2019 Annual Report
General Reinsurance AG

A Berkshire Hathaway Company

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Key Figures

		2019	2018	2017	2016	2015
Balance sheet data						
Investments	Euro m	12,169.2	11,422.5	11,503.4	11,231.0	11,937.1
thereof: deposits	Euro m	1,663.4	1,653.7	1,662.4	1,629.2	2,255.4
Cash and cash equivalents	Euro m	304.3	337.8	217.3	237.7	207.6
Investments including cash and cash equivalents	Euro m	12,473.5	11,760.3	11,720.7	11,468.7	12,144.7
Shareholders' equity	Euro m	2,707.4	2,353.4	2,624.8	2,396.5	2,407.3
Return on equity	%	14.0	-2.9	11.6	5.8	14.7
Net underwriting reserves	Euro m	10,389.9	9,702.8	9,318.2	9,320.4	10,079.4
Total assets	Euro m	14,209.2	13,156.5	12,778.4	12,430.9	13,220.1
Income statement						
Gross premiums written	Euro m	4,038.9	3,266.7	2,702.6	2,517.4	2,667.3
Life/health	Euro m	2,355.0	1,929.3	1,663.0	1,638.8	1,668.2
Property/casualty	Euro m	1,683.9	1,337.4	1,039.6	878.6	999.1
Net premiums earned	Euro m	3,496.4	2,796.0	2,417.7	2,523.1	2,623.5
Life/health	Euro m	2,236.6	1,813.6	1,599.9	1,607.6	1,631.4
Property/casualty	Euro m	1,259.8	982.4	817.8	915.5	992.1
Underwriting result before change in the equalization reserve	Euro m	356.5	359.1	185.7	161.2	113.3
Life/health	Euro m	184.9	170.6	141.6	159.2	109.6
Property/casualty	Euro m	171.6	188.5	44.1	2.0	3.7
Combined Ratio	%	89.8	87.2	92.3	93.6	95.7
Life/health	%	91.7	90.6	91.1	90.1	93.3
Property/casualty	%	86.4	80.8	94.6	99.8	99.6
Change in the equalization reserve	Euro m	-125.1	-109.4	17.4	-34.8	-23.9
Underwriting result after change in the equalization reserve	Euro m	231.4	249.7	203.1	126.4	89.4
Investment income	Euro m	251.5	-128.1	263.7	161.9	243.1
thereof: current investment income	Euro m	193.3	187.9	184.9	175.4	194.3
thereof: realized gains / losses*	Euro m	58.2	-316.0	78.8	-13.5	48.8
Profit before taxes	Euro m	464.9	45.7	433.5	275.8	350.0
Net income before taxes	Euro m	464.9	45.7	433.5	275.8	350.0
Net income / net loss	Euro m	354.0	-71.1	290.4	138.8	329.9
Dividend	Euro m	0.0	0.0	200.2	62.2	149.6
Employees**		735	714	732	780	804
thereof: in Germany		395	380	404	447	445
Ratings	Standard & Poor's: AA+		A.M. Best: A++		Moody's: Aa1	

*including write-ups and write-downs

**as at 31 December, including staff of General Reinsurance AG employed at service companies

Executive Board Report

Introduction

A subsidiary of Berkshire Hathaway Inc., General Re Corporation (Gen Re) is a holding company that owns General Reinsurance Corporation, 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 not belonging to General Reinsurance AG. With effect from April 2020 General Reinsurance AG will start to write Japanese property/casualty business.

Global insured losses due to natural disasters were much lower in 2019 than in the previous year, with the main events being Hurricane Dorian in North America and the two typhoons Faxai and Hagibis 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 modest losses from Windstorm Eberhard, which mainly impacted Germany in March.

Our underwriting result also benefited from the partial release of reserves for loss events, including catastrophe events, recorded in previous years.

