2018 Annual Report
General Reinsurance AG

A Berkshire Hathaway Company

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Key Figures

		2018	2017	2016	2015	2014
Balance sheet data						
Investments	Euro m	11,422.5	11,503.4	11,231.0	11,937.1	10,614.1
thereof: deposits	Euro m	1,653.7	1,662.4	1,629.2	2,255.4	2,336.8
Cash and cash equivalents	Euro m	337.8	217.3	237.7	207.6	198.3
Investments incl. cash and cash equivalents	Euro m	11,760.3	11,720.7	11,468.7	12,144.7	10,812.4
Shareholders' equity	Euro m	2,353.4	2,624.8	2,396.5	2,407.3	2,077.4
Return on equity	%	-2.86	11.6	5.8	14.7	8.4
Net underwriting reserves	Euro m	9,702.8	9,318.2	9,320.4	10,079.4	8,905.3
Total assets	Euro m	13,156.5	12,778.4	12,430.9	13,220.1	11,654.8
Income statement						
Gross premiums written	Euro m	3,266.7	2,702.6	2,517.4	2,667.3	2,482.7
- Life / health	Euro m	1,929.3	1,663.0	1,638.8	1,668.2	1,427.8
- Property / casualty	Euro m	1,337.4	1,039.6	878.6	999.1	1,055.0
Net premiums earned	Euro m	2,796.0	2,417.7	2,523.1	2,623.5	2,402.4
- Life / health	Euro m	1,813.6	1,599.9	1,607.6	1,631.4	1,383.1
- Property / casualty	Euro m	982.4	817.8	915.5	992.1	1,019.3
Underwriting result before contributions to the equalization reserve	Euro m	359.1	185.7	161.2	113.3	99.3
- Life / health	Euro m	170.6	141.6	159.2	109.6	98.1
- Property / casualty	Euro m	188.5	44.1	2.0	3.7	1.2
Combined ratio	%	87.2	92.3	93.6	95.7	95.9
- Life / health	%	90.6	91.1	90.1	93.3	92.9
- Property / casualty	%	80.8	94.6	99.8	99.6	99.9
Contributions to the equalization reserve	Euro m	-109.4	17.4	-34.8	-23.9	-79.0
Underwriting result after contributions to the equalization reserve	Euro m	249.7	203.1	126.4	89.4	20.3
Investment income	Euro m	-128.1	263.7	161.9	243.1	219.3
thereof: current investment income	Euro m	187.9	184.9	175.4	194.3	174.1
thereof: realized gains / losses*	Euro m	-316.0	78.8	-13.5	48.8	45.2
Profit before taxes	Euro m	45.7	433.5	275.8	350.0	245.7
Net income before taxes	Euro m	45.7	433.5	275.8	350.0	245.7
Net loss/net income	Euro m	-71.1	290.4	138.8	329.9	167.3
Dividend	Euro m	0.0	200.2	62.2	149.6	0.0
Employees**		714	732	780	804	769
thereof: located in Germany		380	404	447	445	439
Ratings		Standard & Poor's: AA+		A.M.Best: A++	Moody's: Aa1	

*incl. write-ups and write-downs
**as at 31 December incl. staff employed at service companies owned by the Gen Re Group

Executive Board Report

Introduction

A subsidiary of Berkshire Hathaway Inc., General Re Corporation is a holding company that owns General Reinsurance Corporation (Gen Re), which in turn owns General Reinsurance AG. One of the world's leading reinsurance groups, Gen Re transacts international reinsurance business and related operations. The Gen Re Group is represented worldwide by a network of more than forty locations.

General Reinsurance AG is present directly or represented indirectly by branches or subsidiaries in all major markets of life/health reinsurance and property/casualty reinsurance outside North America with the exception of Australian and Japanese property/casualty business, which is transacted by other affiliates within the Gen Re Group.

General Reinsurance AG closed the business year with an underwriting result that improved on the previous year. Most lines of business performed favorably.

Global insured losses due to natural disasters were lower in 2018 than in the previous year, with the main events being the Atlantic hurricanes Florence and Michael, the California wildfires, as well as a number of typhoons and other weather-related events in Asia, predominantly in Japan. As noted above, North American and Japanese property/casualty business is written by other entities in the Gen Re Group. As a result, we did not incur significant losses from these events. However, we did sustain losses from Windstorm Friederike, which impacted northern Europe in January.

Our underwriting result also benefited from the partial release of reserves that had been set aside for prior-year catastrophe events, including the 2017 hurricanes, as well as for the World Trade Center losses now that a long-standing case between (re)insurers and several parties involved in the disaster has been settled.

Following an underwriting result of Euro 185.7 million in the previous year, 2018 produced an improved underwriting profit of Euro 359.1 million before changes in equalization reserves. We added an amount of Euro 109.4 million to the equalization reserve (2017: release of Euro 17.4 million). After allowance for changes in the equalization reserve, the underwriting result increased from Euro 203.1 million in 2017 to Euro 249.7 million (+22.9%) in the year under review.

Market conditions remained generally unchanged from the previous year in most lines of business and regions. A number of important international property/casualty reinsurance markets saw continuing pressure on terms and conditions.

International capital markets continued to be strongly influenced by central bank monetary policy. Most notably, the expansionary monetary policy in the euro area remained in place in the form of negative interest rates and continued quantitative easing – albeit scaled back – until December 2018. Fears over escalating trade tensions as well as domestic political strife in Italy and the UK dampened sentiment. Equity markets corrected sharply from historic highs as markets began to price in increasing inflation expectations, interest rate rises and diminishing corporate earnings growth. Interest rates remained close to historic lows, with severe repercussions for the insurance industry on both sides of the balance sheet.

The implications of the low interest rate environment for General Reinsurance AG are mitigated to a large extent by our policy of reserving for long-tail casualty business on a nominal basis and by our focus on biometric risks rather than the savings components of life insurance.

After a profit of Euro 263.7 million in 2017 our total investment income amounted to a loss of Euro 128.1 in the year under review, driven by substantial write-downs in our equity portfolio. The 2017 result included net realized gains of Euro 76.0 million on the disposal of investments, whereas the 2018 earnings included net gains of Euro 23.1 million from such transactions.

Including the effects of other income/expenses, our net income after tax decreased from a profit of Euro 290.4 million in the previous year to a loss of Euro 71.1 million in the year under review.

Macroeconomic Environment and Capital Market Developments

Global equity markets lost their upward momentum during 2018. Having experienced three significant sell-offs during February, October and December, returns for the year under review were the worst since 2008. In February equity markets became fearful that interest rate increases by the US Federal Reserve (Fed) would begin to impact negatively on corporate earnings, which had just been buoyed by tax cuts. Led by large declines in the US, equity markets performed poorly across the globe. Over time markets recovered and the S&P reached a new all-time high during September, but less than three weeks later markets were selling off aggressively again. Concerns over ongoing trade tensions, slowing global demand combined with geopolitical issues abroad hit equity markets hard. From peak to trough, the October sell-off saw the S&P index fall by almost 10%. In December, led by the technology sector, the market once again sold off aggressively. This time, against the backdrop of weakening global consumer demand, it was investors' fears that rising tariffs would adversely impact the earnings of companies that manufacture goods in China. The December sell-off was greater than that seen in February and October, leaving equity markets to close out the year in considerably weaker shape.

The increases in interest rates and equity market volatility witnessed in 2018 were accompanied by heightened global trade tensions, particularly between the US and China but also between the US and the European Union. The International Monetary Fund (IMF) claimed in July that rising trade tensions between the US and the rest of the world could cost the global economy more than $400 billion. The IMF was concerned that protectionist economic policies could hinder business investment, disrupt global supply chains, slow the spread of productivity-boosting technologies and raise the price of consumer goods.

Buttressed by the strong performance of the US domestic economy throughout the year, the Fed reaffirmed its stance on tightening monetary policy. The three rate hikes of 2017 were followed by four more rate hikes in 2018. US 10-year government bond yields increased from 2.41% at the end of 2017 to a high of 3.25% during early November. The series of US interest rate rises and increases in US government and corporate bond yields during the year led to capital outflows from emerging markets, weakening their economies throughout 2018. Events in Argentina and Turkey led to significant financial market volatility and other emerging markets, from South America to South Africa, became engulfed in the crisis also. A number of these countries saw their currency fall to record levels, coupled with both high inflation and unemployment. Acknowledging some threats to growth domestically and internationally, the Fed softened its tone during its December meeting but nevertheless persisted with its tightening policy and, for the fourth time in 2018, it increased its policy rate by 0.25%.

In Europe, the outcome of the Italian general election, which was held in March, was inconclusive. Italian equities and bonds sold off as markets feared that the new coalition would be more euro-sceptic than its predecessors. The spread of Italian bonds to German bunds reached levels not seen since the euro crisis of 2010. Political instability induced further weakness and market volatility in October when the coalition government revised substantially upwards its general government budget deficit targets for 2019-2021, thereby charting a course for confrontation with the European Commission.

The European Central Bank (ECB)'s expansionary monetary policy program (quantitative easing) began in March 2015 with purchases of Euro 60 billion per month. From January 2018 onwards the volume of monthly purchases was scaled back to Euro 30 billion and in October 2018 it was further reduced to Euro 15 billion. The program ceased making new investments at year-end. Along similar lines to the approach adopted by the Federal Reserve and the Bank of England, reinvestment will continue for an as yet unspecified period of time. The ECB's two key policy rates, the Main Refinancing Operations Rate and the Deposit Facility Rate, both remained unchanged throughout 2018 at 0.0% and minus 0.4%, respectively. As part of its forward guidance the ECB stated at its June meeting that the key ECB interest rates would likely remain at their present levels at least until the summer of 2019. As 2018 progressed it became clear that growth prospects could take a turn for the worse. The ECB now faces a policy conundrum where it has few options available to it should storm clouds gather on the economic horizon.

In the United Kingdom the negotiations surrounding the country's withdrawal from the European Union (Brexit) were the key topic for 2018. A transition period to commence immediately after withdrawal on 29 March 2019 was agreed during which negotiations on the UK's future relations with the EU would continue. During that time, the UK would still enjoy many of the benefits of EU membership (single market access with freedom of movement of goods, people, services and capital over borders), but would no longer have a vote in the EU. The withdrawal agreement finally reached with the EU led to the resignation of several cabinet ministers and failed to gain the support of the governing parties or Parliament. This led to the spectre of a "hard" Brexit overshadowing the UK, where it would exit the EU without any agreement in place. Currently, it remains unclear whether there will be a "soft" or a "hard" Brexit and what the economic implications might be in either case.

Financial Performance

	2018 Euro m	2017 Euro m
Net earned premium	2,795.9	2,417.7
Net underwriting result	249.7	203.1
Total investment income	-128.1	263.7
Other income / expenses	-75.8	-33.4
Taxes	-116.9	-143.0
Net loss/net income	**-71.1**	**290.4**
Shareholders' equity	**2,353.4**	**2,624.8**

Our net earned premium grew in 2018 by 15.6%, an increase consistent with the expanded risk appetite noted in last year's report. We benefited from major growth opportunities in various areas, most notably in health business in Asia as well as in casualty lines in Europe and Israel, while premium in life and in property lines also increased. This is the result both of securing new clients and expanding our existing relationships. We have retained the 20% quota share retrocession arrangement in respect of our property/casualty business with our parent company, General Reinsurance Corporation.

In the 2018 financial year we recorded a favorable claims experience in both life/health and on balance in property/casualty. However, the volume of large property losses and catastrophe claims was again above expectations for our portfolio. Apart from losses due to Windstorm Friederike in early 2018, we also incurred large individual property losses – a situation which serves to highlight the volatile nature of this line of business. In contrast, loss reserves established for catastrophe events in prior years developed positively as noted earlier. Including the changes in the equalization reserve, the underwriting result reached Euro 249.7 million in 2018 compared to Euro 203.1 million in the previous year.

Our investment income closed with a loss of Euro 128.1 million this year, driven chiefly by write-downs on equities, following a profit of Euro 263.7 million in the previous year.

Net income consequently retreated from a profit of Euro 290.4 million in the previous year to a loss of Euro 71.1 million. Shareholders' equity decreased by 10.3% to Euro 2,353.4 million (previous year: increase of 9.5% to Euro 2,624.8 million).

Underwriting Result

	2018 Euro m	2018 Combined Ratio	2017 Euro m	2017 Combined Ratio
Net earned premium	2,795.9		2,417.7	
Life / Health	1,813.6		1,599.9	
Property / Casualty	982.4		817.8	
Underwriting result before contributions to the equalization reserve	359.1	87.2%	185.7	92.3%
Underwriting result after contributions to the equalization reserve	249.7		203.1	
Life / Health	170.6	90.6%	141.6	91.1%
Property / Casualty	79.1		61.5	
Underwriting result before change in equalization reserve	188.5	80.8%	44.1	94.6%
Change in equalization reserve	-109.4		17.4	

Our total net earned premium grew by 15.6% from Euro 2,417.7 million in the previous year to Euro 2,795.9 million. Life/health business increased by 13.4% (2018: Euro 1,813.6 million, previous year: Euro 1,599.9 million). Property/casualty business grew even more strongly by 20.1% from Euro 817.8 million in 2017 to Euro 982.4 million in 2018. As in the previous year, we retroceded 20% of this portfolio to our parent company, General Reinsurance Corporation.

Life and health reinsurance closed with another excellent underwriting result (2018: Euro 170.6 million, previous year: Euro 141.6 million) and a combined ratio of 90.6% (previous year: 91.1%). Virtually all areas of business played a part in this pleasing performance.

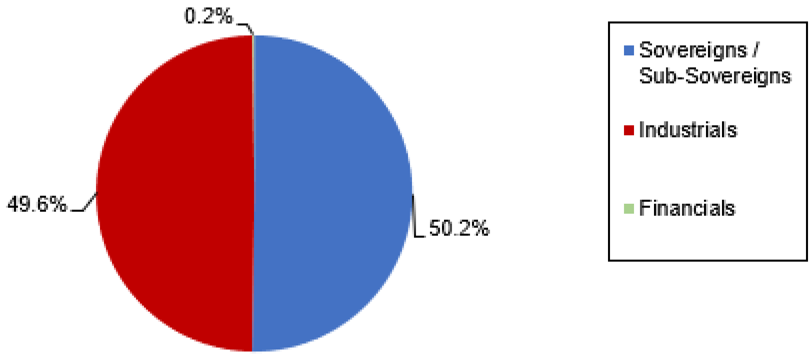
Our performance in property and casualty reinsurance was very good, to a large extent due to the favorable development of the loss reserves noted above. It should be borne in mind that a significant proportion of our portfolio is long-tail business which produces initial underwriting losses followed by investment income earned on the reserves in the future. Large loss costs came in above expectations as referred to above. Following an underwriting result of Euro 44.1 million in 2017, the year under review produced a profit of Euro 188.5 million before changes in the equalization reserve. After allowing for the changes in the equalization reserve we recorded a profit of Euro 79.1 million in 2018 (previous year: Euro 61.5 million).

