousand (previous year: 216,922 thousand).

Fair value and contractual terms to maturity of financial assets at fair value through profit or loss

Instruments with	interest risk	equity exposure	currency risk	credit risk	2010	2009
	€'000	€'000	€'000	€'000	€'000	€'000
up to 1 year	—	—	—	—	—	—
between 1 and 2 years	—	—	—	—	—	515,888
between 2 and 3 years	—	—	—	—	—	—
between 3 and 4 years	—	—	—	—	—	—
between 4 and 5 years	94	—	—	—	94	—
between 5 and 10 years	905	—	—	98,155	99,060	97,506
more than 10 years	181,422	—	—	—	181,422	219,150
Total	**182,421**	**—**	**—**	**98,155**	**280,576**	**832,544**

Cancellation rights 2011–2015 with regard to annual-call zero bonds at the end of the closed business year

		2011	2012	2013	2014	2015
Volume	€ m	85.0	883.8	2,416.0	1,295.0	1,491.0
Nominally weighted strike	%	5.74	5.32	5.63	5.23	4.53

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 forwards, forward purchases and stock options. Forwards 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 following table 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	
	2010	2009	2010	2009	2010	2009
	€'000	€'000	€'000	€'000	€'000	€'000
Hedging of foreign currency risks						
Forwards	234,162	224,408	1,984	1,159	68,031	84,667
Hedging of interest risks						
Forward purchases	387,000	382,000	4,470	7,280	4,757	2,639
Increasing earnings and preparing purchases						
Stock options	10,000	246,525	9	17,464	—	—

As at the reporting date the maximum remaining term to maturity of open derivative positions is two years.

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	2010
	€'000	€'000	€'000	€'000
Available for sale				
Variable-yield securities	3,308,424	1,131,240	1,486,916	5,926,580
Fixed-income securities	27,381,294	7,175,023	—	34,556,317
Other securities	—	—	9,914	9,914
Financial assets at fair value through profit or loss				
Financial assets at fair value through profit or loss (not held for trading)	565	280,011	—	280,576
Trading	—	6,463	—	6,463
Investments for the account and at the risk of life insurance policyholders	21,798	12,445,246	383,299	12,850,343
Total	**30,712,081**	**21,037,983**	**1,880,129**	**53,630,193**

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	**1,266,608**	**9,987**	**415,482**	**1,692,077**
Income and expenditure recognized in income	-145,111	—	29,263	-115,848
Other comprehensive income	154,376	—	—	154,376
Acquisitions	255,214	—	37,610	292,824
Disposals	-44,171	-73	-99,056	-143,300
Issues	—	—	—	—
Closings	—	—	—	—
Reclassifications from level 3	—	—	—	—
Balance-sheet values Dec. 31	**1,486,916**	**9,914**	**383,299**	**1,880,129**
of which profits and losses in the profit/loss section of the Statement of Comprehensive Income for the period for financial assets held as at the reporting date	-149,379	—	-30,774	-180,153

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 the value is determined on the basis of input parameters which cannot be observed in the market.

In order to determine the input parameters applied, we generally use the best possible company information, including internal company data. Financial assets allocated to level 3 consist primarily of investments in indirect property funds and in private equity companies. These companies are usually measured on the basis of the net asset values (NAV) determined by the fund manager which generally are calculated for the individual fund investments or on the basis of discounted-cash-flow procedures or multiple approaches. The calculation of a sensitivity analysis requires access to internal company information not available to us in detail. Therefore it is not possible to prepare a sensitivity analysis.

The allocation of further investments is attributable to small interests measured by means of the NAV or on the basis of the dividend discount model (DDM). As a general rule, the NAV is derived from the latest available equity capital and the companies' net profit for the year. A characteristic interest rate is added as accrued interest. The determination of company values on the basis of the DDM is based on the companies' net profit. By means of a sustainable actuarial interest rate, the amount is discounted as at the reporting date December 31. For neither of the two procedures, a change of the input parameters leads to major deviations.

With regard to the financial assets allocated to level 3 no material impact on the total net assets of the company is to be expected as these assets are of minor importance.

For more detailed information on the type and extent of risks involved in financial assets reference is made to the "Risk Management" section and to the Risk Report.

22 Investments for the account and at the risk of life insurance policyholders

This item includes the investments where the investment risk is not borne by the Generali Deutschland Group (this concerns insurance and investment contracts). These 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.

23 Receivables

	2010 €'000	2009 €'000
Receivables under insurance business		
from policyholders	317,397	323,135
from insurance intermediaries	153,232	198,848
Accounts receivable under reinsurance operations	66,819	84,996
Other receivables under insurance business	27,958	34,326
Total receivables under insurance business	**565,406**	**641,305**
Other receivables		
Accrued interest and rent	1,387,788	1,347,394
Receivables under investments	69,248	75,898
Other receivables	267,212	225,968
Total of other receivables	**1,724,248**	**1,649,260**
Total	**2,289,654**	**2,290,565**

Remaining terms to maturity of receivables

	Amortized cost	
	2010	2009
	€'000	€'000
up to 1 year	2,159,468	2,117,383
between 1 and 5 years	108,362	78,927
between 5 and 10 years	21,512	45,524
more than 10 years	312	48,731
Total	**2,289,654**	**2,290,565**

24 Inventories

Inventories amount to € 17,367 thousand (previous year: 10,747 thousand). The inventories 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 € 6,572 thousand (previous year: 6,264 thousand). In the year under report there were write-downs of € 2,606 thousand (previous year: 1,074 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.

26 Discontinued operations

The discontinued operations refer to stakes in subsidiaries acquired in 2010 for resale within the next business year. They were recognized at their fair value determined on the basis of the net asset value. In the business year there was a loss of € -104 thousand before tax. Given a tax income of € 33 thousand, the impact after tax is € -71 thousand. The allocation to segments is shown in segment reporting on p. 120 f. The earnings per share amount to approx. € –.

Supplementary information on the Consolidated Balance Sheet 2010 – Equity and Liabilities

27 Group equity

Equity composition

	2010 €'000	2009 €'000
Subscribed capital	137,421	137,421
Capital reserve	1,310,358	1,310,347
Treasury stock	—	—
Revaluation reserve*	216,697	456,927
Profit carried forward	1,947,215	1,776,726
Reserve from foreign currency translation	-607	-2,277
Net profit attributable to the equity holders of the parent	398,896	327,113
Minority interests	18,489	17,812
Total	**4,028,469**	**4,024,069**

* The revaluation reserve includes unrealized gains of € -1,281 thousand (previous year: 9,676 thousand) from hedge accounting.

The **subscribed capital** equals the share capital of Generali Deutschland.

The **capital reserve** includes the premiums from share issues and an amount attributable to share-based payment recognized as expenditure.

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 (cash-flow hedge). 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 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.

The **reserve from foreign currency translation** comprises the foreign exchange differences resulting from the consolidation of subsidiaries and associated enterprises where the euro is not the functional currency.

Information on the dividend is indicated in Note 13 "Earnings per share".

Minority interests refer to the non-controlled share in the equity.

The subscribed capital remained unchanged at the previous 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, 2010 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.

Notes on the changes in equity

In the business year 2010, the item “gains and losses from the revaluation of available-for-sale financial assets” amounts to € 211,052 thousand. This includes reclassifications due to the realization of gains and losses of an amount of € -42,091 thousand (after tax) and other changes of an amount of € -202,058 thousand (after tax). The amounts include foreign exchange differences and minority interests of € 11 thousand. The deferred tax attributable to this item is € 103,932 thousand. The change in the provision for deferred premium refunds is € 1,193,542 thousand. In the business year 2010, a deferred tax of € -620 thousand and -754 thousand, respectively, is attributable to the items “change from cash-flow hedges” of € -1,190 thousand and “differences from foreign currency translation” of € -607 thousand. The change in the provision for deferred premium refunds is € -14,462 thousand.

In the business year 2009, the item "gains and losses from the revaluation of available-for-sale financial assets" amounted to € 455,190 thousand. This included 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 foreign exchange differences and minority interests of € 256 thousand. The deferred tax attributable to this item is € -74,989 thousand. The change in the provision for deferred premium refunds equals € -1,030,561 thousand. In the business year 2009, a deferred tax of € 2,886 thousand and 253 thousand, respectively, is attributable to the items "change from cash-flow hedges" of € -1,850 thousand and "differences from foreign currency translation" of € -2,277 thousand. The change in the provision for deferred premium refunds is € 4,854 thousand.

Minority interests

	2010 €'000	2009 €'000
in the revaluation reserve	6,180	6,179
in the Group net profit	3,214	13,436
in the other equity	9,095	-1,803
Total	**18,489**	**17,812**

With regard to capital management and Group Solvency, reference is made to the corresponding sections of the risk report included in the Group Management Report.