Most lines of business performed favorably. General Reinsurance AG recorded an underwriting profit of Euro 356.5 million before changes in the equalization reserve which is comparable to the previous year (Euro 359.1 million). We added an amount of Euro 125.1 million to the equalization reserve in 2019 (2018: contribution of Euro 109.4 million). After allowance for changes in the equalization reserve, the underwriting result decreased from Euro 249.7 million in 2018 to Euro 231.4 million (-7.3%) 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 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 quantitative easing resumed in November 2019. While equity markets showed significant gains overall in 2019, fears over escalating trade tensions dampened sentiment. Interest rates remained close to historic lows, with significant 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.

In the year under review we recorded positive total investment income of Euro 251.5 million after a loss of Euro 128.1 million in the previous year, which had been driven mainly by substantial write-downs in our equity portfolio. The 2018 result included net realized gains of Euro 23.1 million on the disposal of investments. In 2019 we recorded net losses of Euro 32.5 million from such transactions.

Including the effects of other income and expenses, our net income after tax improved from a loss of Euro 71.1 million in the previous year to a profit of Euro 354.0 million in the year under review.

Macroeconomic Environment and Capital Market Developments

After slowing sharply during the latter part of 2018, the pace of global economic activity remained weak throughout 2019. Manufacturing activity softened to levels not seen since the global financial crisis. While the services sector held up well for most of the year, it too was showing signs of weakness as we approached year-end. With few exceptions, GDP growth was lackluster for most economies in 2019 and global trade has been showing signs of stagnation. Increasing geopolitical risks and trade tariff tensions have exacerbated the uncertainty. There are signs that the cyclical downturn is becoming entrenched. With varying degrees of success, central bank policymakers have tried, through their actions and their words, to mitigate the impacts of these challenges on capital markets.

A remarkable feature of 2019 was the performance of financial assets. Even in the face of the adverse developments described above, almost every financial asset class produced a positive return. Having fared poorly in 2018, global equities, as evidenced by the performance of the MSCI World Index, rose steadily throughout 2019 and reached new all-time highs during the final quarter. Global bond markets also performed strongly with the FTSE World Government Bond Index (WGBI) producing a good positive total return.

Global central bank policy was once again dominated by the US Federal Reserve (Fed) during 2019. With the Fed seeking to normalize its monetary policy and return interest rates to levels that the market might typically expect to see, it had been anticipated that the three rate hikes of 2017 and four rate hikes of 2018 would be followed by further increases in 2019. However, during the early months of 2019 it was becoming evident that inflation remained subdued and economic activity had slowed in the major advanced economies. In addition, trade and technology disputes between the United States and China escalated, culminating in significant new tariffs being imposed on each other's exports in June. Taken together, these factors led to the announcement of an unexpected reversal of Fed policy in January, a move greeted with delight by many market participants and especially by equity markets. The Fed subsequently cut interest rates three times by a quarter percentage point, thereby significantly stimulating financial markets.

Other leading central banks similarly altered their monetary policy stance. The ECB announced a new round of accommodative monetary measures at its meeting in March. ECB President Mario Draghi cited a fall in inflationary expectations and geopolitical concerns relating to trade tariffs which were weighing heavily on exports and the manufacturing sector, both important drivers of growth. The 10-year German bund yields then fell to levels not seen since 2016. The ECB cut its interest rate on the deposit facility by a tenth of a percentage point to -0.50% at its September meeting and, in what was a divisive move among members of the Governing Council, resumed its Quantitative Easing program at the beginning of November with monthly securities purchases of Euro 20 billion.

Throughout his 8-year tenure at the helm of the ECB, Mario Draghi never raised interest rates. He was replaced by former IMF head Christine Lagarde with effect from 1 November 2019. It is expected that she may use her political influence to coax euro area governments to consider fiscal policies to supplement the monetary policy efforts of the ECB. Market participants are increasingly concerned about what options remain for the ECB to act and how a return to regular monetary policy and market interest rates can be achieved. Very early in her tenure, Christine Lagarde announced a strategic review of the ECB and its mandate. The outcome of this unprecedented move is expected during the second half of 2020.