Investments incl. Cash and Cash Equivalents

		2018		2017
	Euro m	%	Euro m	%
Real estate, rights to real estate and buildings	8.5	0.1	8.9	0.1
Investments in affiliated companies and participations	727.4	7.4	702.1	7.1
Shares, investment certificates and other non-fixed-income securities	2,443.0	25.0	2,800.9	28.5
Bearer bonds and other fixed-income securities	6,527.8	66.8	6,268.6	63.7
Bank deposits	62.1	0.6	60.5	0.6
Investments, excluding deposits retained on assumed reinsurance business	**9,768.8**	**100.0**	**9,841.0**	**100.0**
Deposits retained on assumed reinsurance business	1,653.7		1,662.4	
Total investments	**11,422.5**		**11,503.4**	
Current accounts with banks, cheques and cash	337.8		217.3	
Investments incl. cash and cash equivalents	**11,760.3**		**11,720.7**	

Our investments encompass a balanced portfolio of high-quality, highly liquid fixed-income securities, stocks and corporate bonds, together with loans. At 20.9% the equity allocation of our investments excluding deposits retained on assumed reinsurance business was lower than in the previous year (24.4%). This is the result of market volatility and the sell-offs seen in the later part of the year, as discussed in the section on the Macroeconomic Environment and Capital Market Developments. We do not hold any sovereign debt from countries on the Eurozone periphery.

Bonds Portfolio

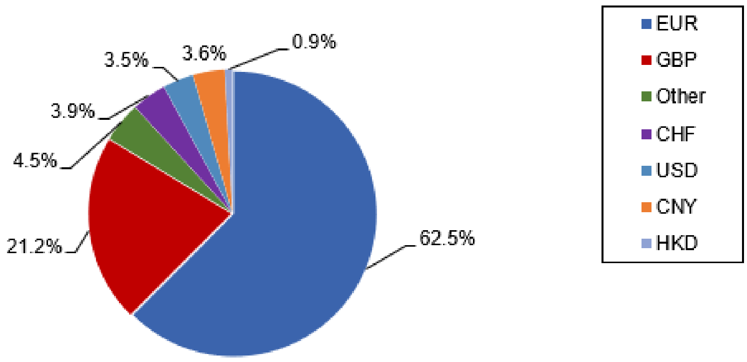


The investment portfolio excluding deposits retained on assumed reinsurance business contracted very slightly to Euro 9,768.8 million (previous year: Euro 9,841.0 million) and the deposits retained on assumed reinsurance business decreased to Euro 1,653.7 million (2017: Euro 1,662.4 million). Including deposits retained on assumed reinsurance business, investments totaled Euro 11,422.5 million (previous year: Euro 11,503.4 million).

A substantially higher cash balance (Euro 337.8 million as against Euro 217.3 million in the previous year) was held at the balance sheet date.

Total investments including cash and cash equivalents remained almost unchanged at Euro 11,760.3 million (previous year: Euro 11,720.7 million).

Investments by currency



Reflecting the weighting of our underwriting liabilities, the majority (62.5%) of our investments are euro-denominated instruments (previous year: 64.6%), followed by investments held in pound sterling (21.2%, previous year: 20.7%), Swiss francs (4.5%, previous year: 3.8%) and US dollars (3.5%, previous year: 4.1%).

Investment Income

	2018 Euro m	2017 Euro m
Income from participations	1.1	1.1
Income from equities	99.6	85.0
Income from bearer bonds and other fixed-interest securities	61.5	72.5
Interest on reinsurance deposits	54.5	55.8
Income from other investments	26.6	27.7
Administration costs on investments, interest costs and other investment expenses	4.4	4.5
Less income from technical interest	51.0	52.7
Current investment income	**187.9**	**184.9**
Gains / losses from disposals	23.1	76.0
Write-ups on / depriciations of investments	-339.1	2.8
Total investment income	**-128.1**	**263.7**

Current investment income increased very slightly from the previous year's level (Euro 184.9 million) to Euro 187.9 million. In 2018 we booked reduced gains from disposals in the amount of Euro 23.1 million (2017: Euro 76.0 million). The balance of write-ups and write-downs was attributable for the most part to the portfolio of equities (2018: loss of Euro 339.1 million, previous year: profit of Euro 2.8 million).

Income from our equity portfolio increased to Euro 99.6 million (2017: Euro 85.0 million). We generated a return of 0.9% in our bond portfolio (2017: 1.1%) and a dividend yield of 4.5% in our equity portfolio (2017: 4.2%), hence delivering a total return of 1.9% (2017: also 1.9%).

Total investment income excluding technical interest therefore amounted to a loss of Euro 128.1 million in the year under review after a profit of Euro 263.7 million in the previous year.

Other Profit Contributions

Other income/expenses closed with a loss of Euro 75.8 million in 2018 (2017: loss of Euro 33.4 million), mainly driven by reserves for interest on income tax.

Shareholders' Equity

Capital strength and solvency rank among the key competitive factors in international reinsurance business. Following an increase of 9.5% in the previous year, the shareholders' equity of General Reinsurance AG contracted by 10.3% in 2018 to Euro 2,353.4 million due to losses recorded in the equity portfolio as well as the dividend payout of Euro 200.2 million.

The net income for the 2018 business year amounts to a loss of Euro 71.1 million. Taking into account the profit carried forward from prior years of Euro 97.5 million, the residual disposable profit is Euro 26.3 million. The Executive Board of General Reinsurance AG proposes to the Supervisory Board that the disposable profit should be carried forward.

Development of the Major Classes of Business

Classes of Business Transacted

General Reinsurance AG transacts reinsurance business internationally in all the major classes of insurance. Under the scope of responsibilities assigned within the Group, General Reinsurance AG is represented directly or indirectly by branches or through subsidiaries in all major reinsurance markets outside North America and with the exception of Australian and Japanese property and casualty business, which is transacted by related companies within the Gen Re Group.

For the purpose of reporting on operations we distinguish between two business segments: on the one hand, life and health reinsurance; on the other hand, property and casualty reinsurance, which encompasses liability, accident and motor, fire and property, marine, engineering and sundry classes of insurance.

Developments in the main classes of business and in our major regional markets were as follows:

Life and Health Reinsurance

Market Development

The overall situation in the international life and health insurance markets has not changed significantly compared to 2017. The continuing period of low interest rates in many regions makes it extremely difficult for life insurers to offer attractive products with long-term financial guarantees and to meet the return requirements for existing portfolios. Given the state of financial markets, most life insurers have shifted the focus of their new business activities to protection-type products and saving products which offer only low or even no financial guarantees. The economic environment has improved in some markets while it remains critical in others, with continuing serious implications for new business.

As a reinsurer focusing on biometric risks, our business and our results are impacted to only a minor extent by the prevailing low interest rate environment. Our growth is generated in large part by assisting our clients with product development and innovation in the area of biometric risks.

In view of the challenges facing most primary markets, Gen Re's service capabilities and financial strength constitute key competitive advantages.

Financial Results

Our life and health reinsurance business recorded another thoroughly pleasing development in 2018, along with a favorable claims experience. At Euro 170.6 million, the underwriting result came in considerably above the level of the previous year (Euro 141.6 million). The risk experience for mortality, disability and morbidity was favorable overall.

The combined ratio stood at 90.6%, following 91.1% in 2017. Gross written premiums increased by 16.0% to Euro 1,929.3 million (2017: Euro 1,663.0 million). Net earned premium in life and health insurance increased by 13.4% in the year under review to Euro 1,813.6 million (previous year: Euro 1,599.9 million). Adjusted for exchange rate effects, written premiums increased by 15.9% or 13.3% for gross and net account respectively; in 2017, by contrast, currency impacts were more pronounced.

As in the previous year, developments in key markets were again rather varied in the year under review, resulting in a challenging environment overall for our business as described below. Growth was achieved in various segments and markets and was particularly notable in the context of our cooperation with so-called insurtechs in China. Our Australian subsidiary had written a very large block of business in the third quarter of 2017 involving a major financing transaction, the full-year impact of which on premium growth was not seen until 2018. This portfolio is now in run-off and the premium income stemming from this transaction will decrease in the future. However, General Reinsurance AG's interest in this business is only marginal by way of an internal retrocession treaty.

Developments by Classes of Business

Unadjusted for currency effects, premium income in **life reinsurance** increased from Euro 1,446.9 million in the previous year to Euro 1,505.2 million in 2018. The year under review closed with a very pleasing underwriting profit of Euro 167.5 million (previous year: Euro 136.6 million). This corresponds to a combined ratio of 88.6% for 2018, after 90.3% in the previous year.

In **health reinsurance** our premium income almost doubled to Euro 424.1 million (previous year: Euro 216.1 million). Principally thanks to our product development services, we again benefited from growth opportunities in certain Asian markets, most notably China. We recorded an underwriting profit of Euro 3.1 million (previous year: Euro 5.0 million). This translates into a combined ratio of 99.1%, after 97.4% in the previous year.

Developments in our Home Market and Abroad

Germany

The German life insurance market, which has traditionally focused on products with long-term guarantees, continues to struggle with the repercussions of extremely low interest rates. German life insurers are required to hold substantial extra reserves reflecting the gap between their interest guarantees and current market rates. These so-called additional interest rate reserves have recently been recalibrated, resulting in significant balance sheet relief for life insurers.

Due to the enormous increase in the cost of traditional guarantees, the focus of new business has shifted towards biometric risks and innovative retirement products. For the first time since 2014 the German life insurance industry showed a slight rise in premium income. Inadequate protection against biometric risks still persists among large sections of the population. This continues to offer interesting business opportunities both for our clients and for ourselves.

Life insurers were again compelled to devote considerable attention to new regulatory requirements. In particular, the regulation governing Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPs-KID) continued to affect their productivity.

We were again successful in identifying and pursuing growth opportunities in what was a generally flat market.

We continue to concentrate on the development of new products in the area of disability insurance in general, and more specifically on innovative forms of occupational disability and critical illness covers as well as long-term care insurance. Against the backdrop of very intense price competition over traditional products, we help our clients to diversify their portfolios and reduce reliance on long-term interest rate guarantees.

Our expertise and our extensive range of quality services in the areas of product design and pricing, underwriting systems and claims management are highly sought-after and consistently open up attractive new business opportunities. Digital transformation remains an important challenge for the insurance industry. Gen Re is one of the founding companies of InsurLab Germany, an association of (re)insurers and universities, among others, that seeks to push digital innovation in the industry. This networking platform supports a number of different approaches, including giving insurtech start-ups the opportunity to tackle real life business cases. We are seeing insurance companies of all sizes starting to integrate new digital components into their value chain. Most of the innovative ideas are still focused on property/casualty insurance so far, but life insurance applications are gaining ground.

Our consultancy offerings in relation to digitalization have met with considerable interest among our clients. This not only encompasses areas such as underwriting and claims management systems, but also extends to aspects of product design and innovative approaches to risk selection as well as customer loyalty. We cooperate with a network of start-ups which are active in all these different fields.

Our German business once again performed very satisfactorily.

International

Some of the factors described in relation to our home market also apply to various life insurance markets across **Europe**, in some instances with the added challenge of severe economic crises including high levels of unemployment. The low level of interest rates remains a serious hindrance to the design of attractive products for retirement provision. On the positive side, the insurance industry outside of Germany is not burdened to the same extent by balance sheet issues resulting from past financial guarantees.

Considerable consolidation is currently evident in various European markets – most strikingly in the Netherlands, where a number of mergers have occurred in recent years.

Although we observed certain positive developments in the bancassurance sector, the volume of new life insurance business in Europe contracted somewhat overall. Even in the face of many sources of uncertainty, we believe that European markets still offer considerable potential for life and health business on both the primary and reinsurance sides. Crucial factors here are the demographic trend combined with the relatively low level of retirement provision and inadequate individual risk protection. Thanks to our strong service orientation we are able to leverage this potential to generate new business opportunities.

Our portfolio in the **United Kingdom** and **Ireland** enjoyed stronger growth than the market average. We retained all existing accounts and added some new clients. These new business relationships also include providers in the insurtech field that have only recently entered the market. Our Protection Pulse study tracking sales in the UK market showed year-on-year market growth (6%) in protection products for the first time. We are confident that this will open up new opportunities for us as well.

Following the Brexit referendum in the UK we are faced with numerous open questions regarding the potential implications. We do not expect our business model in the UK to be fundamentally cast into doubt, but we shall continue to closely monitor all relevant developments and take precautions accordingly. Our business has experienced good profitability overall.

Our business in **Asia** continued to enjoy significant growth and maintained good results in 2018. The lack of comprehensive social security and the growth of the middle class are creating strong consumer demand for health insurance and other protection business, especially critical illness and accident products. In China, building on our success in 2017, we strengthened our co-operation with various insurance companies and other insurance service providers with a view to offering a greater variety of products exclusively online using new technologies. We also offered our data analytics service to help our clients manage various risks more pro-actively, including for example fraud risks in health insurance and the risk associated with an increasing morbidity trend.

In **India**, a greater government focus has helped to raise awareness of the importance of health insurance. We capitalized on this opportunity by taking the lead in developing specialized health products targeting various segments of customers. Our Indian operation completed its first full year as a branch in 2018 and we enhanced various services that we provide to our Indian clients.

In **Latin America** our premium volume showed pleasing growth overall. Our portfolio includes a significant portion of group scheme business, such as pension funds and employer schemes. We were able to secure two new sizeable treaties in Mexico and Panama. This business tends to be rather volatile volume-wise.

In the **Middle East** our business continued to develop very favorably in spite of the particularly complex political environment.

Our business in **Australia** is written by a subsidiary company and impacts our underwriting results only through the latter's retrocessions to General Reinsurance AG. This subsidiary wrote a very large in-force block of business in the third quarter of 2017. Its full impact on premium growth was evident in 2018. This portfolio is now in run-off and the premium income stemming from this transaction will decrease in the future. Ninety percent of this business was retroceded to our US sister company General Re Life Corporation. General Reinsurance AG's share of our Australian subsidiary's business is only affected to a minor extent.