28 Unearned premiums*

	Life/health		Property/casualty		Group	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Gross	**5,181**	**4,776**	**462,477**	**468,673**	**467,658**	**473,449**
Reinsurers' share	—	—	-5,987	-6,139	-5,987	-6,139
Net	**5,181**	**4,776**	**456,490**	**462,534**	**461,671**	**467,310**

* fully consolidated figures

Development of unearned premiums

	Gross	Reinsurers' share	Net	Net
			2010	2009
	€'000	€'000	€'000	€'000
Unearned premiums Jan. 1	**473,449**	**-6,139**	**467,310**	**473,446**
Foreign-currency translation	13	—	13	-1
Total	473,462	-6,139	467,323	473,445
Portfolio changes	-3	42	39	-1,433
Other changes	-5,801	110	-5,691	-4,702
Unearned premiums Dec. 31	**467,658**	**-5,987**	**461,671**	**467,310**

29 Provision for future policy benefits*

	Life/health		Property/casualty		Group	
	2010	2009	2010	2009	2010	2009
	€'000	€'000	€'000	€'000	€'000	€'000
Gross	**69,878,804**	**66,768,322**	**91,342**	**90,018**	**69,970,146**	**66,858,340**
Reinsurers' share	-1,255,538	-1,180,922	—	—	-1,255,538	-1,180,922
Net	**68,623,266**	**65,587,400**	**91,342**	**90,018**	**68,714,608**	**65,677,418**

* fully consolidated figures

In health insurance an interest rate of 3.5 percent (previous year: 3.5 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 3.5 and 4.3 percent (previous year: between 3.6 and 4.5 percent). The true-up effect for the premium components carried as a liability (unearned revenue reserve) is € 18,358 thousand (previous year: -16,292 thousand) and for the reassessed terminal bonus reserve it is € -38,677 thousand (previous year: -98,712 thousand).

Development of the provision for future policy benefits

	2010 €'000	2009 €'000
Gross provision for future policy benefits Jan. 1	**66,858,340**	**64,084,147**
Payments for traditional life insurance policies	5,323,620	5,039,711
Other changes	-2,211,814	-2,265,518
Gross provision for future policy benefits Dec. 31	69,970,146	66,858,340
Reinsurers' share	-1,255,538	-1,180,922
Net	**68,714,608**	**65,677,418**

Remaining terms to maturity of the provision for future policy benefits

	2010 €'000	2009 €'000
up to 1 year	3,763,917	3,285,681
between 1 and 5 years	12,614,515	12,306,762
between 5 and 10 years	12,722,091	12,186,057
between 10 and 15 years	9,670,533	9,605,050
between 15 and 20 years	16,057,903	14,755,046
more than 20 years	15,141,187	14,719,744
Total	**69,970,146**	**66,858,340**

30 Provision for outstanding claims*

	Life/health		Property/casualty		Group	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Gross	**1,198,232**	**1,130,567**	**3,585,419**	**3,614,963**	**4,783,651**	**4,745,530**
Reinsurers' share	-16,398	-8,572	-271,672	-284,645	-288,070	-293,217
Net	**1,181,834**	**1,121,995**	**3,313,747**	**3,330,318**	**4,495,581**	**4,452,313**

* fully consolidated figures

After the reporting date no extraordinary claims occurred that would materially affect the Group's assets, liabilities, financial position and earnings.

For the purpose of taking into account receivables for recourses, salvages and knock-for-knock agreements an amount of € 23,193 thousand (previous year: 23,298 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 € 208,202 thousand (previous year: 191,786 thousand).

Development of the provision for outstanding claims

	Gross	Reinsurers' share	Net 2010	Net 2009
	€'000	€'000	€'000	€'000
Outstanding claims provision Jan. 1	**4,745,530**	**-293,217**	**4,452,313**	**4,326,761**
Foreign-currency translation	146	-13	133	-554
Total	**4,745,676**	**-293,230**	**4,452,446**	**4,326,207**
Use of provision for payments	-1,248,063	37,661	-1,210,402	-1,159,789
Winding-up of provision for year's claims*	-825,801	1,452	-824,349	-706,008
Allocation to provision for claims of the business year	2,111,839	-33,953	2,077,886	1,991,903
Total	**37,975**	**5,160**	**43,135**	**126,106**
Outstanding claims provision as at Dec. 31	**4,783,651**	**-288,070**	**4,495,581**	**4,452,313**

* 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)

	2010 €'000	2009 €'000
up to 1 year	1,740,442	1,763,071
between 1 and 5 years	1,011,199	1,002,027
between 5 and 10 years	192,564	191,613
more than 10 years	230,676	231,618

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	1,948,873
2008	2,123,269	2,012,633	1,924,509	–
2009	2,094,002	1,977,011	–	–
2010	2,103,044	–	–	–
Claims expenditure	2,103,044	1,977,011	1,924,509	1,948,873
Accumulated payments	1,092,925	1,497,375	1,629,798	1,733,835
Provisions for outstanding claims	1,010,119	479,636	294,711	215,038
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	1,904,983
2008	2,095,651	1,987,882	1,900,773	–
2009	2,085,396	1,968,557	–	–
2010	2,087,792	–	–	–
Claims expenditure	2,087,792	1,968,557	1,900,773	1,904,983
Accumulated payments	1,086,025	1,489,522	1,606,186	1,691,172
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	9th year	Total
€'000	€'000	€'000	€'000	€'000	€'000
2,283,758	2,265,943	2,258,312	2,249,328	2,249,155	
1,981,370	1,973,951	1,959,531	1,957,707	—	
1,784,010	1,772,970	1,766,601	—	—	
1,740,847	1,728,475	—	—	—	
1,746,551	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
1,746,551	1,728,475	1,766,601	1,957,707	2,249,155	**17,401,926**
1,608,069	1,611,121	1,651,918	1,821,799	2,131,752	**14,778,592**
138,482	117,354	114,683	135,908	117,403	**2,623,334**
					420,996
					142,365
					208,459
					3,395,154

5th year	6th year	7th year	8th year	9th year	Total
€'000	€'000	€'000	€'000	€'000	€'000
2,045,359	2,029,941	2,048,653	2,040,424	2,039,985	
1,814,879	1,806,116	1,792,642	1,790,662	—	
1,720,167	1,709,415	1,703,186	—	—	
1,720,196	1,708,000	—	—	—	
1,735,795	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
—	—	—	—	—	
1,735,795	1,708,000	1,703,186	1,790,662	2,039,985	**16,839,733**
1,597,611	1,591,869	1,589,898	1,658,558	1,928,082	**14,238,923**
					2,600,810
					574,071
					3,174,881

31 Provision for premium refunds*

	Life/health		Property/casualty		Group	
	2010	2009	2010	2009	2010	2009
	€'000	€'000	€'000	€'000	€'000	€'000
Gross	**4,610,474**	**5,289,655**	**23,328**	**19,752**	**4,633,802**	**5,309,407**
Reinsurers' share	—	—	—	—	—	—
Net	**4,610,474**	**5,289,655**	**23,328**	**19,752**	**4,633,802**	**5,309,407**

* fully consolidated figures

Provision for premium refunds (gross)

	2010	2009
	€'000	€'000
Provision for profit-related and not profit-related premium refunds		
profit-related	2,014,359	2,149,614
not profit-related	651,123	609,353
Provision for deferred premium refunds	1,968,320	2,550,440
Total	**4,633,802**	**5,309,407**

Provision for premium refunds (net)

	2010	2009
	€'000	€'000
Provision for profit-related and not profit-related premium refunds		
As at Jan. 1	2,758,967	3,101,299
Change of consolidation scope	—	—
Allocation	1,065,692	769,210
Wind-up	-668,251	-621,744
Payments	-515,464	-462,420
Other changes	24,538	-27,378
As at Dec. 31	**2,665,482**	**2,758,967**
Provision for deferred premium refunds		
As at Jan. 1	2,550,440	1,587,588
Foreign currency translation	-1,121	533
Total	**2,549,319**	**1,588,121**
Change of consolidation scope	—	—
Fair value fluctuations	-1,179,952	1,026,512
Revaluations recognized in income	598,993	-64,193
Other changes	-40	—
As at Dec. 31	**1,968,320**	**2,550,440**

32 Provisions for pensions and similar commitments

	2010 €'000	2009 €'000
Pension commitments	1,764,967	1,731,661
Provisions for commitments similar to pensions	190,286	210,616
Total	**1,955,253**	**1,942,277**

Pension provisions are provisions for defined-benefit obligations.

Provision for defined-benefit pension commitments

	2010 €'000	2009 €'000
Balance-sheet value as at Jan. 1	1,731,661	1,706,930
Change of consolidation scope	—	—
Discontinued operations	—	—
Paid benefits	-107,212	-101,690
Expenditure of the business year	121,167	107,607
Other	19,351	18,814
Balance-sheet value as at Dec. 31	**1,764,967**	**1,731,661**

Out of the balance-sheet value, € 1,652,494 thousand have a term to maturity of more than one year.
In the business year 2011, employer contributions to plan assets of an amount of € 1,420 thousand are expected.