In the UK the Bank of England's policies, although influenced by those of the Fed and ECB, were dominated by Brexit. The Bank of England held interest rates steady throughout the year but towards year-end, as the potentially adverse economic consequences of the UK's leaving the EU neared, it became clear that the Monetary Policy Committee stood ready to reduce rates further. As we entered the transition period that is scheduled to come to an end on 31 December 2020, the focus has shifted to the UK's and EU's trade deal negotiations and the nature of the UK's future relationship with the EU.

Financial Performance

	2019 Euro m	2018 Euro m
Net earned premium	3,496.4	2,795.9
Net underwriting result	231.4	249.7
Total investment income	251.5	-128.1
Other income / expenses	-18.0	-75.8
Taxes	-110.9	-116.9
Net income / net loss	**354.0**	**-71.1**
Shareholders' equity	**2,707.4**	**2,353.4**

In the 2019 financial year we recorded a favorable claims experience overall in both life/health and property/casualty. Although we incurred losses due to Windstorm Eberhard in March and some large individual losses, the volume of large property losses and catastrophe claims was below expectations for our portfolio. In addition, loss reserves established for catastrophe events in prior years developed positively as noted earlier. Including the change in the equalization reserve, the underwriting profit was Euro 231.4 million in 2019 compared to Euro 249.7 million in the previous year. This small reduction was solely due to higher contributions to the equalization reserve this year.

Our investment income closed with a profit of Euro 251.5 million this year, following a loss of Euro 128.1 million in the previous year. The balance of write-ups and write-downs in our equity portfolio was positive in 2019, whereas in the previous year we had incurred substantial write-downs.

Net income consequently improved from a loss of Euro 71.1 million in the previous year to a profit of Euro 354.0 million. Shareholders’ equity increased by 15.0% to Euro 2,707.4 million (previous year: decrease of 10.3% to Euro 2,353.4 million).

Underwriting Result

	2019 Euro m	2019 Combined Ratio	2018 Euro m	2018 Combined Ratio
Net earned premium	3,496.4		2,795.9	
Life/health	2,236.6		1,813.6	
Property/casualty	1,259.8		982.4	
Underwriting result before change in the equalization reserve	356.5	89.8%	359.1	87.2%
Underwriting result after change in the equalization reserve	231.4		249.7	
Life/health	184.9	91.7%	170.6	90.6%
Property/casualty	46.5		79.1	
Underwriting result before change in equalization reserve	171.6	86.4%	188.5	80.8%
Change in equalization reserve	-125.1		-109.4	

Our total net earned premium grew by 25.1% from Euro 2,795.9 million in the previous year to Euro 3,496.4 million. Life/health business increased by 23.3% (2019: Euro 2,236.6 million, previous year: Euro 1,813.6 million). Property/casualty business grew even more strongly by 28.2% from Euro 982.4 million in 2018 to Euro 1,259.8 million in 2019. As in the previous year, we retroceded 20% of this portfolio to our parent company, General Reinsurance Corporation.

We benefited from major growth opportunities in various areas, most notably again in health business in Asia as well as in international motor and property lines. Pleasing growth was also generated in life business and in other property/casualty markets. This was achieved both by securing new clients and by expanding our existing relationships.

Life/health reinsurance closed with another very pleasing underwriting result (2019: Euro 184.9 million, previous year: Euro 170.6 million) and a combined ratio of 91.7% (previous year: 90.6%). The risk experience for mortality and morbidity was favorable overall, even though in disability we observed negative developments in some markets.