Overall, the international claims experience was once again favorable. As in our domestic market, based on our pricing models, risk management expertise and range of service offerings we remain very well positioned in international markets as well. We continue to explore the latest developments in Decision Analytics, Predictive Modelling and Behavioral Economics and their applications for the benefit of our clients and hence also for our own continuing success in an extremely challenging environment.

Property and Casualty Reinsurance

Market Development

As noted above, insured losses from natural catastrophes were lower globally than in the previous year, which had seen a highly unusual sequence of severe events.

The losses recorded in 2017 led to improved market conditions in 2018 as reinsurers sought to reprice business. However, it is fair to say that competition remains fierce in reinsurance markets due to continued high levels of available capacity. As a result, rates largely remained stable or increased only modestly if the treaties in question had been spared losses.

Despite this, we were able to write increased volumes of business without compromising our underwriting standards. We saw various opportunities in markets across the world. Our increased risk appetite noted in last year's report was received favorably by the market in general. As a result, we were able to pursue a number of openings in many countries, with varying degrees of success. While we were able to grow our business in most territories, our greatest successes came in the UK, the Netherlands, and Israel. This last country is a good example of a market where our financial strength and increased risk appetite were welcomed by local insurers, enabling us to secure attractive new treaty relationships across various lines of business.

As a consequence of the ECB's monetary policy, interest rates on euro government bonds have remained close to all-time lows – even below zero in some markets for certain maturities*.* Insurance pricing reflects the time value of expected losses through discounting of the required reserves, particularly for long-tail lines of business. At current interest rates, the underwriting result must account for a correspondingly higher proportion of the aggregate return in order for insurers to safeguard sustainable returns on equity.

Due to our consistent risk-based underwriting approach, our commitment to direct business as well as our service quality and financial strength, we continued to benefit from a high client retention rate. This enabled us to preserve the quality of our portfolio with technically adequate pricing.

Financial Results

Our gross written premium in property and casualty business increased by a very substantial 28.7% to Euro 1,337.4 million (2017: Euro 1,039.6 million), mainly due to our stronger risk appetite. Adjusted for exchange rate effects, gross written premiums went up by 29.9%. We continue to experience strong competition across most lines of business and regions.

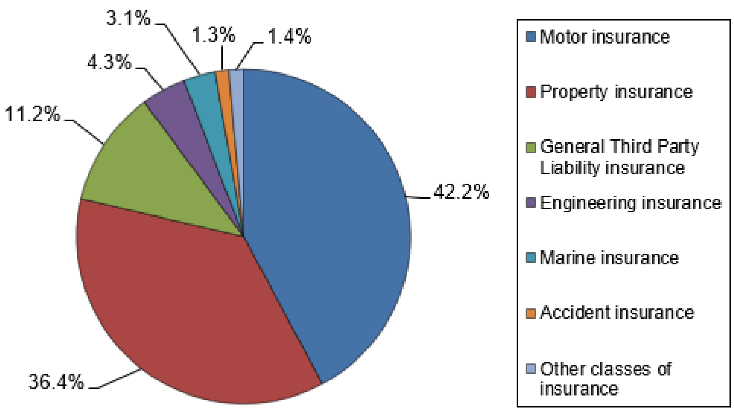
Most areas of our business performed well. This was mainly due to the favorable development of reserves from prior years referred to earlier, such as the 2017 hurricanes and the World Trade Center loss. This more than offset the aforementioned higher-than-expected property losses in 2018. We booked an underwriting result of Euro 188.5 million before changes in the equalization reserve in 2018 (2017: Euro 44.1 million).

Including changes in the equalization reserve we generated an overall profit of Euro 79.1 million (2017: Euro 61.5 million). On average, we recorded a slight improvement in the pricing strength of the portfolios renewed in 2018. Our catastrophe exposures rose again in the year under review.

Developments by Classes of Business

Our gross premium income in **motor insurance** surged 42.5%, driven mainly by new business in the UK and Israel. The underwriting profit of Euro 27.8 million (2017: loss of Euro 16.3 million) booked before changes in the equalization reserve corresponds to a considerably improved combined ratio of 92.9% (2017: 105.4%). A large part of our business originates from non-proportional motor reinsurance markets with very long payment patterns. The establishment of undiscounted reserves for the nominal value of claims leads to underwriting losses; however, future investment income earned over time covers these losses as well as our profit margins. The improvement in the combined ratio in 2018 was attributable to a favorable development of loss reserves established in prior years.

Gross Premium Income in Property/Casualty Business



Primary markets in **property insurance** remained highly competitive. Nevertheless, our premium income increased by 17.1% to Euro 487.3 million. New large losses were above our expectations, although the reserves for losses of prior years developed favorably, as explained above. We recorded a profit of Euro 83.9 million before changes in the equalization reserve for the property classes in 2018 (previous year: Euro 63.0 million). This translates into a combined ratio of 77.7% (2017: 81.7%).

Our gross written premium in **general liability insurance** increased by a particularly striking 33.7% to reach Euro 150.3 million. This class closed with an underwriting gain of Euro 40.4 million (previous year: loss of 26.1 million) before changes in the equalization reserve. The combined ratio amounted to 64.3% (2017:

129.7%). As in motor insurance, this level was made possible by the favorable development of reserves set aside for losses from prior years.

Personal accident insurance closed with a loss and our premium income declined by 19.0%. Having doubled in the previous year, our premium volume in **marine insurance** grew moderately in 2018. The result was affected by several large losses. In the **engineering insurance** classes, we recorded a premium increase of 35.8% (2017: +15.5%), while the loss experience was positive.

Developments in our major regional markets

Germany

Following the moderate premium growth booked in the previous year, our business in Germany fared well in 2018 thanks to strong client loyalty and some success in acquiring new accounts.

Our premium from **liability business** showed significant growth. Overall, underwriting results including run-off profits from claims in prior years reached a satisfactory level.

Our premium volume from the German **motor insurance** market fell by slightly more than 10% due to a reduced reinsurance cession under a significant treaty participation. Substantial increases in spare parts prices were offset by the effects of a decreased claims frequency and lower loss expenditure from hailstorms than in the previous year. The results of our motor business in 2018 improved on the previous year due to the positive run-off of losses from prior years.

Some important segments of the primary **property insurance** markets remained highly competitive at inadequate pricing levels. Commercial and, most notably, industrial fire insurance suffered from inadequate pricing and the claims burden in 2018 again reached a high level.

Our own losses in German **property insurance** attributable to natural catastrophes were mainly due to the windstorm events Friederike and Burglind in January and stayed in line with our average expectations. Furthermore, a number of very large fire losses and related business interruption claims had an impact on our results. The profitability of our proportional property business developed in line with the primary market.

The result of our German **marine insurance** business benefited from positive effects due to reserve adjustments. Our premium volume in the **engineering insurance** classes in Germany showed significant growth in the year under review. In line with the market our result was impacted by a very sizable loss from a previous underwriting year.

International

In most other **European markets** the impact of natural catastrophe events on **our clients** was comparatively moderate in 2018. The volume of large individual property claims was higher than the previous year's figure, mainly due to our Asian business.

Despite continuing economic instabilities and geopolitical uncertainties, vigorous competition and abundant capacity prevailed. In the aftermath of the heavy losses caused by natural catastrophes in the US in the previous year, we saw some stabilizing effects on both rates and conditions in the European insurance and reinsurance markets in 2018.

The **UK motor market** continued to offer us new opportunities as a result of the capital-intensive and volatile nature of the business, which is highly sensitive to changes in the so-called Ogden discount rate. By means of the Ogden tables the UK government prescribes actuarial parameters for, among other things, the discount rate to be used in calculating lump-sum settlements for personal injury claims.

Russia is playing an increasingly important part in our international property/casualty business. Robust economic growth has been generated since the severe financial crisis of 2014, and this has been especially true of the insurance industry. We are very well positioned thanks to our strong local market presence. Our primary focus is on the motor own damage and property insurance lines, and in recent years we have written a significant premium volume with a growing number of clients.

We greatly expanded our activities in the **Israeli** and **Dutch** markets in the 2018 business year. We were able to write new business across all lines, with appreciable premium growth being achieved in the motor and property insurance segments through several participations in significant proportional and non-proportional programs. We aim to further expand our business relationships in these markets.

Over the last decade **Latin America** has made impressive strides in economic development, although the recent social unrest as well as economic and political instability in Argentina, Brazil and Venezuela highlight the continued challenges that this region faces in making long-term and sustainable progress. It is our assumption that insurance markets will continue to play a pivotal role in contributing to the region's development. We therefore expect business opportunities to improve over time and are ready to act on them.

In 2018 we enjoyed continued success in acquiring new clients and business, albeit at a restrained pace that reflects market competition and the challenges discussed above. The loss experience was relatively stable.

Turning to **Asia**, we saw a noticeable increase in opportunities in this region as a result of our marketing efforts coupled with the increased risk appetite referred to above. We have generated growth in most major countries of this region. However, it must be said that both the primary and reinsurance markets remain extremely competitive. We nevertheless remain optimistic that further attractive business opportunities will present themselves in view of continuing market growth, both in terms of premium volume and the number of insurance companies.

Our international business developed very satisfactorily overall. Going forward, we shall continue to pursue our profit-oriented underwriting policy.

Business Development of the Major Subsidiaries

General Reinsurance AG, Cologne, is the parent company within the General Reinsurance AG Group. The General Reinsurance AG Group is included as part of the Gen Re Group in the consolidated financial statements of Berkshire Hathaway Inc., Omaha/USA.

The primary risk carrier of the General Reinsurance AG Group is General Reinsurance AG, which is represented by numerous branches, subsidiaries, and representative offices based in Europe (Copenhagen, London, Madrid, Milan, Moscow, Paris, Vienna), the Middle East (Beirut), Asia (Beijing, Hong Kong, Labuan, Mumbai, Seoul, Shanghai, Singapore, Taipei, Tokyo) and Latin America (Buenos Aires, Mexico City, São Paulo).

Major subsidiaries as at the balance sheet date included General Reinsurance Africa Ltd., Cape Town/South Africa, and General Reinsurance Life Australia Ltd., Sydney/Australia. While the result posted by General Reinsurance Africa Ltd. in 2017 had been negatively impacted by the poor performance of disability risks, we recorded a satisfactory risk experience in 2018. Much in line with the previous year, General Reinsurance Life Australia Ltd. achieved another pleasing business result in 2018. In the third quarter of 2017 General Reinsurance Life Australia Ltd. wrote a very large block of business which involves a substantial financing component. This led to a very significant increase in gross premium in 2018. Ninety percent of the main financing transaction within this business is retroceded to our US sister company, General Re Life Corporation. This portfolio is now in run-off and the premium income stemming from this transaction will decrease in the future.

Our Staff

At the end of the 2018 business year General Reinsurance AG including service companies owned by the group employed a total workforce of 714 (18 less than at the end of the previous year), of whom 380 (-24) were based in Germany and 334 (+6) worked abroad.

The success of our company is founded on the expertise, experience and dedication of our people. As an employer, we offer our staff attractive working conditions. These include the fair treatment of our employees, competitive remuneration, flexible working hours to ensure the balance of family and work life as well as opportunities for individual development.

This year, we developed and delivered an international training program aimed at high performers. Using a variety of learning methods and tools, participants learned about the fundamentals of successful personal growth and teamwork and explored strategies for coping with a changing work environment.

In addition, we offer an Employee Assistance Program for staff at our headquarters in Cologne. It consists of a confidential external counselling service that can assist with professional, private or health matters of our staff as well as their relatives. We also support the company sports club, which offers training facilities as well as a variety of health management and fitness courses.

All our employees are required to complete annual compliance training courses relevant to their area of work. Each year, core elements from our Code of Conduct, which promotes the principles and values of Gen Re in conducting its business, are selected for inclusion in the online course materials. In 2018 the focus was on data protection and in particular the implementation of new European regulations. Further topics covered in the interactive courses include ethical business conduct, conflicts of interest, corruption, money laundering, financial integrity, data protection, anti-trust law, trade sanctions, insider trading and workplace harassment.

We support cooperation with universities to promote interaction between research and practice, while at the same time benefiting from the welcome side-effect of contact with talented graduates of these universities. In 2018 we again hosted an in-depth workshop aimed at students studying mathematics and actuarial sciences that offered insights into work areas and career prospects in reinsurance.

In line with legislation (FührposGleichberG: Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst [Law on Equal Participation of Women and Men in Leadership Positions in the Private Sector and Public Sector]), the Executive Board had decided on 7 September 2017 that by 30 June 2022 the proportion of women on the highest level of management below the Board should at least maintain the status quo as at 30 June 2017 and the proportion of women on the second level of management below the Board should not be less than 40%. Every effort will, however, be made to maintain or improve on the status quo in relation to the latter quota as well. On 30 June 2017 the relevant proportions of women in these management positions were 8.8% on the first and 43.2% on the second level below the Board; by 31 December 2018 these proportions stood at 10.3% and 41.6%, respectively.

Word of Thanks to Our Staff

We extend our thanks to our members of staff for their efficient cooperation on all levels. Through their expertise and personal commitment they enabled the company to enjoy another successful year.

Risk Report

Our core business revolves around the assessment and acceptance of risk. The key elements in our evaluation of risk are comprehensive qualitative methods supported by quantitative analysis.

Risk Governance

General Reinsurance AG is committed to an integrated approach to risk management which forms the basis of a company-wide understanding of all risks that impact the organization and ensures that conscious risk management is part of the daily decision-making processes of each and every member of our staff. We meet this challenge by means of a **decentralized Risk Management System** embedded in a company-wide internal control framework, overseen and facilitated by our **Risk Management Function**.

The responsibilities in the area of risk management at General Reinsurance AG are allocated as follows:

The **Executive Board** is responsible for ensuring the effectiveness of the company's risk management system, setting the risk strategy, the risk appetite and overall tolerance limits as well as for the operational implementation of the risk management processes.

The **Chief Risk Officer** assumes responsibility for the Risk Management Function and is responsible for the implementation and development of the risk management framework on behalf of the Board. The Chief Risk Officer heads the **Risk Committee** of General Reinsurance AG which is comprised of Risk Officers representing the main business and functional areas within the organization. The Risk Committee executes the risk strategy as defined by the Board and implements the risk management framework at the operating level. The Risk Officers have a direct reporting line to the Chief Risk Officer, who in turn reports directly to the Executive Board on a regular basis and ad hoc, if deemed necessary. The composition of the Risk Committee is determined by the Board at regular intervals.