Development of the extent of obligations and of the plan assets of defined-benefit pension commitments

	2010 €'000	2009 €'000
Present value of promised pension benefits Jan. 1	**2,021,899**	**1,831,988**
Change of consolidation scope	—	—
Discontinued operations	—	—
Current service cost	28,080	24,688
Interest cost	107,285	109,801
Employee contributions	414	479
Actuarial gains and losses*	92,343	156,633
Paid benefits	-107,212	-101,690
Compensation payments	333	—
Present value of promised pension benefits Dec. 31	**2,143,142**	**2,021,899**
Fair value of plan assets Jan. 1	-391,381	-373,848
Transferred assets	96	—
Expected income from plan assets	-17,135	-16,403
Actuarial gains and losses	5,164	-18,838
Employer contributions	-1,656	-1,917
Employee contributions	-414	-479
Paid benefits	20,569	20,104
Fair value of plan assets Dec. 31	**-384,757**	**-391,381**
Sub-total	**1,758,385**	**1,630,518**
Unrecognized actuarial profits and losses	6,582	101,143
Unrecognized past service cost	—	—
Balance-sheet value as at Dec. 31	**1,764,967**	**1,731,661**

* including past service cost in 2010

The necessity of taking into account actuarial gains or losses is verified by the corridor procedure.

Funding status

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Present values of promised pension benefits	2,143,142	2,021,899	1,831,988	1,972,857	2,165,883
Fair value of plan assets	-384,757	-391,381	-373,848	-349,946	-361,495
Total	**1,758,385**	**1,630,518**	**1,458,140**	**1,622,911**	**1,804,388**

The present values of promised pension benefits that are covered fully or in part by external carriers amount to € 1,804,817 thousand (previous year: 1,656,291 thousand). Those not covered by external providers amount to € 338,334 thousand (previous year: 360,688 thousand).

Development of actuarial gains and losses

	2010 €'000	2009 €'000
Actuarial gains and losses of the business year (pension obligations)*	**92,343**	**155,867**
of which due to adjustments based on experience	-21,883	-8,481
of which due to the impact of changes of the actuarial assumptions	114,226	164,348
Actuarial gains and losses of the business year (net plan assets)*	**5,164**	**-18,838**
of which due to adjustments based on experience	5,164	-18,838
of which due to the impact of changes of the actuarial assumptions	—	—

* including past service cost

Expenditure of the business year

	2010 €'000	2009 €'000
Current service cost	28,080	24,688
Interest cost	107,285	109,801
Expected return on plan assets	-17,135	-16,403
Recognition of actuarial gains or losses	846	-11,245
Past service cost	2,091	766
Total	**121,167**	**107,607**

The necessity of taking into account actuarial gains or losses is verified by the corridor procedure.

Calculation factors applied

	2010 %	2009 %
Technical interest rate	5.00	5.50
Expected return on plan assets	4.16 – 4.35	4.30 – 4.40
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

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.

Classes of plan assets

	Percentage composition		**Expected long-term return**
	2010 %	2009 %	2010 %
Shares, fund units and other variable-yield securities	4.83	5.39	3.1
Fixed-income securities/debt titles	94.48	92.24	4.4
Property	—	1.91	—
Other	0.69	0.46	1.4
Total	**100.00**	**100.00**	**4.2**

The actual return on plan assets amounts to € 11,971 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 € 6,978 thousand (previous year: 9,210 thousand).

The **benefits upon termination of the employment relationship** amount to € 41,558 thousand (previous year: 46,509 thousand).

The **payments on the occasion of employee anniversaries** amount to € 5,295 thousand (previous year: 9,171 thousand).

33 Other provisions

	Restructuring provisions	Other provisions	2010	2009
	€'000	€'000	€'000	€'000
As at Jan. 1	**43,575**	**440,103**	**483,678**	**652,657**
Change of consolidation scope	—	—	—	-20
Use of provisions	-142	-90,294	-90,436	-127,348
Wind-ups	-3,582	-12,164	-15,746	-18,622
Allocations of the business year	28,068	76,859	104,927	19,005
Other changes	-6,833	-7,669	-14,502	-41,994
As at Dec. 31	**61,086**	**406,835**	**467,921**	**483,678**

Out of the restructuring provisions an amount of € 51,179 thousand and out of the other provisions an amount of € 312,826 thousand are due after more than 12 months.

34 Liabilities

	2010	2009
	€'000	€'000
Subordinated liabilities	240,291	231,534
Bonds and loans	247,923	172,833
Liabilities under building-society business	4,368,356	4,203,200
Liabilities under insurance business		
Deposits held under reinsurance business ceded	1,288,815	1,210,152
Liabilities under direct insurance business		
to policyholders	2,668,863	2,886,982
to insurance intermediaries	154,273	149,621
Accounts payable under reinsurance business	13,066	9,504
Other insurance liabilities	34,067	31,200
Investment contracts	823,978	282,387
Liabilities to credit institutions	—	—
Liabilities under instruments held for trading	72,788	87,307
Salary-related liabilities	157,548	153,152
Other liabilities	339,159	333,102
of which:		
for social security	218	163
under investments	99,575	94,350
Total	**10,409,127**	**9,750,974**

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 £ 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 2010 the result from the foreign currency hedging transaction is € 8,441 thousand (previous year: 18,621 thousand). The fair value of the foreign currency swap as at the reporting date is € -66,104 thousand (previous year: -76,483 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

Presentation of the fair value of financial instruments under liabilities

	Carrying amount		Fair value	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
Liabilities under financial instruments				
Subordinated liabilities	240,291	231,534	240,291	231,534
Loans and receivables	247,923	172,833	247,923	172,833
Liabilities under building-society business*	4,368,356	4,203,200	4,368,356	4,203,200
Liabilities to credit institutions	—	—	—	—
Other liabilities	1,235,707	702,633	1,235,707	702,633
Liabilities under insurance business				
Deposits held under reinsurance business ceded	1,288,815	1,210,152	1,288,815	1,210,152
to policyholders	2,668,863	2,886,982	2,668,863	2,886,982
to intermediaries	154,273	149,621	154,273	149,621
Accounts payable	13,066	9,504	13,066	9,504
Other liabilities under insurance business	34,067	31,200	34,067	31,200
Total	**10,251,361**	**9,597,659**	**10,251,361**	**9,597,659**

* Due to the particular characteristics of building-society business, no reliable fair value can be determined. Therefore amortized cost is regarded as an acceptable approximation.

hedging transaction is included in equity 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. Every year the cash flows from the host contract are recognized in income on the due date in June. This is expected to refer to business years up to and including 2016.

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 € -66,104 thousand from the cash-flow hedge accounting described above.

Remaining terms to maturity of liabilities

	Non-derivative liabilities on the basis of undiscounted cash flows* 2010 €'000	**Liabilities under direct insurance business** 2010 €'000
up to 1 year	5,437,739	1,544,118
between 1 and 5 years	141,612	348,278
between 5 and 10 years	377,562	810,625
more than 10 years	225,983	120,115
Total	**6,182,896**	**2,823,136**

* 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 € 8,627,946 thousand, those with a remaining term to maturity of more than one year were € 1,781,181 thousand.

The derivative liabilities on the basis of undiscounted cash flows amounted to € 72,352 thousand and have a remaining term to maturity of less than one year.

As collateral for obligations under reinsurance business there are security deposits in favour of other insurance companies of an amount of € 152,609 thousand (previous year: 84,655 thousand).

35 Deferred tax asset and liabilities

The tax assets refer to current and deferred tax receivables. Out of the current tax receivables from income tax amounting to € 255.2 m (previous year: 280.5 m), an amount of € 94.0 m (previous year: 153.5 m) is not expected to be realized before a term of 12 months.

Deferred tax

	Deferred tax assets		Deferred tax liabilities	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
Intangible assets	464	455	748	-3,001
Investment property	2,038	2,038	111,998	64,850
Financial assets at fair value through profit or loss	123	150	-28,009	-28,363
Other investments	7,065	1,864	-64,919	114,262
Deferred acquisition costs	-8,230	-6,957	494,497	506,060
Underwriting items	-3,707	-2,126	-157,574	-119,079
Pension provisions	6,220	6,143	-168,735	-154,549
Tax loss carried forward	1,164	2,842	—	-12,288
Other	14,769	10,952	20,472	63,851
Total	**19,906**	**15,361**	**208,478**	**431,743**

Out of these amounts a total of € -1,116 thousand (previous year: -2,016 thousand) of deferred tax assets and an amount of € 7,785 thousand (previous year: 108,787 thousand) of deferred tax liabilities is not recognized in income.