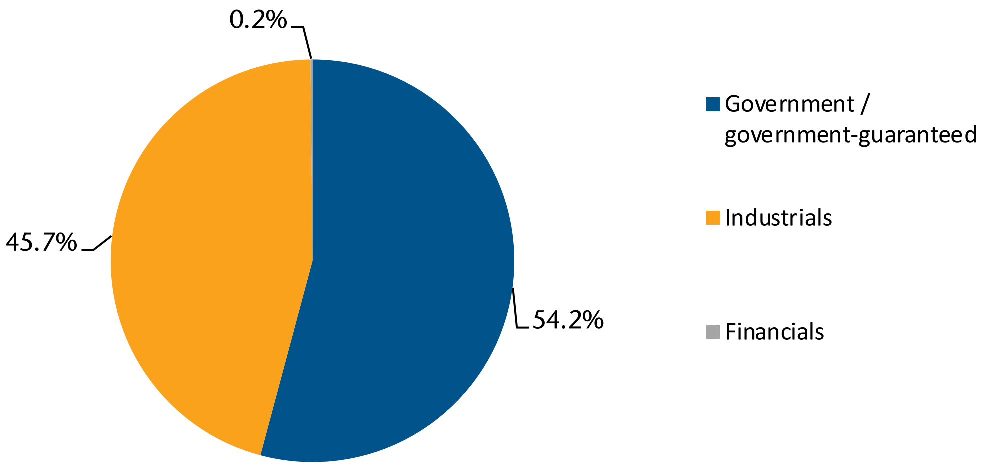
Our business performance in property/casualty reinsurance was very good again, to a large extent due to the favorable development of the loss reserves noted above. It should be borne in mind that a significant proportion of our portfolio is long-tail business which produces initial underwriting losses followed by investment income earned on the reserves in the future. Large loss costs came in below expectations as referred to above. Following an underwriting profit of Euro 188.5 million in 2018, the year under review produced a profit of Euro 171.6 million before changes in the equalization reserve. This equates to a combined ratio of 86.4% (previous year: 80.8%). After allowing for the changes in the equalization reserve we recorded a profit of Euro 46.5 million in 2019 (previous year: Euro 79.1 million).

Investments incl. Cash and Cash Equivalents

		2019		2018
	Euro m	%	Euro m	%
Real estate, rights to real estate and buildings	8.1 €	0.1	8.5 €	0.1
Investments in affiliated companies and participations	777.0 €	7.4	727.4 €	7.4
Equities, investment fund certificates and other non-fixed-income securities	2,275.6 €	21.7	2,443.0 €	25.0
Bearer bonds and other fixed-income securities	7,377.5 €	70.2	6,527.9 €	66.8
Bank deposits	67.6 €	0.6	62.1 €	0.6
Investments, excluding deposits retained on assumed reinsurance business	**10,505.8 €**	**100.0**	**9,768.8 €**	**100.0**
Deposits retained on assumed reinsurance business	1,663.4 €		1,653.7 €	
Total investments	**12,169.2 €**		**11,422.5 €**	
Current accounts with banks, cheques and cash	304.3 €		337.8 €	
Investments including cash and cash equivalents	**12,473.5 €**		**11,760.3 €**	

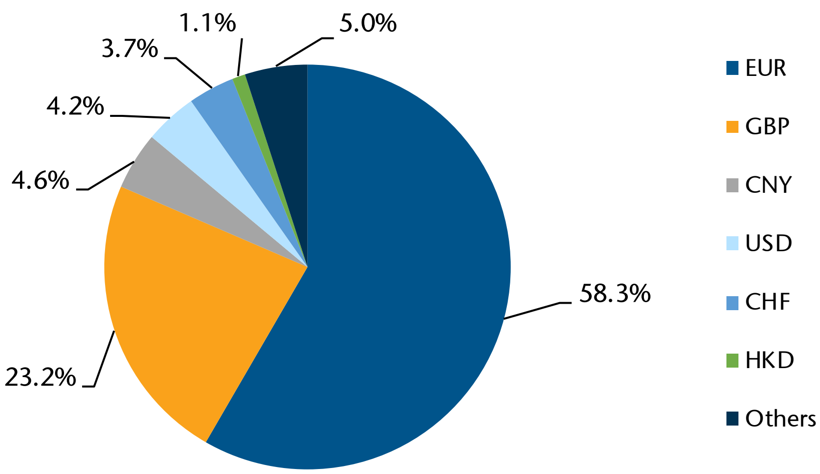
Our investments encompass a balanced portfolio of high-quality, highly liquid fixed-income securities, stocks and loans.