In addition to the Risk Management Function we have implemented the key functions for Compliance, Actuarial and Internal Audit in line with the Solvency II regulatory framework.

Risk Strategy

Our Risk Strategy defines our general approach to risk management by specifying all relevant risks to be addressed based on our business strategy, providing details on how risks are measured, managed and controlled and setting our risk appetite as well as our risk tolerance framework.

Risk Management Process

For the purposes of risk management, we broadly define risk as the threat of potential events negatively impacting our ability to achieve the Company's business goals. Risk may affect the company's ability to survive, successfully compete within the industry, preserve its financial strength and reputation, or maintain the overall quality of its products, services and people. Our risk management approach aims to support the company's business strategy by limiting risks to acceptable levels. The risk management process at General Reinsurance AG comprises the following elements:

- risk identification,
- risk measurement,
- risk monitoring,
- risk response,
- risk reporting.

This process is applied globally and includes all legal entities and branches. A key element of this process is a corporate risk library which has been developed to promote a consistent approach and to enable effective aggregation of the risks of all functional units using common definitions. We categorize risks into insurance, market, operational and strategic risks, thereby covering all risks to which we are or might be exposed (see chart below).

Regular quarterly and annual risk reporting routines as well as ad-hoc risk reporting ensure continuous monitoring of the Company's risk profile.

Audits conducted by our globally operating **Internal Audit** unit provide for a systematic review of the effectiveness and efficiency of the internal control system. The quality of the risk management processes is therefore independently and regularly verified in accordance with the audit guidelines of the German Institute for Internal Auditing (DIIR) and the German Institute of Auditors (IDW), with a special focus on the design and operating effectiveness of the internal controls. The results of these internal audits are shared with the Risk Committee.

Our **risk universe** is outlined in the chart below:

In the following we describe our insurance, market, operational and strategic risks as well as their steering mechanisms.

Insurance Risks

Pricing and Underwriting

Risks associated with pricing and underwriting derive from the risk that aggregate actual claims amounts may exceed the aggregate claims amounts expected in the underwriting process before risk inception. In this context we differentiate between:

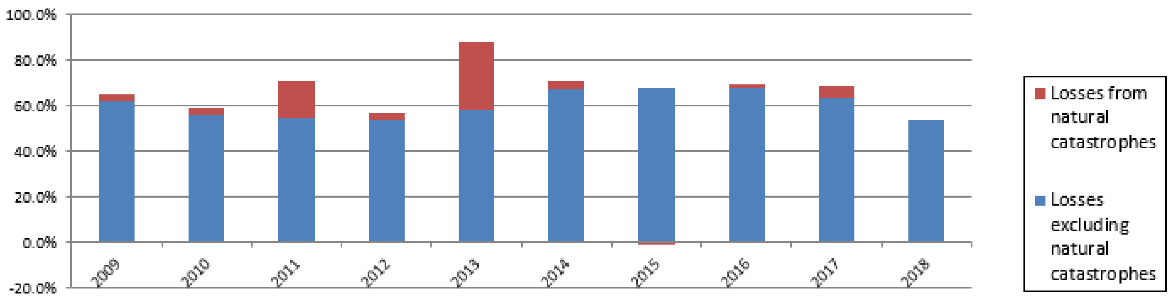
- Risk of random fluctuations as well as pricing model and parameter risk, which can lead to a higher-than-expected claims frequency or severity,
- Large loss accumulation risk caused by a single loss covered by different clients or by one event affecting several risks. In the following paragraphs we specifically address natural catastrophes, terrorism, war, pandemic and cyber risks in more detail but consider other accumulations if deemed relevant.

We manage these risks by means of well-defined underwriting processes, pricing guidelines and operational limit systems reflecting our risk appetite and tolerance and by using centrally developed methodologies and standard tools.

Our exposure to **natural catastrophes** is systematically monitored and reported to senior management, the Risk Management Function and the Risk Committee to ensure that peak exposures are identified. We have risk limits and tolerances in place that are used to determine risk capacities and hence maximum admissible sums of limits per country or region.

The **proportion of natural catastrophe losses relative to the total losses** over the last ten years is shown below, expressed as percentages of net earned premium. In 2015 and 2018 the proportion of catastrophe losses was negative (-1.2% and -0.2%, respectively) because the reserves released in respect of prior-year catastrophes exceeded the relatively low level of losses from natural catastrophes in these years.

Development of Loss Ratios (in %) in Property/Casualty Business



We do not actively seek to cover the consequences of **terrorism**, but it is a risk that we carry in the course of assuming reinsurance business and one which we manage and control appropriately with an eye to potential accumulations. Our exposure to terrorism is limited predominantly by way of exclusionary language at the reinsurance level.

We limit our **war risk** via standard exclusions, and we monitor our exposure by evaluating relevant scenarios.

Pandemic risks may arise in life and health insurance from possible pandemic events such as the spread of serious highly infectious diseases including swine flu, avian flu or pestilence. We regularly consider various scenarios so as to evaluate the potential impact of pandemic events on our portfolio and assess our risk tolerance. Our underwriting rules specify capacity limits regarding non-proportional per-event excess of loss covers.

Cyber risk refers to potential losses from cyber-attacks or threats resulting in unauthorized access to, or release of, business-critical or sensitive applications, data or infrastructure systems. In general, this risk is connected to online activities, electronic systems and technological networks. Cyber risks can result from intentional third-party actions as well as human or technical failure.

We continue to refine our risk appetite, risk management procedures and accumulation control for the purpose of managing cyber risks covered by our reinsurance treaties. We have established a Cyber Tracker for systematic monitoring of the current exposure from our reinsurance treaties that explicitly cover cyber risks.

The **reserve shortfall risk** is the risk of additional reserve needs for the ultimate settlement of claims that exceed the initial expectation or recent reserve bookings.

We therefore consider the reserving process to be a core function of a disciplined reinsurer. We have established a centralized independent reserving function and quarterly monitoring. The anticipated ultimate loss ratios are regularly verified and adjusted if necessary, based on updated data.

Run-off result in % of the original net liability in Property/Casualty Business

2018	3.8
2017	0.8
2016	1.7
2015	2.7
2014	0.9
2013	3.1
2012	3.3
2011	0.3
2010	3.1
2009	1.4

Market Risks

Our **Corporate Investment Policy** ensures that at all times adequate assets are available to cover the liabilities in accordance with the risk profile of General Reinsurance AG. Our **Master Investment Guidelines** define concrete and measurable risk limits for the various investment risks and asset classes. Both the policy and the guidelines are reviewed by the Executive Board and the Supervisory Board at least annually.

We consider various aspects of market risks with the aim of protecting our assets and return on investments against economic losses resulting from changes on the capital markets, such as:

- **interest rate risk:** interest rate volatility and changes to term structures,
- **equity risk:** price volatility on stock markets,
- **currency risk:** volatility of exchange rates, imperfect currency matching,
- **credit spread risk:** changes in the credit spread above the risk-free interest rate or credit rating downgrades,
- **concentration risk:** losses/volatility resulting from concentration of investment exposure in a specific instrument, issuer or financial market,
- **liquidity risk**: changes in market liquidity preventing effective liquidation of investments as and when required,
- **counterparty default risk:** bank or other counterparty failure or downgrading.

In light of the prevailing low interest rate environment, we currently keep the duration of our fixed-income investments below that of the underwriting risks. The performance of the portfolio is regularly analyzed against defined benchmarks and the portfolio undergoes regular stress testing and scenario analyses.

Standing at 21.5% (2017: 25.0%) on the balance sheet date, a considerable share of General Reinsurance AG's fixed-income securities was held in top-rated investments (AAA rating). 32.3% were rated AA (2017: 29.2%).

Our investment guidelines define a specific limit for the **equity allocation** in the portfolio.

Furthermore, the investment guidelines contain detailed limits for controlling **credit and concentration risks**, such as minimum rating requirements and the definition of maximum exposures per asset class. The credit quality of the fixed-income securities held by General Reinsurance AG at year-end 2018 illustrates the high quality of our portfolio.

Equity risks and interest rate risks with respect to our investments are monitored by testing various stress scenarios. In the table below we show an excerpt from our list of tested scenarios, namely the effects of a 20% change in share values and a 1% change in the current yield. This would give rise to the following changes in fair value:

Portfolio	Assumptions	Changes in fair value in m Euro
Shares	Price increase of 20%	+495.8
Shares	Price decline of 20%	-495.8
Fixed-income securities	Interest rate rise of 1%	-127.7
Fixed-income securities	Interest rate drop of 1%	+131.5

Counterparty default risks arise not only from transactions on the capital markets, but also from bad debts in reinsurance with respect to cedants, retrocessionaires and brokers. It may not be possible to recover outstanding receivables or cash deposits.

The outstanding receivables are regularly collated on a company-wide basis, necessary provisions are calculated for overdue receivables in accordance with uniform group-wide standards, and the results are reported to management.

Targets and measures for dealing with overdue receivables are agreed with the business units, and their enforcement is regularly monitored. The overdues amounted to Euro 25.0 million at year-end (2017: Euro 30.2 million). As in previous years, the default rate in the year under review was negligible.

In the following paragraphs we address several further risk categories that we consider important, even though we believe that none of them constitutes a serious threat for the organization.

Operational Risks

Operational risk refers to potential losses resulting from inadequate internal processes or systems, human or technical failure, fraud and/or external events. All operational risks are reviewed, analyzed and assessed on a regular basis in order to promptly detect any deficiencies in policies, procedures and processes as well as to propose and implement corrective actions.

General Reinsurance AG uses a rigorous **internal control system** for the management of operational risks. This supports the proper functioning and efficiency of our business processes and ensures our compliance with all applicable laws, regulatory requirements and internal standards.

Our goal is to continuously improve our risk awareness and the risk culture on the operational level. The Internal Audit function assists senior management and in particular the Executive Board in the pursuit of this goal by independently reviewing the implementation and effectiveness of our operational risk management procedures and our internal control system.

We provide further detail on individual operational risks in the latest version of our Solvency and Financial Condition Report on our website.

Strategic Risks

In common with operational risks, strategic risks are subject to regular assessment; this is facilitated in particular by qualitative discussions with a view to increasing risk awareness and ensuring that effective controls are in place to minimize potential exposures. We differentiate between the following strategic risks:

Strategy Risks

The Company's response to new opportunities is critical to the growth and performance of our business. The Executive Board is responsible for our business strategy and regularly reviews and evaluates whether all aspects of the current strategy are appropriate given the dynamic business environment and in due consideration of any risks which could affect our long-term positioning and performance capability. In view of our profit-oriented underwriting policy, our sophisticated pricing and monitoring systems as well as our strong consulting expertise and software offerings, we consider ourselves to be optimally positioned for continued success in our business development.

Reputational Risks

We view reputational risks as a potential by-product of operational, regulatory or strategic risks that arise out of potential weaknesses or failures in our internal control environment. We have therefore implemented a comprehensive policy framework, process documentation standards and an effective internal control environment that minimize our exposure to reputational risks.

Through our worldwide Code of Conduct, which sets out our position on corporate integrity and values, our associates are required to maintain the highest degree of integrity towards each other, the Company, and our business partners.

Emerging Risks

We define emerging risks as the risk of loss resulting from a newly developing or changing situation (political, economic, social, technological, legal/regulatory, environmental, etc.) that could have a critical impact on the company but which may not yet be fully understood, may be difficult to quantify and may not even be considered in contract terms and conditions, pricing, reserving, operations or capital allocation. We identify and evaluate emerging risks as part of the group-wide annual Own Risk and Solvency Assessment (ORSA) process. Relevant developments are monitored quarterly within the Company's risk reporting procedures.

Group Risks

Group risks arise from the potential failure of an affiliated company to meet financial commitments and the potential adverse impacts on growth and costs as well as the regulatory implications for our own company. We control this risk by actively managing our subsidiaries and have appropriate limits in place for each operating entity. As far as the up-stream group risk of our parent companies and other Berkshire Hathaway affiliates is concerned, we consider this risk extremely remote due to the financial strength of Gen Re and the Berkshire Hathaway group.

Solvency II Reporting and Major Factors Influencing Opportunities and Risks

Solvency II reporting consists of both annual and quarterly Quantitative Reporting Templates, the Regular Supervisory Report (RSR) as well as the Solvency and Financial Condition Report (SFCR), which are all prepared on the solo and group level. As the overall risk profile of the General Reinsurance AG Group does not substantially differ from the risk profile of the parent company GRAG, we have been granted permission by the Federal Financial Supervisory Authority (BaFin) to prepare and publish a “Single SFCR”. The Solvency II balance sheets are audited annually in accordance with legal requirements.

Our solvency calculations are based on the Solvency II standard formula, including the use of undertaking-specific parameters. The solvency calculations for year-end 2018 had not been completed as at the date of this report. For the fourth quarter of 2018 the solvency ratio amounted to 253% for General Reinsurance AG on a stand-alone basis.

Additional details of our risk management framework and risk profile as well as our eligible and required capital under Solvency II are also available on our corporate website. A summary of Solvency II results at year-end 2018 will be published for General Reinsurance AG on a stand-alone basis on 23 April and the Single SFCR for the General Reinsurance AG Group will be available on 3 June 2019.

In addition to regulatory developments in Europe, we continue to monitor the potential impacts that other international solvency regimes may have on the corporate group as a whole.

International Financial Reporting Standard (IFRS) 17 "Insurance Contracts", published in 2017, regulates, among other things, the measurement and disclosure of insurance and reinsurance contracts. It currently does not apply to General Reinsurance AG on a stand-alone basis, but to some of its branches and subsidiaries. We have launched a worldwide implementation project because the requirements of IFRS 17 will give rise to fundamental changes in the accounting of insurance contracts and related processes. The International Accounting Standards Board (IASB) recently decided to postpone implementation until 1 January 2022.

We expect Brexit to have a notable impact on the European insurance industry, especially as current EU passporting arrangements will most likely no longer apply. In this case, foreign insurance and reinsurance companies will need regulatory authorization to continue their business in the UK. We have applied to the Prudential Regulatory Authority for approval of our existing branch in London as an authorised UK reinsurer. In addition to passporting and cross-border business, we are also monitoring other developments that may have an impact on our business. These range from additional reporting or capital requirements to the question of whether the UK will meet the requirements of the General Data Protection Regulation (GDPR) following Brexit. With an eye to these and other eventualities, we have drawn up contingency plans to ensure compliance with possible new requirements so that we can continue to serve our customers wherever they are.