36 Additional information

Staff

In the business year 2010, the companies included in the Consolidated Financial Statements have 14,962 (previous year: 14,957) employees on an annual average. On an annual average basis, 7,883 (previous year: 7,880) of these persons are employed with insurance companies, 638 (previous year: 716) with the building society and 6,441 (previous year: 6,361) with other service providers. The number of those employed in administrative services of the Group companies is 11,443 (previous year: 11,416), while the field-staff comprises 3,519 (previous year: 3,541) 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 2010 there are an average of 6,553 women (previous year: 6,492) and 8,409 men (previous year: 8,465) employed with the Generali Deutschland Group.

The Consolidated Income Statement includes a personnel expenditure of € 1,017,647 thousand (previous year: 1,038,586 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 2010 within the plan 2008–2010 is € 6.76. 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 are attributable to the 2010 tranche and issued to executives of the Generali Group. In the year under report this involves a personnel expenditure of € 440 thousand.

As at the balance-sheet date, there were still options outstanding from the stock-option plans of previous years. As a whole, 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	1,211,000	27.51
Allocated options	—	—
Forfeited options	195,000	28.84
Expired options	141,000	20.24
Exercised options	—	—
Outstanding as at Dec. 31	875,000	28.39
Exercisable as at Dec. 31	680,000	28.26

The range of the exercise prices of all options still outstanding at the end of the reporting period is between € 24.00 and 31.37. The average weighted expiry date of the options outstanding at year-end is July 14, 2011.

Assicurazioni Generali S.p.A. has included selected executives of the Generali Deutschland Group as beneficiaries of its new Long-Term Incentive Plan which replaces the previous stock-option plan. Similar to the stock-option plan, the Generali Deutschland Group is not involved in the financing of this new plan. The basic requirement is that the beneficiaries waive all options under the previous stock-option plan outstanding and not yet exercisable on the date the resolution was adopted (this refers to the tranches 2007–2010). With the beneficiaries signing the corresponding waiver declarations, the stock-option programme presented above and still in force as at December 31, 2010 thus becomes obsolete for that group of persons, except for the options already exercisable.

Other financial commitments and contingent liabilities

Within the scope of domination and profit-transfer agreements concluded in previous years with subsidiaries as well as the so-called squeeze-out procedures, indemnities were offered to former shareholders of the subsidiaries, in particular AachenMünchener Lebensversicherung AG, AachenMünchener Versicherung AG and Volksfürsorge Holding AG (today Generali Beteiligungs- und Verwaltungs-AG). 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 some cases, legally binding court decisions are still pending. If the cases are lost, it may become necessary to pay amounts in addition to the indemnities or the compensation already paid to all outside shareholders.

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. 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.

Individual policyholders filed a complaint against Group companies for the reimbursement of instalment charges raised for the payment of annual premiums by several instalments in the course of the year. It is asserted in the grounds for the complaint that the insurers against who the complaint is filed had been obliged to indicate an effective interest rate. Besides the risk of becoming obliged to reimburse any instalment charges raised and the interdiction of raising future charges for business in force, there is the additional risk involved in the assertions of a rising number of plaintiffs that on the grounds of an insufficient information on the effective interest rate policyholders had the right to revoke their contracts which could involve the reversal of already existing policies. The vast majority of court rulings issued until today supports the legal opinion of the insurers. A ruling by the Federal Supreme Court is still pending.

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. On July 27, 2010, in the instance of appeal, the Higher Regional Court of Hamburg confirmed the invalidness of the clauses concerned. Generali Lebensversicherung AG has launched an appeal with the Federal Supreme Court which has not yet issued a ruling.

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, 2010, the life insurers of the Generali Deutschland Group had no commitments with regard to the safety-net fund (December 31, 2009: € 1 m). 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, 2010 this equals a commitment of € 54 m (December 31, 2009: 59 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, 2010 is € 575 m (December 31, 2009: 530 m).

For the health insurers, payment obligations may arise up to a maximum of 2 per mil of the total net underwriting provisions.

Furthermore the Group has investment obligations as at December 31, 2010 amounting to € 1,393 m (December 31, 2009: 2,115 m).

As at December 31, 2010 there are commitments under guarantees and warranties of € 272 m (December 31, 2009: 419 m) and other financial commitments of € 180 m (December 31, 2009: 259 m).

Under lease agreements, as at December 31, 2010 there are other financial commitments in the form of future minimum leasing payments of up to one year of € 2,079 thousand and of between one and five years of € 3,242 thousand.

As at the reporting date, the carrying amount of assets deposited as collateral amounted to € 168,362 thousand. The collateral deposited exclusively comprises securities and it cannot be sold by the collateral taker, neither by contracts nor by commercial usage.

As at the reporting date, the Generali Deutschland Group received collateral of a fair value of € 4,904,867 which the Generali Deutschland Group is entitled to sell and pledge. Primarily the collateral is attributable to building-society business operated by the Group and can only be sold under very restrictive conditions as provided for in the Building Society Act (Bausparkassengesetz). As at the reporting date, the Generali Deutschland Group has not sold or further pledged any collateral.

As at the reporting date the Generali Deutschland Group has made use of deposited collateral for a carrying amount of € 28,938 thousand and recognized it in the balance sheet. The collateral refers to building loans and mortgage loans.

Auditor's fees

In the business year an expenditure of € 3,428 thousand (previous year: 4,101 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 € 1,934 thousand (previous year: 2,361 thousand). Furthermore an expenditure of € 431 thousand (previous year: 179 thousand) was recognized for consultancy services rendered by the auditor the same as an amount of € 104 thousand (previous year: 147 thousand) for other services rendered. Our auditor did not make valuations. Starting from 2010, the auditor's fees are disclosed on a net basis, including outlay, in compliance with IDW RS HFA 36.

Group holding company

The parent company of the Generali Deutschland Group, which operates in insurance business, is Generali Deutschland Holding AG (Generali Deutschland). It is 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 2010 the members of the Board of Management of Generali Deutschland received a total remuneration of € 3,066 thousand (previous year: 1,806 thousand) for their activities in the parent company and in the subsidiary companies. While in previous years the remuneration of the Board of Management was not disclosed on an individualized basis in line with the corresponding resolution at the General Meeting of May 18, 2006, the individual remuneration is disclosed for the first time in 2010.

Remuneration of the Board of Management 2010

	Not performance-related remuneration			**Performance-related remuneration**	**Total amount**
	Fixed remuneration		**Perquisites**	**Annual bonus**	
	Basic salary	Additional fixed remuneration			
	€'000	€'000	€'000	€'000	€'000
Dietmar Meister	558	322	15	537	1,432
Christoph Schmallenbach	325	125	18	331	799
Winfried Spies (until June 30)	190	60	49	350	649
Dr. Torsten Utecht (since July 1)	130	50	6	—	186
Total	**1,203**	**557**	**88**	**1,218**	**3,066**

In addition to the fixed salary, the not performance-related remuneration also includes perquisites and remuneration in kind (such as the use of a company car and the payment of telecommunication costs by the company).

The performance-related remuneration consists of a bonus oriented at target achievement. With effect from the target agreements for the business year 2010, which are the basis for the first-time application to the remuneration to be paid in 2011, the Supervisory Board resolved that part of the variable remuneration was to be paid with a time delay on the basis of a multi-year assessment. Previously, under the target agreements the total variable remuneration was to be paid immediately in the subsequent year. The bonus payments made in the business year 2010 and shown on an individualized basis in the above table referring to the targets for 2009 are thus still based on purely annual targets.

With regard to future variable remunerations the following will be applied: The performance bonus will be based on targets to be 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 yardstick. 50 percent of the performance bonus determined in advance will become definitely due on the basis of a target-achievement ratio determined by the Supervisory Board after the close of the business year.

The remaining bonus is subject to a long-term assessment of the further development of the company in the two following years (long-term bonus). Out of this long-term bonus, 50 percent will again be paid together with the annual bonus. Depending on the further development of the company, the remaining bonus will be paid after a total of three years or the part of the long-term bonus already paid will be reclaimed. In case the performance falls substantially short of the agreed target, a bonus deduction (so-called malus) is applied for the particular year and target.

In the case of an ordinary termination of the activities of a member of the Board of Management, the remuneration only consists of not performance-related elements. Starting from the 65th year of life, the members of the Board of Management receive retirement pay.

Retirement pay for the members of the Board of Management

	Commitments for defined pension benefits	Current service cost
	€'000	€'000
Dietmar Meister	3,693	94
Christoph Schmallenbach	1,288	50
Dr. Torsten Utecht (since July 1)	637	19

Furthermore, in the case of a premature termination or non-renewal of the employment contract, members have the right to receive a transitional allowance which is paid in the form of an “immediate annuity” until they have reached the contractually agreed retirement age. A provision for this allowance is not set up until this allowance is made use of. Depending on the duration of the activity in the Board of Management, this immediate annuity is paid at an amount ranging from 35 to 50 percent of the last basic salary up to the date on which the age limit for regular retirement under the public pension scheme is reached.