A major factor influencing the insurance industry as a whole remains the continuing extremely low level of interest rates. Both sides of the balance sheet are affected. While we are also adversely affected by diminishing returns on our investments, the implications for General Reinsurance AG are mitigated to a large extent because we reserve for long-tail casualty and motor liability business on a nominal basis. In life/health business we had already responded in prior years to the declining interest rate level and adjusted our reserves appropriately. The effect is less marked for our company than for typical primary insurers because we focus on biometric risks rather than the savings components of life insurance.

Both in terms of its financial strength and the sophistication of its management systems, General Reinsurance AG remains well-positioned to successfully pursue its business strategy. We consider our capital resources sufficient and appropriately structured to meet our business needs over the short- and longer-term horizon. Our risk profile has not changed materially over the last few years. We have effective controls and risk management processes in place, including appropriately defined risk tolerances and risk limits.

From the current standpoint, no developments can be discerned that could have a significant adverse impact on General Reinsurance AG's assets, financial position or net income.

Report on Relations with Affiliated Companies

General Reinsurance AG is wholly owned by General Reinsurance Corporation, Wilmington, Delaware/USA. The former is thus a majority-owned company which, pursuant to § 312 German Stock Corporation Act, is required to draw up a report on relations with affiliated companies. In this report, which has to be compiled by the Executive Board, the following closing declaration was made:

"For all transactions with affiliated companies General Reinsurance AG received appropriate consideration according to the circumstances known at the time when the transactions were effected."

Outlook

The core of our commercial activities consists of reinsurance business transacted in all major markets worldwide, except for North America as well as property and casualty insurance in Australia and Japan, which are served by Gen Re affiliates that are not part of General Reinsurance AG. In addition to traditional reinsurance products we offer a comprehensive range of services, including actuarial advice, product development, underwriting and claims management and software offerings in individual life insurance. We shall continue to systematically practice our profit-oriented underwriting policy. Our underwriting know-how and our pricing and monitoring systems are continuously refined and kept updated. Our strong consulting expertise is held in high regard by clients at home and abroad.

As discussed in last year's report, within the Gen Re Group and in particular at General Reinsurance AG we have conducted a worldwide overhaul of our organizational structures with the aim of leveraging additional potentials for improving our performance and competitiveness. We have streamlined certain administrative areas, which involved a substantial number of redundancies in the previous year and, to a lesser extent, in 2018.

At the same time, we have added a more modest number of staff in other areas with an eye to additional business opportunities. We have also communicated our willingness to accept higher volatility, where we believe that adequate premium rates can be achieved. We consider ourselves to be optimally positioned for the continued successful development of our business.

In life and health insurance we anticipate moderate growth in our gross premium income for 2019. We are enjoying pleasing demand for our consulting and other services, which provide a solid platform for the development of our business. In addition, we are open to the reinsurance of in-force portfolios, provided the primary emphasis is on the transfer of biometric risks.

Most treaties in our property/casualty portfolio came up for renewal on 1 January. We expect gross premium to increase moderately in 2019. As was the case last year, we have been able to develop new client relationships and increase our participations in existing business. We regard underwriting discipline as essential to our success and we continue to decline opportunities where we are unable to secure adequate terms and conditions. We benefit from strong client loyalty, which has enabled us to preserve the quality of our portfolio in keeping with our underwriting standards. Our financial strength and service quality remain key factors in this respect.

With signs that growth in the US and in the euro area has begun to slow, the actions and statements of policymakers at the Federal Reserve and the ECB will come under even more intensive scrutiny in 2019. The current period of US economic expansion began in June 2009 following the financial crisis of 2008. Should that expansion continue, by July 2019 the US will have experienced the longest period of economic expansion in its history (121 months). The next US Presidential election campaign will begin about mid-way through 2019. There is little doubt that the incumbent administration will do all it can to see that the expansionary period is at least sustained into the election year.

The quantitative easing program that began in March 2015 was terminated for new investments at the end of 2018, although reinvestment of existing holdings will continue for the time being. The outlook is far from certain and there are many factors which may influence or alter the ECB's policy stance – not least the new ECB Presidency post-October. With the political landscape likely to be especially active in 2019, tension in the euro area will presumably continue beyond the EU parliamentary elections in May. The shape of the EU's future relationship with the UK will also become clearer as we progress through 2019.

Financial markets will keep a keen eye on the likelihood of protectionist trade policies adversely impacting global growth, investment and corporate profits. If global trade tensions ease we may see emerging market economies recover some of the ground lost during 2018.

Despite sustained low interest rate levels including reduced reinvestment yields, we expect our investment income to improve substantially in 2019, since we recorded heavy write-downs in our equity portfolio in the year under review.

Compared to 2018, we anticipate a considerably lower level of underwriting profits in 2019. On balance, however, a satisfactory overall operating result clearly above the level of the year under review can be expected, provided capital markets are spared any major distortions and as long as the loss experience in natural catastrophe business and for man-made disasters in the current year is in line with the long-term average. We anticipate moderately increased gross premium income in original currency for 2019.

Corporate Social Responsibility Reporting

General Reinsurance AG will compile an update of its Corporate Social Responsibility (CSR) report guided by UN Global Compact reporting standards. This will be published in the Financial Information section of our website (www.genre.com) by the end of April 2019.

Balance Sheet as 31 December 2018

Assets			Euro	2018 Euro	2017 Euro
A. Intangible assets				29,820	34,759
B. Investments	I.	Real estate, rights to real estate and buildings	8,472,295		8,857,113
	II.	Investments in affiliated companies and participations	727,376,867		702,082,664
	III.	Other investments	9,032,938,850		9,130,058,975
	IV.	Deposits retained on assumed reinsurance business	1,653,709,212		1,662,359,447
				11,422,497,224	11,503,358,199
C. Receivables	I.	Reinsurance accounts receivable of which from affiliated companies: Euro 10,197,352 (previous year: Euro 6,315,536) of which from participations: Euro 3,352,076 (previous year: Euro 4,964,428)	901,002,783		706,644,800
	II.	Sundry receivables of which from affiliated companies Euro 1,143,971 (previous year: Euro 2,025,108) of which from participations Euro 2.380 (previous year: Euro 0)	26,946,203		42,934,092
				927,948,986	749,578,892
D. Sundry assets	I.	Fixed assets and investments	5,927,926		5,517,790
	II.	Current accounts with banks, cheques and cash	337,840,701		217,311,322
				343,768,627	222,829,112
E. Deferred items	I.	Deferred interest	59,720,318		55,764,836
	II.	Other deferred items	632,559		433,580
				60,352,877	56,198,416
F. Deferred tax assets				387,861,643	224,793,491
G. Excess of plan assets over pension liability				14,000,000	21,575,860
Total assets				13,156,459,177	12,778,368,729

Liabilities			Euro	Euro	2018 Euro	2017 Euro
A. Shareholders' equity	I.	Share capital		55,000,000		55,000,000
	II.	Capital reserve		866,173,704		866,173,704
	III.	Retained earnings				
		1. Legal reserve	715,809			715,809
		2. Other retained earnings	1,405,208,342			1,405,208,342
				1,405,924,151		1,405,924,151
	IV.	Profit brought forward		97,461,386		7,271,317
	V.	Net loss/net income for the year		-71,122,597		290,390,068
	VI.	Profit				
					2,353,436,644	2,624,759,240
B. Underwriting reserves	I.	Unearned premiums				
		1. Gross amount	560,475,992			363,067,702
		2. Less: reinsured portion	51,675,492			27,780,392
				508,800,500		335,287,310
	II.	Actuarial reserves for life and health policies				
		1. Gross amount	1,768,806,959			1,791,015,513
		2. Less: reinsured portion	54,536,385			55,567,092
				1,714,270,574		1,735,448,421
	III.	Reserve for outstanding claims				
		1. Gross amount	6,916,008,034			6,683,524,477
		2. Less: reinsured portion	334,151,965			210,338,982
				6,581,856,069		6,473,185,495
	IV.	Equalization reserve and similar reserves		847,103,079		737,710,761
	V.	Other underwriting reserves				
		1. Gross amount	50,813,212			36,614,650
		2. Less: reinsured portion	36,766			12,108
				50,776,446		36,602,542
					9,702,806,668	9,318,234,529
C. Other provisions					671,403,048	424,785,271

Liabilities			Euro	2018 Euro	2017 Euro
D. Deposits retained on assumed reinsurance business				31,427,773	33,345,179
E. Other liabilities	I.	Reinsurance accounts payable of which to affiliated companies: Euro 105,403,214 (previous year: Euro 76,806,568)	379,584,191		360,195,112
	II.	Sundry liabilities of which taxes: Euro 2,035,086 (previous year: Euro 4,423,793) of which social security: Euro 2,516,274 (previous year: Euro 7,476,096) of which to affiliated companies: Euro 8,754,065 (previous year: Euro 1,032,347)	17,407,618		16,497,945
				396,991,809	376,693,057
F. Deferred items				393,235	551,453
Total liabilities				13,156,459,177	12,778,368,729

Income Statement

				2018	2017
		Euro	Euro	Euro	Euro
I. Underwriting Account	1. Earned premiums net of reinsurance				
	a) Gross premiums	3.266.700.095			2.702.575.617
	b) Retrocession premiums	296.640.197			225.952.793
			2.970.059.898		2.476.622.824
	c) Change in gross unearned premiums	-198.001.872			-80.447.163
	d) Change in the reinsurers' share of the gross unearned premiums	-23.874.815			-21.518.586
			-174.127.057		-58.928.577
				2.795.932.841	2.417.694.247
	2. Interest on reinsurance funds net of reinsurance			50.067.559	51.684.000
	3. Sundry underwriting income net of reinsurance			1.219.648	1.017.909
	4. Claims expenditure net of reinsurance				
	a) Claims payments				
	aa) Gross amount	1.727.177.100			1.490.324.722
	bb) Reinsurers' share	91.500.879			31.077.567
			1.635.676.221		1.459.247.155
	b) Change in the reserve for outstanding claims				
	aa) Gross amount	253.121.681			291.940.365
	bb) Reinsurers' share	122.993.085			135.216.993
			130.128.596		156.723.372
				1.765.804.817	1.615.970.527
	5. Change in the other underwriting reserves net of reinsurance			5.558.438	-22.128.861
	6. Expenditure relating to profit- and non-profit-related premium refund net of reinsurance			183.709	191.993
	7. Insurance business expenditure net of reinsurance			723.185.733	641.643.108
	8. Sundry underwriting expenses net of reinsurance			4.482.525	4.755.295
	9. Subtotal			359.121.702	185.706.372
	10. Change in the equalization reserve and similar reserves			-109.392.318	17.441.827
	11. Underwriting result net of reinsurance			249.729.384	203.148.199
II. Investment and general account	1. Investment income of which from affiliated companies: Euro 24,944,426 (previous year:	278.786.680			344.015.061
	2. Investment expenses	355.931.997			27.587.393
			-77.145.317		316.427.668
	3. Underwriting interest on reinsurance funds		-50.989.586		-52.705.053
				-128.134.903	263.722.615
	4. Sundry income		36.403.651		88.750.566
	5. Sundry expenditure		112.266.333		122.121.483
				-75.862.682	-33.370.917
	6. Profit before taxes			45.731.799	433.499.897
	7. Tax on income and profit		108.146.480		142.298.145
	8. Other taxes		8.707.916		811.684
				116.854.396	143.109.829
	9. Loss/income after taxes			-71.122.597	290.390.068

Notes to the Financial Statement

Development of assets items A and B I. to III. in the 2018 business year

Asset items	A.	Asset Items		
		Purchased rights and licences		
	B. I.	Real estate, rights to real estate and buildings including buildings on foreign real estate		
	II.	Investments in affiliated companies and participations		
		1.	Shares in affiliated companies	
		2.	Loans to affiliated companies	
		3.	Participations	
		4.	Total B II.	
	III.	Other investments		
		1.	Shares, investment certificates and other non-fixed-income securities	
		2.	Bearer bonds and other fixed-income securities	
		3.	Mortgages and loans secured on real estate	
		4.	Sundry fixed-term securities	
			a)	Notes and loans
		5.	Bank deposits	
		6.	Sundry investments	
		7.	Total B III.	
Total				

Book values previous year Euro	Exchange rate gains/losses Euro	Acquisitions Euro	Disposals Euro	Appreciation Euro	Depreciation Euro	Book values business year Euro
34,759	0	13,317	0	0	18,256	29,820
8,857,113	0	0	0	0	384,818	8,472,295
42,299,981	0	25,294,203	0	0	0	67,594,184
634,800,000	0	0	0	0	0	634,800,000
24,982,683	0	0	0	0	0	24,982,683
702,082,664	0	25,294,203	0	0	0	727,376,867
2,800,876,635	11,511,901	30,216,483	61,057,607	0	338,588,713	2,442,958,699
6,268,598,595	-9,680,770	2,688,958,181	2,419,860,106	0	155,848	6,527,860,052
0	0	0	0	0	0	0
20,608	436	0	0	0	0	21,044
60,518,162	1,082,786	453,132	0	0	0	62,054,080
44,975	0	0	0	0	0	44,975
9,130,058,975	2,914,353	2,719,627,796	2,480,917,713	0	338,744,561	9,032,938,850
9,841,033,511	2,914,353	2,744,935,316	2,480,917,713	0	339,147,635	9,768,817,832

Company identification	General Reinsurance AG with registered business address in Cologne, Theodor-Heuss-Ring 11, is entered in the Cologne commercial register under HRB 773.
General accounting principles and valuation methods	The company compiled the annual financial statements and the Executive Board Report in accordance with the provisions of the German Commercial Code, the German Stock Corporation Law, the Insurance Supervisory Law and the Ordinance on the Accounting of Insurance Companies of 8 November 1994 as amended on 19 December 2018.

Assets

Intangible assets

Intangible assets were valued at cost of acquisition less amortization.

Investments

Real estate, rights to real estate and buildings were valued at cost of acquisition or construction. Depreciation was taken using the straight-line method based on the economic useful life.

The fair values were calculated using the discounted cash flow method.

Investments in affiliated companies and participations were valued on a purchase cost basis at the lower of amortized cost or fair value in accordance with § 253, section 3, sentence 3 German Commercial Code and allowing for write-ups made in accordance with § 253, section 5 German Commercial Code.

Loans to subsidiaries were valued at the lower of amortized cost or fair value.

Shares, investment certificates, bearer bonds and other fixed-income securities were carried at acquisition cost. Shares and bearer bonds which we acquired in several tranches are grouped per investment and valued at the average book value in accordance with § 240, section 4 German Commercial Code. Securities were intended for use on a continuing basis in the normal course of business activities in the year under review according to § 341 b, section 2 German Commercial Code. There were no reclassifications in the year under review.

The valuation of shares, investment certificates, bearer bonds and other fixed-income securities was contingent upon whether they were allocated to fixed assets or current assets. Write-downs on securities in current assets were based on their value at the balance sheet date pursuant to § 253, section 4 German Commercial Code, insofar as the fair value was lower than the book value. Securities allocated to fixed assets were valued according to the modified lower-of-cost-or-market principle. Premiums relating to fixed-income securities allocated to fixed assets were recognized pro rata temporis in the income statement.

Mortgages, loans secured on real estate as well notes and other loans were valued at the amount repayable.

Bank deposits were valued at their nominal value.

Other investments were valued at purchase costs less write-downs pursuant to § 253, section 3, sentence 5 German Commercial Code.

The fair values of investments were determined on the basis of available market prices and stock exchange quotations. Insofar as this was not possible in the case of affiliated companies and sundry fixed-term securities, suitable recognized methods were used to calculate the fair values. Simplified discounted cash flow methods and present value methods were used for this purpose.

Deposits receivable were shown at their nominal value. Specific bad debt provision was made for known risks. In cases where no statements of account were available, these provisions were estimated.

Receivables and other assets

Reinsurance accounts receivable are shown at their nominal value. Specific bad debt provision has been made for known risks. Where no statements of account were available, the receivables were estimated.

Zillmer adjustments in assumed life reinsurance business are recognized under reinsurance accounts receivable.

Fixed assets were valued at purchase cost less depreciation based on the economic useful life.

Low-value items for which the purchase costs less input VAT are lower than Euro 800 are completely written off in the year of acquisition in accordance with § 6, section 2 German Income Tax Act.

Inventories were recognized at a fixed quantity and a fixed value in accordance with § 240, section 3 German Commercial Code due to subordinated importance and merely minor changes.

Current accounts with banks, cheques and cash as well as other sundry receivables have been shown at their nominal value.

Deferred items

Interest income is shown as deferred interest if the amount pertains to the period prior to the closing date but is not yet due. This position also includes expenditures prior to the closing date which represent expenses for a certain period after this date.

Deferred tax assets

Deferred taxes have been calculated using the temporary concept. The company has exercised the option to recognize the amount of deferred tax assets in excess of liabilities resulting from temporary and quasi-permanent differences between commercial and tax regulations. Deferred tax assets and liabilities are shown on a net basis.

Excess of plan assets over pension liability

In accordance with § 246, section 2 of the German Commercial Code, the pension liabilities have been netted with the plan assets and corresponding expenses have been netted with income. The plan assets were recognized at fair value. The amounts receivable under insurance policies correspond to the liability of the company towards its associates. Furthermore, the fair values of investments were determined on the basis of market prices and stock exchange quotations. Creditors of the company are unable to access the assets by way of individual enforcement measures or insolvency.

Liabilities

Underwriting reserves

The provisions of §§ 341e to 341h German Commercial Code have been applied to the recognition of underwriting reserves.

The gross written premiums include all premiums due for the reinsurance treaties in the course of the business year. Reinsurance premiums which are written but attributable to future periods are accrued as unearned premiums. The unearned premiums are calculated as at the balance sheet date. The accruals are determined on the basis of flat-rate methods in life and health insurance and on the basis of individual contractual agreements in property and casualty insurance.

Actuarial reserves have been constituted in life and health insurance. Their carrying amount essentially reflects figures supplied by cedants. In cases where cedant information is not or not sufficiently available, the level of actuarial reserves is determined on the basis of realistic assumptions with regard to interest rates, mortality and morbidity. The actuarial methods applied take into account the current cash value of future benefits paid to the policyholder less future premium income.

The reserves for outstanding claims were generally recognized on the basis of the figures supplied by cedants. Due to the sometimes considerable time lag that may occur between the loss event and the reporting of the claim to the reinsurer, reserves are constituted for IBNR losses on the basis of our own estimates. These estimates are made using recognized actuarial methods (chain-ladder method, Bornhuetter-Ferguson method and expected-loss method).

The equalization reserve has been determined based on § 341 h German Commercial Code in conjunction with § 29 of the Ordinance on the Accounting of Insurance Companies as per the annex to § 29 of the Ordinance on the Accounting of Insurance Companies. Reserves for major pharmaceutical product liability risks and for nuclear plant insurance are based on § 30, sections 1 and 2 of the Ordinance on the Accounting of Insurance Companies. A reserve for terrorism risks has been constituted in conjunction with § 30, section 2a of the Ordinance on the Accounting of Insurance Companies.

The other underwriting reserves mainly comprise the reserves for profit commission. These reserves have generally been constituted in line with our contractual arrangements with our cedants. The shares of retrocessionaires in the gross reserves have been determined on the basis of the corresponding contractual arrangements.

Sundry liabilities

Deposits and reinsurance accounts payable have been shown at their nominal value. Where statements of account are not yet available, the liabilities are estimated.

Zillmer adjustments in ceded life reinsurance business are recognized under reinsurance accounts payable.

The provisions for pension obligations have been established according to § 253, sections 1, 2 and 6 of the German Commercial Code applying the Klaus Heubeck 2018 G mortality tables for Germany and corresponding mortality tables for foreign pension liabilities. The actuarial interest rate of 3.21% was determined by extrapolating the rates published by the German Bundesbank until 31 October 2018 in accordance with § 253, section 2 of the German Commercial Code to 31 December 2018 using the method prescribed by the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung).

In addition, a rate of compensation increase of 2.50%, pension indexation of 1.75% and a staff turnover rate of 3.00% are taken as a basis. The assumed maturity is 15 years.

The difference between recognition of the pension obligation calculated according to the 7- and 10-year average interest rate in accordance with § 253, section 6 of the German Commercial code amounted to Euro 34,736,479.

In accordance with § 253, section 1 sentence 2 of the German Commercial code the other reserves have been established in the settlement amount required according to reasonable and prudent business judgement. Based on the regulations of § 253, section 2 of the German Commercial Code, reserves with a maturity of more than one year have been discounted with the corresponding average market rate of the past seven business years in accordance with their maturity.

The other liabilities are valued at the settlement amounts.

The deferred items include revenues prior to the closing date insofar as they represent income for a defined period after that date.

Currency conversion basis

Items in the balance sheet and profit and loss account expressed in foreign currencies have been converted into euros at the average rates of exchange applicable on the balance sheet date. The exchange profits or losses have been shown, after setting off amounts within the same currency, as “sundry income” or “sundry expenditure” in the income statement. If the offsetting of amounts within the same currency took resulted in gains, these amounts were allocated to other provisions.

The most important conversion rates for our balance sheet are set out in the following table:

in €	2018	2017
Australian Dollar	0.6176	0.6537
British Pound	1.1099	1.1280
Chinese Renminbi	0.1278	0.1284
Danish Krona	0.1339	0.1343
Hong Kong Dollar	0.1120	0.1077
Japanese Yen	0.0079	0.0074
Korean Won	0.0008	0.0008
South African Rand	0.0604	0.0675
Swiss Franc	0.8846	0.8512
Singapore Dollar	0.6388	0.6278
US Dollar	0.8773	0.8418

Appropriation of profit

The 2018 business year closed with a net loss after taxes of Euro 71,122,597. Taking into account the profit of Euro 97,461,386 carried forward from prior years, the residual disposable profit is Euro 26,338,788. The Executive Board of General Reinsurance AG proposes to the Supervisory Board that the residual profit should be carried forward.

Notes to the Balance Sheet

Assets	
Valuation reserves in respect of investments	I. Real estate, rights to real estate and buildings including buildings on foreign real estate *)
	II. Investments in affiliated companies and participations
	1. Shares in affiliated companies
	2. Loans to affiliated companies
	3. Participations
	4. Total II.
	III. Other investments
	1. Shares, investment certificates and other non-fixed-income securities
	2. Bearer bonds and other fixed-income securities
	3. Mortgages and loans secured on real estate
	4. Sundry fixed-term securities
	a) Notes and loans
	5. Bank deposits
	6. Sundry investments
	7. Total III.
Total	

*) The fair values of real estate and buildings have been calculated in 2016.

		2018			2017
Book value	Fair value	Valuation reserve	Book value	Fair value	Valuation reserve
8,472,295	23,800,000	15,327,705	8,857,113	23,800,000	14,942,887
67,594,184	219,611,598	152,017,414	42,299,981	282,243,809	239,943,828
634,800,000	688,056,600	53,256,600	634,800,000	712,634,040	77,834,040
24,982,683	25,180,698	198,015	24,982,683	25,968,209	985,526
727,376,867	932,848,896	205,472,029	702,082,664	1,020,846,058	318,763,394
2,442,958,699	2,858,052,381	415,093,682	2,800,876,635	3,675,315,072	874,438,437
6,527,860,052	6,559,271,492	31,411,440	6,268,598,595	6,321,286,597	52,688,002
0	0	0	0	0	0
21,044	21,044	0	20,608	20,608	0
62,054,080	62,054,080	0	60,518,162	60,518,162	0
44,975	87,917	42,942	44,975	91,465	46,490
9,032,938,850	9,479,486,914	446,548,064	9,130,058,975	10,057,231,904	927,172,929
9,768,788,012	**10,436,135,810**	**667,347,798**	**9,840,998,752**	**11,101,877,962**	**1,260,879,210**

Assets

Real estate and buildings	The book value of the real estate and buildings utilized by the company totals Euro 8,472,295 (previous year: Euro 8,857,113).
Other investments	As at 31 December 2018 no additional payment obligations existed in respect of the recognized share capital (previous year: Euro 0). The book value of the bearer bonds for which no write-down was taken was Euro 3,362,704,218 (previous year: Euro 2,723,510,238). The fair value of these bonds amounted to Euro 3,351,569,511 (previous year: Euro 2,714,454,617). In all cases a permanent impairment was not to be expected because the financial standing of the issuers was not in doubt. The book value of participations for which no write-down was taken was Euro 24,884,818 (previous year: 0 Euro). The fair value of these participations amounted to Euro 24,106,275 (previous year: 0 Euro). In all cases a permanent impairment was not to be expected because the financial standing of the issuers was not in doubt. The book value of equities for which no write-down was taken was Euro 389,435,847 (previous year: Euro 474,714,661). The fair value of these equities amounted to Euro 373,650,194 (previous year: Euro 446,160,416). These equities are used in business operations on a permanent basis and allocated to fixed assets. Write-downs on the equities recognized as fixed assets are taken after in-depth internal and external analysis of the future business development of these items and with an eye to the volatility of equity markets. The depreciation omitted under § 341 b, section 2 German Commercial Code in conjunction with § 253, section 3 German Commercial Code amounted to Euro 27,698,903 (previous year: Euro 37,609,864); it was attributable in an amount of Euro 15,785.653 (previous year: Euro 28,554,245) to equities and Euro 778,453 (previous year: Euro 0) to participations as well as in an amount of Euro 11,134,707 (previous year: Euro 9,055,619) to fixed-income securities. Non-permanent impairments amounting to Euro 338,588,713 (previous year: Euro 0) were recognized on equities in the area of securities allocated to fixed assets in the business year just ended. Write-downs of Euro 155,848 (previous year: Euro 1,491,208) were taken in the year under review on fixed-income securities assigned to current assets. In the area of securities classified as fixed assets no write-up was made according to §253, section 5 German Commercial Code on participations (previous year: Euro 4,667,689). No write-up was recognized on other investments according to §253, section 5 German

Commercial Code in the business year just ended (previous year: Euro 0).

No write-up was made on fixed-income securities classified as current assets in accordance with § 253, section 5 German Commercial Code (previous year: Euro 0).

In the year under review, as in the previous business year, no write-up was made on investments in affiliated companies according to § 253, section 5 German Commercial Code.

The investment certificates relate to a special fund which is entirely held by General Reinsurance AG and serves to secure specific foreign underwriting reserves. The fund is mainly invested in German government bonds. The fair value of the securities invested in the fund is Euro 404,348,080, the book value is Euro 403,769,000. The difference compared to the book value thus amounts to Euro 579,080. No distribution was made for the business year (previous year: Euro 0).

Investments amounting to Euro 320,673,874 (previous year: Euro 314,672,348) have been deposited with cedants as security for reinsurance liabilities or were administered for us on a trustee basis.

Investments in limited partnership firms and other shares are shown under other investments.

No derivative financial transactions were entered into in 2018 or 2017. As at 31 December 2018 and 31 December 2017 there were no outstanding foreign exchange forward transactions.

No investments were made in bonds of highly-indebted states in the Euro region, the issuers of which may be dependent on support measures, in 2018 or 2017.

Deposits retained on assumed reinsurance business

Of these, deposits receivable from affiliated companies accounted for Euro 21,883,722 (previous year: Euro 21,110,944).

Reinsurance accounts receivable

An amount of Euro 19,425,239 of the reinsurance accounts receivable is attributable to Zillmer adjustments in assumed life reinsurance business (previous year: Euro 20,192,109).

Sundry receivables

The item "Sundry receivables" primarily shows tax receivables from revenue authorities of Euro 20,679,383 as well as receivables from security deposits of Euro 3,606,392.

Receivables with a maturity of more than one year in accordance with § 268, section 4 German Commercial Code amounted to Euro 6,704,116 (previous year: Euro 8,869,578).

Deferred tax assets

The recognized deferred tax assets mainly relate to the revaluation of underwriting reserves, the different fiscal treatment of pension provisions and intangible assets, differences in investment positions due to national and international tax regulations and different accounting principles at foreign branches as well as the existing loss carry-forwards of branch offices. Deferred taxes are calculated at a tax rate of 32.45% with the exception of deferred taxes relating to branch offices. Deferred taxes here are established on the basis of the individual local tax rates of the branches (8.25% - 43.00%)

Excess of plan assets over pension liability

The company had offered a defined contribution pension plan in the past for employees in Cologne under which contributions were made through deferred compensation. At the same time General Reinsurance AG used the contributions to purchase life insurance contracts which guarantee a defined minimum return. The amount of the claim under the insurance policy corresponds to the liability of the company towards its associates.