The basic requirement for making use of the immediate annuity is that the person entitled to receive a pension has not refused an offered renewal of the appointment and of the employment contract at the same or more favourable conditions. Furthermore, the premature termination or non-renewal of the employment contract must not be due to an important reason for which the person entitled to receive a pension is responsible.

With regard to Mr. Schmallenbach and Dr. Utecht there is the further requirement that the person entitled to receive a pension must not work for an enterprise which is in direct or indirect competition with the company, neither on a self-employed or employed or other basis. In the case of Dr. Utecht, the immediate annuity also requires that he has completed his 55th year of life when the employment contract terminates and that his third appointment as a member of the company's Board of Management has already taken place.

In the year 2010 no such immediate annuities have been made use of.

The members of the Board of Management of Generali Deutschland Holding AG participate in the stock-option plan of the international Generali Group. The stock options granted are a remuneration with a long-term incentive. Reference is made to the presentation of the current stock-option plan on p. 189 f. of this report.

Under the 2010 tranche of the stock-option plan 2008–2010, 110,000 stock options are granted to the members of the Board of Management of Generali Deutschland Holding AG, of which 55,000 are attributable to Mr. Meister, 35,000 to Mr. Schmallenbach and 20,000 options to Mr. Spies. In the year under report, this leads to a personnel expenditure of € 248 thousand, of which € 124 thousand are attributable to Mr. Meister, € 79 thousand to Mr. Schmallenbach and € 45 thousand to Mr. Spies.

The fair value of the stock options of the option plan 2008–2010 attributable to 2010 is € 6.76 per option. The fair value is determined by Assicurazioni Generali S.p.A. by means of a recognized actuarial option-price model on the basis of market data.

As at the reporting date, there still were options outstanding from stock-option plans of previous years.

The following table indicates the number and weighted average exercise prices of the stock options:

Stock options

	Dietmar Meister		Christoph Schmallenbach		Winfried Spies		Dr. Torsten Utecht[4]	
	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €
Outstanding as at Jan. 1	320,000	28.61	130,000	28.99	130,000	28.23	–	–
Allocated options	–	–	–	–	–	–	–	–
Forfeited options	110,000	28.84	70,000	28.84	40,000	28.84	–	–
Expired options	–	–	–	–	–	–	–	–
Exercised options	–	–	–	–	–	–	–	–
Outstanding as at Dec. 31	210,000[1]	28.49	60,000[2]	29.16	90,000[3]	27.96	–	–
Exercisable as at Dec. 31	155,000	28.36	25,000	29.60	70,000	27.71	–	–

1 average weighted expiry date June 11, 2013
2 average weighted expiry date March 6, 2015
3 average weighted expiry date February 22, 2013
4 no participation in stock-option programmes; member of management since July 1, 2010

With regard to the options of Mr. Meister and Mr. Spies which are outstanding at the end of the reporting period, the exercise prices range from € 24.00 to 31.37. For the options of Mr. Schmallenbach outstanding at year-end the exercise prices range from € 28.84 to 29.60.

With the approval of the company's Supervisory Board, Assicurazioni Generali S.p.A. has included the members of the Board of Management of the company as beneficiaries of its new Long-Term Incentive Plan which replaces the previous stock-option plan. Similar to the stock-option plan, the Generali Deutschland Group is not involved in the financing of this new plan. A basic requirement is that the beneficiary waives all options under the previous stock-option plan which were outstanding and not yet exercisable on the date the resolution was adopted (this refers to the tranches 2007–2010). All members of the Board of Management of Generali Deutschland Holding AG have meanwhile made the corresponding waiver declarations. The stock-option plan presented above and still in force as at December 31, 2010 thus becomes obsolete, except for the options already exercisable.

Instead of the stock-option programme described above, the members of the Board of Management now receive a cash remuneration after three years (2010–2012) depending on the achievement of targets referring to the Generali Deutschland Group as well as the international Generali Group (Mr. Meister a maximum of 120 percent of his 2012 basic salary; Mr. Schmallenbach and Dr. Utecht a maximum of 84 percent of their 2012 basic salary) part of which they have to invest in shares of Assicurazioni Generali S.p.A. (25 or 50 percent). After a vesting period of another three years (2013–2015) they may receive up to two bonus shares for each previously acquired share depending on the investment previously made by them and on the development of the shareholder return of Assicurazioni Generali S.p.A. Each of these remuneration elements, in turn, depends of the achievement of the earnings targets of the Generali Deutschland Group.

The remuneration paid to the members of the Supervisory Board in 2010 is € 2,060 thousand (previous year: 2,009 thousand).

An amount of € 3,234 thousand (previous year: 3,273 thousand) was paid to former members of the Board of Management of Generali Deutschland and their surviving dependants. The commitment for defined benefit obligations for this circle of persons amounted to € 43,955 thousand. In the previous year, the commitment was € 44,220 thousand.

The loans granted to members of the Supervisory Board of Generali Deutschland amount to € 415 thousand (previous year: 422 thousand; redemption in 2010: € -7 thousand (previous year: -7 thousand)). The interest rates of these loans are between

Development of the loans granted to the Supervisory Board

	Loans to the Supervisory Board 2010 €'000	Loans to the Supervisory Board 2009 €'000
As at Jan. 1	422	837
Loans granted in the business year	—	—
Redemption	-7	-7
Other	—	-408
As at Dec. 31	**415**	**422**

4.24 and 6.20 percent. In the year under report no loans were granted to members of the Board of Management.

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. As a further member of the Board of Management, Mr. Spies was appointed until June 30, 2010. On July 1, 2010 he fully changed over to the Board of Management of Generali Versicherungen.

The list on p. 205 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.

37 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 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 € 103,440 thousand (previous year: 111,220 thousand) was paid as reinsurance premiums.

Remuneration for managers in key positions

	2010 €'000	2009 €'000
Salaries and other payments due in the short term	26,177	25,978
Expenditure for pension benefits	6,385	4,979
Other payments due in the long term	413	177
Payments due to termination of employment contracts	—	2,218
Total	**32,975**	**33,352**

The expenditure for executives in key positions resulting from share-based payment transactions amounts to € 440 thousand (previous year: 774 thousand).

Transfers from material service and cooperation agreements as well as other agreements with related parties

	2010 €'000	2009 €'000
Service and cooperation agreements with		
Assicurazioni Generali	17,790	19,953
Equity-method enterprises	818,806	862,154
Related persons	—	—
Other agreements and transactions with		
Assicurazioni Generali	653	640
Equity-method enterprises	3,027	8,866
Related persons	-1,299	379
Total	**838,977**	**891,992**

The relationships with related enterprises mainly consist of service and cooperation agreements at arm's length conditions.

Insurance contracts with related enterprises and persons

	2010 €'000	2009 €'000
Sums insured under life insurance contracts	77,160	24,731
12 times the annual pension under pension contracts	15,564	4,479
Target contract sums under building-society contracts	489	569

The insurance contracts existing with related persons and enterprises are based on arm's length conditions and on conditions applicable to employees. Contributions of an amount of € 294 thousand (previous year: 348 thousand) were paid to pension schemes in favour of employees and former employees for benefits payable after the termination of employment.

Receivables, provisions and liabilities with related enterprises

		2010 €'000	2009 €'000
D. III. 1.	**Financial instruments, loans and receivables**	**1,281,250**	**1,276,599**
	of which with other enterprises of the Generali Group*	1,279,800	1,275,149
	of which with equity-method enterprises of the Generali Deutschland Group	1,450	1,450
F.	**Receivables:**		
	Receivables under insurance business	**14,561**	**4,190**
	of which with other enterprises of the Generali Group	2,841	4,190
	of which with equity-method enterprises of the Generali Deutschland Group	11,720	—
	Other receivables	**44,261**	**38,275**
	of which with other enterprises of the Generali Group	27,790	20,795
	of which with equity-method enterprises of the Generali Deutschland Group	16,471	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	**731,741**	**639,978**
	of which with other enterprises of the Generali Group	701,118	615,845
	of which with equity-method enterprises of the Generali Deutschland Group	30,623	24,133
	Other	**9,506**	**15,418**
	of which with other enterprises of the Generali Group	9,227	15,041
	of which with equity-method enterprises of the Generali Deutschland Group	279	377

* The "other enterprises of the Generali Group" are companies which are part of the consolidation scope of the Generali Group, Trieste, but are not included in the consolidation scope of the Generali Deutschland Group.

Loans granted to related enterprises and persons

Development of loans to managers in key positions (and their close relatives)

	2010 €'000	2009 €'000
As at Jan. 1	1,666	2,714
Loans granted	—	43
Redemption	-115	-873
Other changes	-823	-218
As at Dec. 31	**728**	**1,666**

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 2.50 and 8.00 percent.