The following table shows the amounts netted in the balance sheet as at 31 December 2018 according to § 246, section 2 German Commercial Code:

Euro thsd.	
Fair value of plan assets	3,640
Provisions for pensions	-3,640
Total	0

The UK branch has pension plans funded by the company which are managed through trust funds. The table below shows the amounts netted in the balance sheet as at 31 December 2018 according to § 246, section 2 German Commercial Code:

Euro thsd.	
Fair value of plan assets	54,064
Provisions for pensions	-40,064
Total	14,000

Income	0
Expenses	-2,598
Total	-2,598

The acquisition cost of the total plan assets amounted to Euro 32,183,165.

Liabilities

Subscribed capital

The share capital as at 31 December 2018 was composed of 55.000.000 registered no-par shares.

Retained earnings

	Euro	Euro
a) Legal reserve		715,809
b) Other reserves		
Opening balance on 1 January 2018	1,405,208,342	
Contributions from the previous year's profit	0	
Redemption of own shares	0	
Contributions from current year's net income	0	
Ending balance at 31 December 2018		1,405,208,342
		1,405,924,151

Other provisions

	Euro	Euro	Euro
I. Provisions for pensions and similar obligations		235,371,994	215,474,444
II. Tax provisions		265,080,129	118,341,792
III. Sundry provisions			
a) Provisions for currency translation gains	52,187,144		34,834,235
b) Services which have been received but for which accounts have not yet been settled	3,652,344		3,061,336
c) Miscellaneous	115,111,437		53,073,464
		170,950,925	90,969,035
		671,403,048	424,785,271

The miscellaneous other provisions mainly relate to provisions for interests on taxes.

Reinsurance accounts payable

An amount of Euro 4,930 (previous year: Euro 7,524) of the reinsurance accounts payable is attributable to Zillmer adjustments in ceded life reinsurance business.

Sundry liabilities

Liabilities with a maturity of less than one year amounted to Euro 17,407,618 (previous year: Euro 16,497,945).

As at 31 December 2018 there were no liabilities with a maturity of more than five years (previous year: Euro 0).

As at 31 December 2018 no liabilities were secured by pledges or similar rights (previous year: Euro 0).

Deferred items

The deferred items shown under liabilities do not include a balancing item in accordance with § 341 c, section 2 German Commercial Code (previous year: Euro 0).

Non-distributable amounts pursuant to §285 No. 28 German Commercial Code

	Euro	Euro
1. Fair value of assets netted in accordance with § 246 section 2 German Commercial Code	57,704,373	
Less acquisition costs of such assets	32,183,165	
		25,521,208
2. Deferred tax assets in accordance with § 274 German Commercial Code*		387,861,643
3. Difference in pension obligation between 7 and 10 year average interest rate in accordance with § 253 section 6 German Commercial Code		45,736,479
Non-distributable amount as at 31 December 2018		**459,119,329**
Available capital		2,297,720,835
Less non-distributable amount		459,119,329
Amount available for distribution as at 31 December 2018		**1,838,601,506**

*including defered tax assets for 1. according to German Commercial Code § 268, section 8, sentence 3 HGB

Notes to the Income Statement

Claims expenditure net of reinsurance

The underwriting result benefited from the partial release of reserves (Euro 234,027,209) that had been set aside for prior-year catastrophe events, including the 2017 hurricanes, as well as for the World Trade Center losses now that a long-standing case between (re)insurers and several parties involved in the disaster has been settled.

Change in the other underwriting reserves net of reinsurance

	2018 Euro	2017 Euro
a) Net actuarial reserves for life and health policies	19,358,362	-16,319,756
b) Sundry net underwriting reserves	-13,799,924	-5,809,105
	5,558,438	-22,128,861

Minus signs indicate contributions to the reserves.

Insurance business expenditure net of reinsurance

	2018 Euro	2017 Euro
a) Gross insurance business expenditure	801,272,798	705,089,158
b) Less: commission and profit commission on reinsured business	78,087,064	63,446,050
	723,185,734	641,643,108

Sundry underwriting expenses

Sundry underwriting expenses mainly comprise fire protection tax.

Interest on reinsurance funds net of reinsurance

Interest on reinsurance funds net of reinsurance comprises interest on deposits retained on assumed reinsurance business in accordance with § 38, section 1 no. 3 of the Ordinance on the Accounting of Insurance Companies. The disclosure is based on the information provided by cedants; where statements of account were not available, the interest on deposits retained was estimated. The retrocessionaires' share was deducted.

The interest on reinsurance funds is reflected in the transfer of a portion of the investment income from the investment and general income statement to the underwriting income statement.

Investment income

			2018	2017
		Euro	Euro	Euro
a)	Income from participations of which in affiliated companies: Euro 0 (previous year: Euro 0).		1,078,890	1,076,390
b)	Income from other investments of which in affiliated companies: Euro 24,944,426 (previous year: Euro 23,740,138)			
aa)	Income from real estate, rights to real estate and buildings	2,042,774		2,040,621
bb)	Income from other investments	240,186,612		238,996,429
			242,229,386	241,037,050
c)	Appreciation on investments		0	4,667,689
d)	Income from the disposal of investments		35,478,404	97,233,932
			278,786,680	344,015,061

The expenses from negative interest rates were offset against interest income.

Investment expenses

		2018 Euro	2017 Euro
a)	Expenses for the administration of investments, interest expenditure and other investment expenses	4,445,695	4,517,437
b)	Depreciation on investments	339,129,380	1,876,027
c)	Losses from the disposal of investments	12,356,922	21,193,929
		355,931,997	27,587,393

Sundry income

Sundry income mainly relates to income from exchange rate gains of Euro 21,187,474, income from the discounting of other reserves of Euro 9,044,563, income from charging services rendered of Euro 2,366,298 as well as income from the release of bad debt provisions of Euro 1,325,540.

Sundry expenditure

Sundry expenditure mainly comprises interest on taxes of Euro 52,602,548, contributions to interest on pension reserves of Euro 25,483,860 as well as exchange rate losses of Euro 23,331,872.

Tax on income and profit

The profit before taxes was reduced by Euro 108,146,480 (previous year: Euro 142,298,145) due to tax on income. Deferred taxes accounted for an income of Euro 163,068,152 (previous year: Euro 18,765,840).

Details on the Individual Classes of Insurance

		2018 Euro	2017 Euro
Premium income Gross written premiums	Life insurance	1,505,206,940	1,446,923,301
	Health insurance	424,070,072	216,084,297
	General third party liability insurance	150,334,262	112,408,638
	Accident insurance	17,071,192	21,080,625
	Motor insurance	564,308,242	395,884,904
	Marine insurance	41,318,669	35,968,914
	Property insurance	487,315,743	416,151,448
	Engineering insurance	57,835,055	42,586,660
	Sundry classes of insurance	19,239,920	15,486,830
	Total	**3,266,700,095**	**2,702,575,617**

		2018 Euro	2017 Euro
Net earned premiums	Life insurance	1,466,171,625	1,410,288,177
	Health insurance	347,401,745	189,563,135
	General third party liability insurance	113,064,102	87,877,534
	Accident insurance	13,450,884	17,819,461
	Motor insurance	393,142,255	301,845,806
	Marine insurance	31,980,372	23,528,461
	Property insurance	377,015,749	343,789,200
	Engineering insurance	40,783,134	31,367,696
	Sundry classes of insurance	12,922,975	11,614,777
	Total	**2,795,932,841**	**2,417,694,247**

		2018 Euro	2017 Euro
Subtotal before contributions to the equalization reserve and similar reserves net of reinsurance	Life insurance	167,523,686	136,584,114
	Health insurance	3,057,760	5,019,720
	General third party liability insurance	40,400,600	-26,104,035
	Accident insurance	-2,600,748	-2,414,870
	Motor insurance	27,750,663	-16,271,618
	Marine insurance	7,366,203	-6,235,416
	Property insurance	83,930,647	63,025,608
	Engineering insurance	5,684,692	8,822,026
	Sundry classes of insurance	26,008,199	23,280,843
	Total	**359,121,702**	**185,706,372**

		2018	2017
		Euro	Euro
Underwriting result after contributions to the equalization reserve and similar reserves net of reinsurance	Life insurance	167,523,686	136,584,114
	Health insurance	3,057,760	5,019,720
	General third party liability insurance	-4,477,731	-5,918,009
	Accident insurance	-2,655,525	422,713
	Motor insurance	-54,241,857	-28,712,067
	Marine insurance	3,748,864	1,738,300
	Property insurance	119,949,282	56,438,536
	Engineering insurance	4,844,168	16,060,373
	Sundry classes of insurance	11,980,737	21,514,519
	Total	**249,729,384**	**203,148,199**

		2018	2017
		%	%
Combined ratio *) before contributions to the equalization reserve and similar reserves net of reinsurance	Life insurance	88.6	90.3
	Health insurance	99.1	97.4
	General third party liability insurance	64.3	129.7
	Accident insurance	119.3	113.6
	Motor insurance	92.9	105.4
	Marine insurance	77.0	126.5
	Property insurance	77.7	81.7
	Engineering insurance	86.1	71.9
	Sundry classes of insurance	-101.3	-100.4
	Total	**87.2**	**92.3**

*) Underwriting expenses less underwriting income in relation to the earned premiums

		2018	2017
		Euro	Euro
Underwriting reserves net of reinsurance total underwriting reserves	Life insurance	3,233,364,798	3,176,615,741
	Health insurance	264,943,826	99,152,327
	General third party liability insurance	1,428,436,543	1,395,587,570
	Accident insurance	72,378,514	70,559,223
	Motor insurance	3,210,625,594	3,055,225,976
	Marine insurance	117,767,925	112,718,394
	Property insurance	973,561,376	1,018,137,073
	Engineering insurance	188,161,071	172,960,834
	Sundry classes of insurance	213,567,021	217,277,391
	Total	**9,702,806,668**	**9,318,234,529**

		2018 Euro	2017 Euro
Reserves for outstanding claims	Life insurance	3,010,900,120	2,970,659,864
	Health insurance	127,120,017	47,770,094
	General third party liability insurance	1,214,591,725	1,233,844,060
	Accident insurance	71,057,213	69,331,662
	Motor insurance	2,951,090,620	2,932,268,951
	Marine insurance	90,558,717	90,720,892
	Property insurance	580,626,144	601,768,805
	Engineering insurance	135,658,412	127,493,187
	Sundry classes of insurance	114,523,675	134,776,401
	Total	**8,296,126,643**	**8,208,633,916**

Life and health including actuarial reserves

Overall the net run-off result is positive and represents 3.6% (previous year: 1.9%) of the original provision.

		2018 Euro	2017 Euro
Equalization reserve and similar reserves	General third party liability insurance	189,010,346	144,132,015
	Accident insurance	882,965	828,188
	Motor insurance	161,012,899	79,020,379
	Marine insurance	17,739,093	14,121,754
	Property insurance	358,863,121	394,881,756
	Engineering insurance	27,191,575	26,351,051
	Sundry classes of insurance	92,403,080	78,375,618
	Total	**847,103,079**	**737,710,761**

General Information

Employees

In 2018, the company employed an average of 607 staff (previous year: 648), including 218 working for our branch offices abroad (previous year: 220). Furthermore, an average of 111 staff (previous year: 115) was employed at service companies owned by the Gen Re Group.

In contrast to these annual averages, the Executive Board Report contains corresponding information as at the end of the year.

Personnel expenses

		2018 Euro	2017 Euro
1.	Salaries and wages	94,704,862	61,914,949
2.	Statutory social security contributions and expenses for benefits	11,488,312	11,784,681
3.	Expenses for retirement benefits	33,816,622	21,223,448
		140,009,796	94,923,078

The members of the Executive Board receive a fixed annual basic salary and a bonus payment which is based on the company's underwriting result in the previous year. In 2018, the members of the Executive Board were paid a total remuneration of Euro 2,199,463 (previous year: Euro 2,227,428). This amount is broken down as follows: Euro 557,620 (previous year: Euro 549,654) was paid in fixed compensation. Variable compensation amounted to Euro 1,610,956 (previous year: Euro 1,642,500). A reserve had been constituted for this purpose at the end of the previous year. In addition, the members of the Executive Board received other compensation in the form of non-cash benefits, such as the use of a company car and insurance coverage. The monetary benefit associated with such other compensation amounted to Euro 30,887 (previous year: Euro 35,275).

The income from decreasing the pension reserve for active members of the Executive Board amounted to Euro 3,887,119 (previous year: income of Euro 750,521). No loans or advances were granted. The members of the Executive Board do not receive compensation for serving on the supervisory and management committees of Group companies. A reserve has been constituted for benefits owed to members of the Executive Board who left the company.

Payments amounting to Euro 1,507,056 (previous year: Euro 1,496,995) were made to former members of the Executive Board or their dependents. The provisions for pensions payable to such persons as at 31 December 2018 totaled Euro 30,994,498 (previous year: Euro 25,388,123).

Fixed remuneration paid to the members of the Supervisory Board totaled Euro 45,269 (previous year: Euro 44,291).

Shareholdings in our company	General Reinsurance Corporation, Wilmington, Delaware/USA, which is a wholly owned subsidiary of General Re Corporation, Wilmington, Delaware/USA, holds 100 % of the voting share capital of General Reinsurance AG and has informed us of this in accordance with § 20, section 4 German Stock Corporation Act. In relation to this corporation we are a dependent company in accordance with § 17 German Stock Corporation Act. We are thus an affiliate of General Re Corporation and its subsidiaries. General Reinsurance AG is included in the consolidated accounts of General Re Corporation. Berkshire Hathaway Inc., Omaha, Nebraska/USA, has held the majority of shares in General Re Corporation since December 1998, meaning that we are also an affiliate of Berkshire Hathaway Inc. and its subsidiaries. General Reinsurance AG is included in the consolidated accounts of Berkshire Hathaway Inc. These consolidated accounts are on file with the U.S. Securities and Exchange Commission, Washington, DC, USA. Pursuant to the waiver stipulated in § 292 German Commercial Code, General Reinsurance AG does not compile consolidated financial statements. Reference is made to the consolidated accounts of Berkshire Hathaway Inc., which are compiled on a US GAAP basis and – in common with the CSR report – are published in the electronic Federal Gazette.
Audit fees	A total of Euro 1,313,844 (previous year: Euro 1,313,000) was expensed for audit fees in the business year. Expenditure of EUR 227,952 was recognized for other assurance services or other services performed by the auditors (previous year: Euro 0).
Contingent liabilities and other liabilities	We are a member of the Association for the Reinsurance of Pharmaceutical Risks and the Association for the Insurance of German Nuclear Reactors. In the event of one of the other members failing to meet its liabilities, we are required to take over such other member's share within the framework of our mutual participation. Following the dissolution of the German Aviation Pool on 31 December 2003, we are participating in the run-off of the remaining treaty relationships. As at 31 December 2018 there were no accounts payable resulting from contingent liabilities relating to investments (previous year: Euro 0). By way of a letter of comfort we have undertaken to provide the subsidiaries specified below with sufficient financial resources to fulfil their liabilities at all times. The liquidity planning of these companies indicates that positive cash flows will be generated in the following years. Therefore, we do not expect any claims arising out of the letters of comfort. • General Reinsurance Life Australia Ltd., Sydney • General Reinsurance Africa Ltd., Cape Town

As at 31 December 2018, other financial liabilities from leasing agreements amounted to Euro 12,296,480 (previous year: Euro 12,350,540).