List of shareholdings in compliance with sec. 313 para. 2 HGB as at December 31, 2010

Affiliated and associated enterprises

1. Affiliated enterprises included in the consolidation scope (sec. 313 para. 2 no. 1 HGB)

Company name	Registered office	Share in capital %
AachenMünchener Lebensversicherung AG	Aachen	100.00
AachenMünchener Versicherung AG	Aachen	100.00
AdvoCard Rechtsschutzversicherung Aktiengesellschaft	Hamburg	100.00
ALLWO GmbH	Cologne	100.00
AM Erste Immobilien AG & Co. KG	Aachen	100.00
AMCO Beteiligungs-GmbH	Aachen	100.00
AM Gesellschaft für betriebliche Altersversorgung mbH	Aachen	100.00
AM Sechste Immobilien AG & Co. KG	Aachen	100.00
AM Vers Erste Immobilien AG & Co. KG	Aachen	100.00
AM Vertriebsservice-Gesellschaft Personenversicherungen mbH	Frankfurt-on-M.	100.00
AM Vertriebsservice-Gesellschaft Sachversicherungen mbH	Frankfurt-on-M.	100.00
ATLAS Dienstleistungen für Vermögensberatung GmbH	Frankfurt-on-M.	74.00
CENTRAL Erste Immobilien AG & Co. KG	Cologne	100.00
CENTRAL KRANKENVERSICHERUNG AKTIENGESELLSCHAFT	Cologne	100.00
CENTRAL Zweite Immobilien AG & Co. KG	Cologne	100.00
Cosmos Finanzservice GmbH	Saarbrücken	100.00
COSMOS Lebensversicherungs-Aktiengesellschaft	Saarbrücken	100.00
COSMOS Versicherung Aktiengesellschaft	Saarbrücken	100.00
DBB Vermögensverwaltung GmbH & Co. KG	Karlsruhe	100.00
Deutsche Bausparkasse Badenia Aktiengesellschaft	Karlsruhe	100.00
Dialog Lebensversicherungs-Aktiengesellschaft	Augsburg	100.00
ENVIVAS Krankenversicherung Aktiengesellschaft	Cologne	100.00
Generali 3. Immobilien AG & Co. KG	Munich	100.00
Generali Beteiligungs- und Verwaltungs-AG	Munich	98.78
Generali Deutschland Finanzdienstleistung GmbH	Aachen	100.00
Generali Deutschland Holding AG	Cologne	100.00
Generali Deutschland Immobilien GmbH	Cologne	100.00
Generali Deutschland Informatik Services GmbH	Aachen	100.00
Generali Deutschland Pensionskasse AG	Aachen	100.00
Generali Deutschland Pensor Pensionsfonds AG	Frankfurt-on-M.	100.00
Generali Deutschland Schadenmanagement GmbH	Cologne	100.00
Generali Deutschland Services GmbH	Aachen	100.00
Generali Deutschland SicherungsManagement GmbH	Cologne	100.00
Generali European Real Estate Income Investments GmbH & Co. KG	Cologne	100.00
Generali Lebensversicherung Aktiengesellschaft	Munich	100.00
Generali Northern Amercian Holding 2 S.à.r.l.	Luxembourg/L	100.00
Generali Northern Amercia Real Estate Investments GmbH & Co. KG	Cologne	100.00
Generali Versicherung Aktiengesellschaft	Munich	100.00
GLL AMB Generali Bankcenter S.à.r.l.	Luxembourg	100.00
GLL AMB Generali City 22 S.à.r.l.	Luxembourg	100.00
GLL AMB Generali Properties Fund I GmbH & Co. KG	Munich	100.00
GLL AMB Generali Properties Fund II GmbH & Co. KG	Munich	100.00
GLL AMB Generali South Express S.à.r.l.	Luxembourg/L	100.00
GLL AMB Generali 200 State Street GmbH & Co. KG	Munich	100.00
GLL City22 S.L.	Madrid/E	100.00
GLL Properties Fund I LP	Wilmington/USA	100.00
GLL Properties Fund II LP	Wilmington/USA	100.00
GLL Properties 444 North Michigan LP	Wilmington/USA	100.00
GLL South Express S.A.	Brussels/B	100.00
Grundstücksgesellschaft Stadtlagerhaus Hamburg GbR	Hamburg	100.00
Schloß Bensberg Management GmbH	Bergisch Gladbach	100.00
Thuringia Generali 1. Immobilien AG & Co. KG	Munich	100.00
Thuringia Generali 2. Immobilien AG & Co. KG	Munich	100.00
Vofü Fonds I Hamburgische Grundbesitz und Anlage AG & Co. KG	Hamburg	59.29
Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte	Hamburg	100.00
Volksfürsorge 1. Immobilien AG & Co. KG	Hamburg	100.00
Volksfürsorge 2. Immobilien AG & Co. KG	Hamburg	100.00
Volksfürsorge 3. Immobilien AG & Co. KG	Hamburg	100.00
Volksfürsorge 4. Immobilien AG & Co. KG	Hamburg	100.00
Volksfürsorge 5. Immobilien AG & Co. KG	Hamburg	100.00
Volksfürsorge 6. Immobilien AG & Co. KG	Hamburg	100.00
Volksfürsorge 7. Immobilien AG & Co. KG	Hamburg	100.00
Volksfürsorge Pensionskasse AG	Hamburg	100.00

2. Affiliated enterprises not included in the consolidation scope (sec. 313 para. 2 no. 1 HGB) Company name	**Registered office**	**Share in capital** %
ADRIATICA PARTICIPATIONS FINANCIERES S.A.	Brussels/B	99.99
Alstercampus Verwaltungsgesellschaft mbH	Hamburg	50.00
AM RE Verwaltungs GmbH	Aachen	100.00
AM Versicherungsvermittlung GmbH	Aachen	100.00
BBG Beteiligungsgesellschaft mbH	Munich	100.00
Central Fixed Assets GmbH	Cologne	100.00
Cosmos Fixed Assets GmbH	Saarbrücken	100.00
Dein Plus GmbH (previously: IG BAU Mitglieder-Service GmbH)	Frankfurt-on-M.	60.00
Deutscher Lloyd GmbH	Berlin	100.00
First State European Diversified Infrastructure German Feeder Fund SCA, SICAV-FIS	Luxembourg	100.00
Generali Deutschland Immobilien Verwaltungs GmbH	Cologne	100.00
Generali Finanz Service GmbH i.L.	Unterföhring	100.00
Generali Partner GmbH	Frankfurt-on-M.	100.00
Generali Pensionsmanagement GmbH (previously: Volksfürsorge Pensionsmanagement GmbH)	Hamburg	100.00
Generali Seminarzentrum GmbH	Bernried	100.00
Kleylein & Cie. Actuarial Services GmbH	Frankfurt-on-M.	60.00
Louisen-Center Bad Homburg Verwaltungsgesellschaft mbH	Berlin	74.00
RRP GmbH & Co. KG	Munich	100.00
Thuringia Versicherungsvermittlungs-GmbH (previously: IV Verwaltungsgesellschaft für Versicherungen mbH)	Munich	100.00
Tishman Speyer European Strategic Office Fund (GER) Scots Feeder L.P.	Edinburgh/GB	100.00
Versicherungs-Planer-Vermittlungs-GmbH	Munich	100.00
Verwaltungsgesellschaft „Wohnen am Westhafen“ mbH	Frankfurt-on-M.	85.00
Verwaltungsgesellschaft Marienplatz-Galerie Schwerin mbH	Berlin	74.00
Volksfürsorge Fixed Assets GmbH	Hamburg	100.00
Zweite AM RE Verwaltungs GmbH	Aachen	100.00

3. Associated enterprises (sec. 313 para. 2 no. 2 HGB) Company name	**Registered office**	**Share in capital** %
Schroder Nordic Property Fund	Wiesbaden	20.69
Deutsche Vermögensberatung Aktiengesellschaft DVAG	Frankfurt-on-M.	40.00 (-10 shares)
GARBE Logistic European Strategic Fund II	Luxembourg/L	40.00
Generali Investments S.p.A.	Trieste/I	30.00
Generali Lloyd Versicherungsmakler GmbH (previously: G. & G. Lüder Versicherungsmakler GmbH)	Hildesheim	50.00
IG BCE Mitglieder-Service GmbH	Hanover	50.00
Tenax Financials Fund PLC Class D	London/GB	34.80
UBS (Lux) Euro Value Added Real Estate Fund	Luxembourg/L	20.11
ver.di Service GmbH	Berlin	33.33

4. Jointly controlled enterprises (sec. 313 para. 2 no. 2 HGB) Company name	**Registered office**	**Share in capital** %
BA1 Alstercampus Grundstücksgesellschaft mbH & Co. KG	Hamburg	50.00
GLL 200 State Street LP	Wilmington/USA	49.90
Grundstücksgesellschaft Einkaufszentrum Louisen-Center Bad Homburg mbH & Co.KG	Berlin	73.68
Grundstücksgesellschaft Einkaufszentrum Marienplatz-Galerie Schwerin mbH & Co. KG	Berlin	73.30
Grundstücksgesellschaft „Wohnen am Westhafen“ mbH & Co. KG	Frankfurt-on-M.	84.99
Shaza und Toptorony Zrt	Budapest/H	50.00