No further transactions were effected which are not shown in the balance sheet.

Related party disclosures

A party is defined as related to an entity if the party controls, is controlled by or is under common control with the entity, is able to exert a significant influence over the entity or has joint control over the entity (this includes parent companies, subsidiaries and sister companies).

The immediate parent company is General Reinsurance Corporation incorporated in Delaware/USA. The ultimate controlling entity of the Group is Berkshire Hathaway Inc. incorporated in Nebraska/USA.

As a majority-owned company – and in view of the existing dependency and the absence of a control agreement or profit transfer agreement –, General Reinsurance AG has drawn up a dependent company report on relations with affiliated companies in accordance with § 312 of the German Stock Corporation Act. All business relations with related parties are based upon arm's length principles.

To the extent that reinsurance arrangements were commuted in order to simplify administrative processes, arm's length conditions on the basis of internal and external actuarial opinions were applied.

Contracts for the outsourcing of services and functions were concluded at arm's length conditions according to the Group-wide guideline on transfer pricing. The guideline regulates the principles for the settlement of intercompany services as well as the distinction between chargeable services and stewardship expenses. The guideline further defines the requirements for pricing, invoicing and documentation and thus ensures improved transparency, Group-wide consistency and compliance.

The agreed transfer prices are generally accounted for on a fully absorbed cost basis plus profit margin. Loans, leases and other contractual agreements between related parties are based on arm's length conditions.

With effect from 1 January 2017 we entered into a 20% quota share agreement with our parent company. This covers all property and casualty business written by GRAG, its branches and subsidiaries.

Membership of associations

Our company is a member of the following associations:

- Gesamtverband der Deutschen Versicherungswirtschaft e.V., Berlin,
- Arbeitgeberverband der Versicherungsunternehmen in Deutschland, Munich.

List of Affiliated Companies

	Name and residence	Share %	Shareholders' equity [1] Euro	Business year result [1] Euro
Affiliated companies	General Reinsurance AG - Escritório de Representacao No Brasil Ltda., São Paulo	100	1,105,398	75,864
	General Reinsurance Life Australia Ltd., Sydney	100	112,297,679	2,062,715
	General Reinsurance Africa Ltd., Cape Town	100	110,554,405	17,354,579
	General Reinsurance Beirut S.A.L. (Off-Shore), Beirut	100	506,330	98,778
	General Reinsurance México S.A., Mexico City	100	1,074,923	-25,819
	Gen Re Support Services Mumbai Private Ltd. *)	100	264,311	16,278

	Name and residence	Share %	Shareholders' equity [1] Euro	Business year result [1] Euro
Participations	ARGE FJA, KR BU-System, Munich	50	25,076	15,814
	Triton Gesellschaft für Beteiligungen mbH, Luxemburg [2] **)	19	5,647,399	92,897

[1] Figures taken from last available Annual Report

[2] In liquidation

*) Alternative fiscal year (31 March 2018)

**) preliminary

Supervisory Board

Manfred Seitz
Managing Director
Berkshire Hathaway Group of Insurance Companies
Reinsurance Division – International (Europe), Munich/Germany
Chairman (since 15 February 2018)

Stephen A. Michael
Chief Executive Officer
Resolute Management Services Limited, London/UK
Deputy Chairman (since 15 February 2018)

Sandra Bell
Senior Vice President
Chief Human Resources Officer
General Re Corporation, Stamford, Connecticut/USA

Andrew Gifford (since 21 March 2018)
Senior Vice President
General Counsel
General Re Corporation, Stamford, Connecticut/USA

Thomas Mosakowski*
Regional BCM Coordinator
General Reinsurance AG, Cologne/Germany

Frank Roselieb*
Client Accounting Specialist
General Reinsurance AG, Cologne/Germany

*Employees' representative

Executive Board

Dr. Winfried Heinen
Cologne/Germany
Chairman

Life/Health
Human Resources
Marketing Development & Support

Michael O'Dea
New York City, New York/USA

Finance (Accounting/Controlling/Tax)
Legal/Compliance
Internal Audit
Technology & Operations
Corporate Risk Management
Business Continuity Management

Charles S. Shamieh (since 1 August 2018)
New York City, New York/USA

Property/Casualty
Investments
Actuarial

Achim Bosch (until 30 September 2018)
Odenthal/Germany

Daniel Castillo (until 31 July 2018)
São Paulo/Brazil

Cologne, 1 March 2019

The Executive Board

Dr. Winfried Heinen	Michael O'Dea	Charles S. Shamieh

Independent Auditor's Report

To General Reinsurance AG, Cologne/Germany

Report on the audit of the Annual Financial Statements and of the Management Report

Audit Opinions

We have audited the annual financial statements of General Reinsurance AG, Cologne/Germany, which comprise the balance sheet as at 31 December 2018, the statement of profit and loss for the financial year from 1 January to 31 December 2018, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of General Reinsurance AG, Cologne/Germany, for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the separate non-financial report pursuant to Sections 289b to 289e German Commercial Code (HGB) referred to in the section "Corporate Social Responsibility Reporting" of the management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the separate non-financial report mentioned above.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) Point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the reserve for incurred but not reported (IBNR) claims that we classified as a key audit matter in the course of our audit.

Our presentation of these key audit matters has been structured as follows:

a) description (including reference to corresponding information in the annual financial statements)

b) auditor's response

Reserve for incurred but not reported (IBNR) claims (line of business: nonlife)

a) The outstanding claims reserve includes a reserve for IBNR claims of Euro 6,916 million for claims or events that have transpired as at the balance sheet date but have not been reported until recorded as part of an inventory count. The IBNR claims are to be reported on a lump-sum basis by the Company in accordance with Sec. 341g (2) German Commercial Code (HGB). This measurement is required to also take into account historical experience of the Company in respect of both the number and the related expense of insurance claims that have been reported after the reporting date. In estimating the IBNR claims, the Company uses generally accepted actuarial methods, such as the chain ladder method or the Bornhuetter Ferguson method or the expected loss approach.

The proper measurement of the IBNR claims in the form of a lump-sum estimate depends on the application of an appropriate actuarial method, the parameters used and the assumptions made as well as on one-off effects taken into account. The determination of the IBNR is thus subject to uncertainties of estimation and to judgement, which may result in an under- or overstatement of the IBNR claims reserve influencing the amount of the technical reserves in the financial statements. In addition, the uncertainty of estimation can result in a failure to account for income and expenses on an accrual basis. Overall, this may influence the result of the technical account. Therefore, this matter has been classified as a key audit matter.

Information on the outstanding claims reserve is provided in the notes to the financial statements in the section "Technical Reserves".

b) During our audit we performed, as the basis for our audit, a process analysis followed by an evaluation of the operating effectiveness, design and implementation of relevant controls. Furthermore, we assured ourselves through tests of details on a sample basis of the account settlements with ceding insurers that claims were properly recorded and processed.

As regards the process of the underlying data extraction, we monitored the preparation of the abstract from the data maintenance system as at the reporting date. This also included monitoring the performance of controls as regards completeness and accuracy of the data extraction.

For auditing the computation of the IBNR claims we assign internal experts (actuaries). Our experts recalculate the IBNR claims by means of actuarial methods. Thereby, a range of reasonable IBNR claims results is determined which is derived from appropriate upper and lower limits subject to defined parameters and assumptions. The results of the recalculation are then compared with the IBNR claims determined by the Company.

The assumptions and the parameters, which are taken into account in the actuarial computation of the IBNR of the Company, are reviewed and discussed both with the employees of the actuary function of the Company and assessed and reviewed with objectivity by our internal experts. The quality of the IBNR estimate is reviewed by obtaining an understanding of the actual settlement – also during the year – in the course of time.

Furthermore, the computation and the development of the IBNR are discussed both with the chief actuary and with the Company’s executive directors.

Other Information

The executive directors are responsible for the other information. The other information comprises

- the separate non-financial report pursuant to Sections 289b to 289e German Commercial Code (HGB) referred to in the section “Corporate Social Responsibility Reporting” of the management report, and
- the remaining parts of the Annual Report, with the exception of the audited annual financial statements and management report and our auditor’s report.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the supervisory board on 21 March 2018. We were engaged by the supervisory board on 21 March 2018. We have been the auditor of General Reinsurance AG, Cologne/Germany, without interruption since the financial year 1999.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the supervisory board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Rouven Schmidt.

Düsseldorf/Germany, 6 March 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed: Schenke Wirtschaftsprüfer [German Public Auditor]	Signed: Schmidt Wirtschaftsprüfer [German Public Auditor]

Supervisory Board Report

Dear Sir or Madam,

The Supervisory Board held altogether five meetings in 2018.

At the meetings the Supervisory Board was informed in a detailed and timely manner by the Executive Board about the company's current business policy and, in particular, its underwriting and investment policy. In addition, developments in reinsurance markets, the implementation of corporate policy, the performance of the company's business, the results of individual business units, the development of management expenses and the financial planning were the subject of thorough discussion.

The Executive Board fully satisfied its disclosure and reporting duties to the Supervisory Board and in this regard presented, in particular, the annual planning as well as interim and annual results. The Supervisory Board was informed of all business transactions of major importance.

The other main points of deliberation in the 2018 business year were as follows:

- The Supervisory Board was informed about the major risk management activities in 2018, as in previous years. It received detailed information about the coverage ratios in relation to the Solvency Capital Requirement (SCR) of General Reinsurance AG on a solo and group basis. All material risk management reports were submitted to the members of the Supervisory Board. The Supervisory Board was kept updated on the most significant compliance activities, most notably the project to prepare for the General Data Protection Regulation (GDPR). The compliance function informed the Supervisory Board about legal and regulatory developments and about cooperation with the authorities.
- The Supervisory Board closely followed developments in trade sanction laws in the United States and the European Union in the course of the year and at an extraordinary meeting was provided with comprehensive information about the internal evaluation and the updated Gen Re Group Trade Sanctions Guidelines.
- In addition, the potential implications of Brexit for the company as well as possible steps to mitigate these risks, such as the decision to apply for a third-country branch license, were discussed at the meetings.
- The findings of the audits conducted by the Internal Audit function and its envisaged new focal points were presented to the Supervisory Board and subjected to its assessment.
- The Supervisory Board considered the investment policy at length, including the Master Investment Guidelines and developments in financial markets.
- Contractual matters, remuneration arrangements, bonus payments, the assessment of individual performance as well as new individual targets for the members of the Executive Board were discussed and determined. The collective fit and proper assessment of the Executive Board and the Supervisory Board (by way of self-assessment) as well as the individual fit and proper assessments of the new members of the Executive Board and the Supervisory Board were reviewed and confirmed. In addition, suitable training measures were defined for the Supervisory Board.

Annual Financial Statement, Report on Relations with Affiliated Companies, Executive Board Report

At the meeting on 29 April 2019 the Supervisory Board was informed about the course of business and the results in 2018. The Supervisory Board considered the annual financial statement prepared by the Executive Board and the Executive Board’s report on relations with affiliated companies.

The annual financial statement and the Executive Board Report, including the accounting methods, were audited and given an unqualified audit opinion by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf. The auditors reported to the Supervisory Board on the course and outcome of their audit. Individual focal points of the audit were discussed at length. The annual financial statements, the Executive Board's report on relations with affiliated companies, supplementary financial information and the audit reports of the external auditor were submitted to the Supervisory Board without delay.

After the financial statement and the Executive Board Report had been considered in detail and discussed in the presence of the auditors, the Supervisory Board adopted the annual financial statement and approved the Executive Board Report as submitted.

The Executive Board proposed to the Supervisory Board that it should be recommended to the Ordinary General Meeting that the disposable profit should be carried forward. The Supervisory Board discussed this proposal and approved the recommendation to be put forward to the General Meeting by the Executive Board.

The Executive Board's report on relations with affiliated companies was audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, and certified as follows:

"Based on our audit and assessment in accordance with professional standards, we confirm that the actual disclosures in the report are correct, that the compensation rendered for the legal transactions stated in the report was made at the then prevailing market conditions (arm's length)."

The Supervisory Board examined the report submitted by the Executive Board of and the audit report of the external auditor. Having conducted a critical assessment, it concurred with the auditors' opinion. The Supervisory Board raised no objections to the declaration of the Executive Board at the end of its report on relations with affiliated companies.

The Supervisory Board appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the external auditor for the 2019 business year.

Personalia

Mr. Andrew Gifford joined the Supervisory Board on 21 March 2018.

Mr. Daniel Castillo left the Executive Board of General Reinsurance AG on 31 July 2018. In his capacity as Regional Manager based in Brazil, he remains in charge of Gen Re's property and casualty business in Latin America as well as Spain and Portugal.

Mr. Charles S. Shamieh was appointed as a member of the Executive Board with effect from 01 August 2018.

Mr. Achim Bosch resigned from the Executive Board effective 30 September 2018 and left the company. Mr. Bosch had worked for Gen Re for almost 25 years in various positions, including 10 years of service on the Executive Board of General Reinsurance AG.

Word of Thanks

The Supervisory Board extends its thanks to Mr. Bosch and Mr. Castillo for their valuable contributions to the benefit of General Reinsurance AG as well as for their trusting cooperation during their terms of office on the Executive Board and wishes them every success in the future.

The Supervisory Board would like to thank the Executive Board and the employees of General Reinsurance AG for their commitment, which enabled the company to develop successfully in a challenging business environment.

Cologne, 29 April 2019

Manfred Seitz
(Chairman)

Stephen A. Michael
(Deputy Chairman)

Sandra Bell

Andrew Gifford

Thomas Mosakowski

Frank Roselieb

The people behind the promise®

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