5. Other interests in incorporated enterprises (sec. 313 para. 2 no. 4 HGB) (with a Group interest between 5% and 20%) Company name	**Registered office**	**Share in voting capital** %
Aberdeen Property Nordic Fund I SICAV (FIS)	Luxembourg/L	19.05
Accession Fund SICAV	Luxembourg/L	6.67
European Property Investors Special Opportunities, L.P.	London/GB	9.52
GEGRA Gewerbegrundstücksgesellschaft mbH	Aachen	15.00
Global-Finanz Aktiengesellschaft Finanz- und Vermögensplanung	Bonn	8.00
Global Private Equity Holding AG	Vienna/A	11.39
High Street Real Estate Fund III, Inc.	Baltimore/USA	19.97
Kapitalbeteiligungsgesellschaft der Deutschen Versicherungswirtschaft AG i.L.	Berlin	9.08
Münchener und Magdeburger Agrarversicherung AG	Munich	10.80
OVB Holding AG	Cologne	11.48
Protektor Lebensversicherungs-AG	Berlin	9.30

6. Other interests (sec. 313 para. 2 no. 4 HGB) Company name	**Currency**	**Equity capital**[1] '000	**Earnings**[1] '000	**Company holding an interest**	**Share in capital** %
Germany					
AVW Versicherunngsmakler GmbH, Hamburg	€	1,869 [1]	319 [1]	Generali Versicherung AG	26.00
Europ Assistance Versicherungs-Aktiengesellschaft, Munich	€	6,325 [1]	1,030 [1]	Generali Deutschland Holding AG	25.00
GLL GmbH & Co. Messeturm Holding KG, Munich	€	141,917 [1]	-24,258 [1]	AachenMünchener Lebensversicherung AG	8.87
				Generali Lebensversicherung AG	31.05
Hotel und Seniorenresidenz Rosenpark GmbH, Marburg/Lahn	€	-523 [1]	-181 [1]	AachenMünchener Lebensversicherung AG	25.00
RREEF European Feeder GmbH & Co. Value Added Fund I KG, Eschborn	€	77,323 [1]	-50,721 [1]	AachenMünchener Lebensversicherung AG	11.29
				Generali Lebensversicherung AG	24.19
				Central Krankenversicherung AG	12.90
VOV Verwaltungsorganisation für Vermögen-schadenhaftpflicht-Versicherungen für Mitglieder von Organen juristischer Personen GmbH, Cologne	€	1,657 [1]	133 [1]	AachenMünchener Versicherung AG	15.00
				Generali Versicherung AG	15.00
Abroad					
APA Excelsior IV/Offshore, L.P., Cayman Islands/GB	US$	1,014 [1]	383 [1]	AachenMünchener Lebensversicherung AG	25.06
Generali Capital Management GmbH, Vienna/A	€	150 [1]	283 [1]	Generali Deutschland Holding AG	24.99
Generali Europe Income Holding S.A., Luxembourg/L		[2]	[2]	Generali European Real Estate Income Investments GmbH & Co. KG	20.34
Generali Global Private Equity S. A. SICAR, Luxembourg/L	€	651 [1]	-90 [1]	AachenMünchener Lebensversicherung AG	15.88
				AachenMünchener Versicherung AG	1.71
				Central Krankenversicherung AG	5.30
				Generali Lebensversicherung AG	24.38
Generali IT-Solutions GmbH, Vienna/A	€	15,986 [1]	175 [1]	Generali Deutschland Informatik Services GmbH	24.97
Generali European Real Estate Investments S.A. (previously: Generali Real Estate Fund SICAV), Luxembourg/L	€	155,840 [1]	-38,154 [1]	AachenMünchener Lebensversicherung AG	7.81
				Generali Lebensversicherung AG	16.60
GNAREH 1 Farragut LLC, New York/USA		[2]	[2]	Generali Northern Amercian Holding 2 S.à.r.l.	21.09
iii European Property SICAV-FIS, Luxembourg/L	€	99 [3]	-5 [3]	AachenMünchener Lebensversicherung AG	34.48
Lion River I N.V., Diemen/NL	€	64,962 [4]	1,826 [4]	Generali Deutschland Holding AG	30.13
Morgan Stanley Infrastructure Partners Luxembourg Feeder SICAV-FIS, Senningerberg/L	US$	84,373 [1]	-1,249 [1]	AachenMünchener Lebensversicherung AG	7.73
				Generali Lebensversicherung AG	15.45
Tishman Speyer European Core Fund (Sub-Fund A) Feeder L.P., Edinburgh/GB	€	69,938 [1]	-5,011 [1]	AachenMünchener Lebensversicherung AG	11.54
				Central Krankenversicherung AG	19.23
				Cosmos Lebensversicherung AG	7.69
				Generali Lebensversicherung AG	23.08

1 figures of annual financial statements as at December 31, 2009
2 newly founded in 2010
3 figures of annual financial statements as at September 30, 2009
4 preliminary figures of annual financial statements as at December 31, 2009

Responsibility Statement by the Management of Generali Deutschland Holding AG as at December 31, 2010

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, 2011

Generali Deutschland Holding AG

The Board of Management

Dietmar Meister Christoph Schmallenbach Dr. Torsten Utecht

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, 2010. 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, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Peters	ppa. Mathias Röcker
Wirtschaftsprüfer	Wirtschaftsprüfer
German Public Auditor	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 Lebensversicherung AG, Munich
- Generali Versicherung AG, Munich

Rudolf Winkelmann

Deputy Chairman

(since April 1, 2010)

- Versorgungskasse der Volksfürsorge VVaG, Hamburg
- Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte, Hamburg

Monika Hendricks

Deputy Chairwoman

(until March 31, 2010)

- 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
- 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 España S.A. de Seguros y Reaseguros, Madrid/Spain
- 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
- 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
- EuropaCORP, 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
- Le Monde S.A., Paris/France
- LVMH Moët Hennessy Louis Vuitton, Paris/France
- Mediobanca S.p.A., Milano/Italy
- Société Editrice du Monde, Paris/France

Prof. Avv. Gerardo Broggini
- SMS Demag Italia S.r.l., Milano/Italy
- Tyrolit-Vincent S.p.A., Thiene/Italy

Michael Karl Feulner
(since July 1, 2010)
- Generali Lebensversicherung AG, Munich
- Pensionskasse der Angestellten der Thuringia Versicherungs-Aktiengesellschaft, Munich

Karl-Rupert Hasenkopf
- AachenMünchener Lebensversicherung AG, Aachen

Maximilian Jetzlsperger
- Generali Versicherung AG, Munich

Dr. Achim Kassow
(until December 31, 2010)
- comdirect bank AG, Quickborn (Chairman until November 18, 2010)
- Commerzbank Auslandsbanken Holding AG, Frankfurt-on-Main (Chairman)
- Allianz Global Investors Deutschland GmbH (until December 31, 2010)
- BRE Bank S.A., Warsaw/Poland

Dr. Helmut Kohl
(until June 18, 2010)

Michael Kuß
(until June 30, 2010)
- Generali Versicherung AG, Munich (until June 30, 2010)
- Pensionskasse der Angestellten der Thuringia Versicherungs-Aktiengesellschaft, Munich

Martin Lemcke

Ralph Plaßmann
(since April 1, 2010)
- Generali Deutschland Informatik Services GmbH, Aachen

Marlies Pörtner
(until November 29, 2010)
- Central Krankenversicherung AG, Cologne

Andreas Pohl
(since June 24, 2010)
- AachenMünchener Versicherung AG, Aachen
- Allfinanz Deutsche Vermögensberatung AG, Frankfurt-on-Main
- Central Krankenversicherung AG, Cologne
- Envivas 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 (until April 24, 2010)
- Deutsche Vermögensberatung Bank AG, Vienna/Austria

Rolf Stockem
- Deutsche Bank Privat- und Geschäftskunden AG, Frankfurt-on-Main

Jörg Storch
(since November 30, 2010)
- Cosmos Lebensversicherungs-AG, Saarbrücken

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)
- Deutsche Bausparkasse Badenia AG, Karlsruhe
- Generali Deutschland Schadenmanagement GmbH, Cologne (since July 1, 2010, Chairman)
- Generali Deutschland Services GmbH, Aachen (Chairman, until June 30, 2010)
- Generali Lebensversicherung AG, Munich (Chairman)
- Generali Versicherung AG, Munich (Chairman)
- Generali Deutschland Immobilien GmbH, Cologne (Chairman, until June 30, 2010)
- Generali Investments S.p.A., Trieste/Italy
- GLL Real Estate Partners GmbH, Munich

Dr. Torsten Utecht

Member of the Board of Management

(since July 1, 2010)

- Advocard Rechtsschutzversicherung AG, Hamburg (since July 1, 2010)
- Central Krankenversicherung AG, Cologne (since July 1, 2010)
- Cosmos Lebensversicherungs-AG, Saarbrücken (since July 1, 2010)
- Cosmos Versicherung AG, Saarbrücken (since July 1, 2010)
- Dialog Lebensversicherungs-AG, Augsburg (since July 1, 2010; since October 1, 2010 Chairman)
- Envivas Krankenversicherung AG, Cologne (since July 1, 2010)
- Generali Beteiligungs- und Verwaltungs-AG, Munich (since January 1, 2011 Chairman)
- Generali Deutschland Pensionskasse AG, Aachen
- Generali Deutschland Immobilien GmbH, Cologne (since July 1, 2010, Chairman)
- Generali Deutschland Sicherungsmanagement GmbH, Cologne (Chairman)

Christoph Schmallenbach

Member of the Board of Management

- Advocard Rechtsschutzversicherung AG, Hamburg (since October 28, 2010 Chairman)
- Cosmos Lebensversicherungs-AG, Saarbrücken
- Dialog Lebensversicherungs-AG, Augsburg (Chairman until September 30, 2010)
- Generali Beteiligungs- und Verwaltungs-AG, Munich (Chairman until December 31, 2010)
- Generali Deutschland Informatik Services GmbH, Aachen (Chairman)
- Generali Deutschland Services GmbH, Aachen (since July 1, 2010, Chairman)
- Generali Lebensversicherung AG, Munich
- Generali Versicherung AG, Munich
- Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte, Hamburg

Winfried Spies

Member of the Board of Management

(until June 30, 2010)

- Advocard Rechtsschutzversicherung AG, Hamburg (Chairman, until June 30, 2010)
- Central Krankenversicherung AG, Cologne (until June 30, 2010)
- Cosmos Lebensversicherungs-AG, Saarbrücken (until June 30, 2010)
- Cosmos Versicherung AG, Saarbrücken (until June 30, 2010)
- Dialog Lebensversicherungs-AG, Augsburg (until June 30, 2010)
- Envivas Krankenversicherung AG, Cologne (until June 30, 2010)
- Europ Assistance Versicherungs AG, Munich (Chairman)
- Generali Deutschland Schadenmanagement GmbH, Cologne (Chairman until June 30, 2010)
- OVB Holding AG, Cologne
- OVB Vermögensberatung AG, Cologne
- Pensionskasse der Angestellten der Thuringia Versicherungs-Aktiengesellschaft, Munich (Chairman)
- Volksfürsorge AG Vertriebsgesellschaft für Vorsorge- und Finanzprodukte, Hamburg (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
Amount of original acquisition costs less redemptions and impairments and plus or less accumulated amortization resulting from agios or disagios.

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 by the equity method, i.e. they are as a matter of principle 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.

Cessionaire
Reinsurer of the primary insurer

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.

Cross-currency swap
A cross-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. Cross-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 effect 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 a 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).

Duration
The duration is the average term of an interest-sensitive investment. It is a risk yardstick to measure sensitivity to a change of interest rates.

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.

FASB Accounting Standards Codification
Accounting rules defining details with regard to US-GAAP, previously FAS "Financial Accounting Standards"

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.

Forwards
Financial forward transactions under which delivery and acceptance take place at a previously agreed date and price.

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.

Glossary

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.

MaRisk VA
In the minimum requirements on risk management (MaRisk VA) the financial services regulator defines its requirements on how the underlying legal rules (sec. 64a and 104s VAG) have to be applied by the insurance companies.

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 due in the business year under direct insurance business and assumed reinsurance business without the savings portions as defined by the FASB Accounting Standards Codification Subtopic 944-605 (previously FAS 97) and the premiums of investment contracts (in compliance with IAS 39).
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.

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 across 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.

Glossary

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

Underlying
A security or another reference value on which a derivative financial instrument is based.

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

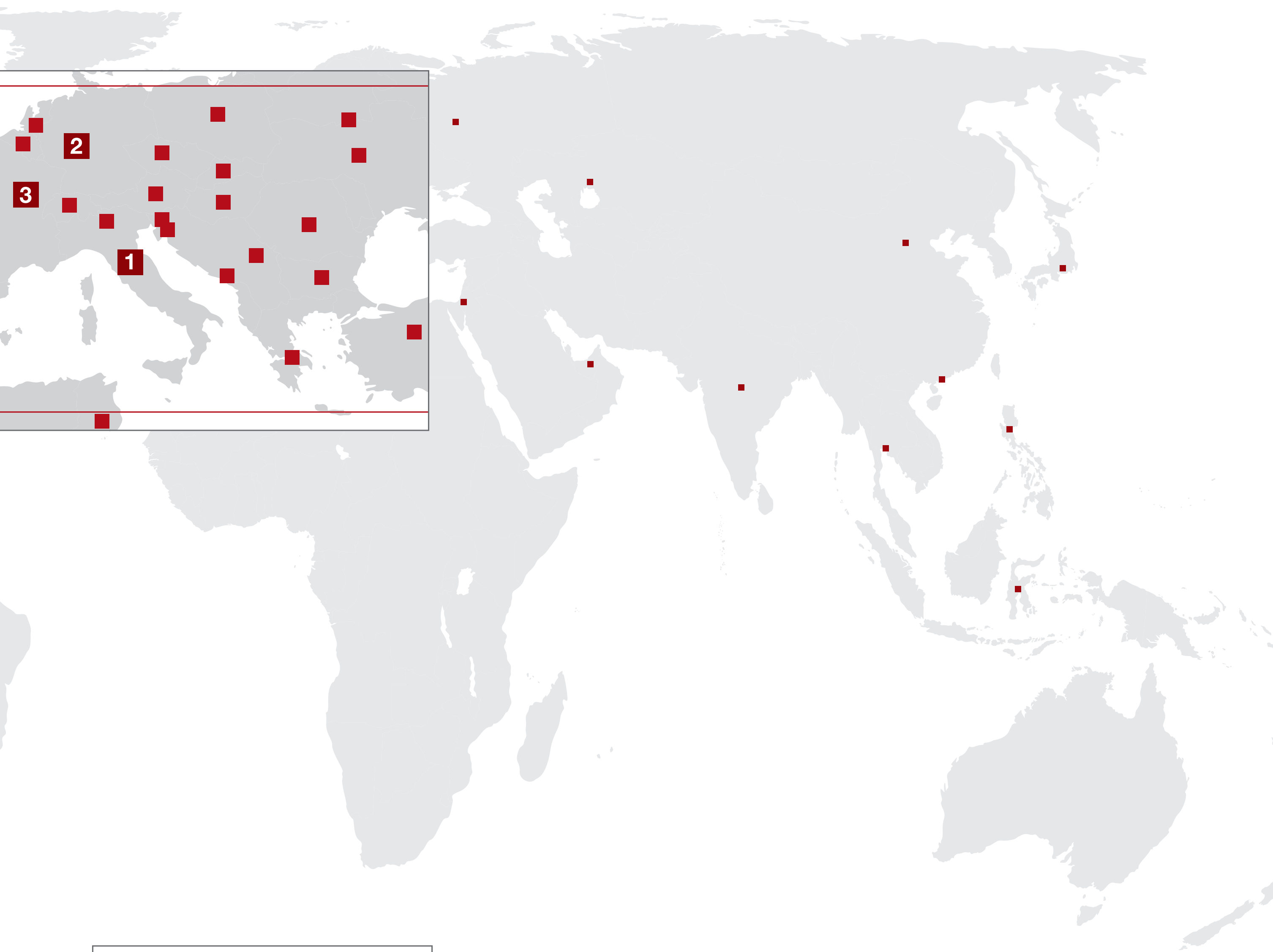
The Generali Deutschland Group as an important unit of the international Generali Group

The Generali Group in the World
- operating in nearly 70 countries
- over 70 million clients
- premium income: over € 73 billion
- more than 85,000 employees
- total assets under management: over € 470 billion

1

Italy
Share in premium income
of the Generali Group

29.0%



2

Germany
Share in premium income
of the Generali Group

22.9%

3

France
Share in premium income
of the Generali Group

20.9%

Central and Eastern Europe (CEE)
Share in premium income
of the Generali Group

5.5%

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.

FSC
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Financial calendar

April	
April 4, 2011	Accounts Press Conference in Cologne
May	
May 13, 2011	Group Interim Announcement within the first half of 2011
May 26, 2011	General Meeting in Cologne
May 27, 2011	Dividend payment*
August	
August 16, 2011	Group Report 1st-2nd Quarters 2011
November	
November 10, 2011	Group Interim Announcement within the second half of 2011

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