Bond Portfolio



At 17.8%, the equity allocation of our investments excluding deposits retained on assumed reinsurance business was lower than in the previous year (20.9%). We do not hold any sovereign debt from countries on the Eurozone periphery.

Investments by currency



Reflecting the weighting of our underwriting liabilities, the majority (58.3%) of our investments are euro-denominated instruments (previous year: 62.5%), followed by investments held in pound sterling (23.2%, previous year: 21.2%), Chinese yuan renminbi (4.6%, previous year: 3.6%), US dollars (4.2%, previous year: 3.5%), and Swiss francs (3.7%, previous year: 3.9%)

Investment Income

	2019 Euro m	2018 Euro m
Income from participations	1.1	1.1
Income from equities	102.5	99.6
Income from bearer bonds and other fixed-interest securities	64.0	61.5
Interest on reinsurance deposits	55.2	54.5
Income from other investments	26.4	26.6
Less administration costs on investments, interest costs and other investment expenses	4.7	4.4
Less income from technical interest	51.2	51.0
Current investment income	**193.3**	**187.9**
Gains / losses from disposals	-32.5	23.1
Write-ups / write-downs of investments	90.7	-339.1
Total investment income	**251.5**	**-128.1**

Current investment income increased slightly from the previous year's level (Euro 187.9 million) to Euro 193.3 million. In 2019 we booked losses from disposals in the amount of Euro 32.5 million (2018: gains of Euro 23.1million). The remaining balance of write-ups and write-downs was attributable for the most part to the equity portfolio (2019: profit of Euro 90.7 million, previous year: loss of Euro 339.1 million).

Dividends from our equity portfolio increased slightly to Euro 102.5 million (2018: Euro 99.6 million). We generated a return of 0.9% in our bond portfolio (2018: also 0.9%) and a dividend yield of 5.2% in our equity portfolio (2018: 4.5%), hence delivering a total return of 1.8% (2018: 1.9%).

Total investment income excluding technical interest therefore amounted to a profit of Euro 251.5 million in the year under review after a loss of Euro 128.1 million in the previous year.

Other Profit Contributions

Other income/expenses closed with a loss of Euro 18.0 million in 2019 (2018: loss of Euro 75.9 million). The significantly higher loss in the previous year was 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 a decrease of 10.3% in the previous year, which was due to losses recorded in the equity portfolio and a dividend distribution, the shareholders' equity of General Reinsurance AG increased by 15.0% in 2019 to Euro 2,707.4 million.

The net income for the 2019 business year amounts to a profit of Euro 354.0 million. Taking into account the profit carried forward from prior years of Euro 26.3 million, the disposable profit is Euro 380.3 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

As mentioned in the introduction, 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 currently Japanese property and casualty business, which is transacted by related companies within the Gen Re Group. It should be noted that in April 2020 General Reinsurance AG will start to write Japanese property and casualty business.

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 reinsurance.

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 2018. The continuing period of low interest rates in many regions makes it 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 continue to focus their new business activities on protection-type products and saving products which offer only low or even no financial guarantees. The economic environment came under increasing stress for a number of reasons, including global trade disputes. This will likely result in a reduction in disposable incomes, although it is difficult to say whether any impacts on new business were already felt in 2019.

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 very pleasing development in 2019, along with an overall favorable claims experience. At Euro 184.9 million, the underwriting result came in above the level of the previous year (Euro 170.6 million). The risk experience for mortality and morbidity was favorable overall, even though in disability we observed negative developments in some markets.

The combined ratio stood at 91.7%, following 90.6% in 2018. Gross written premiums increased by 22.1% to Euro 2,355.0 million (2018: Euro 1,929.3 million). Net earned premium in life and health insurance increased by 23.3% in the year under review to Euro 2,236.6 million (previous year: Euro 1,813.6 million). Adjusted for exchange rate effects, written premiums increased by 19.2% or 20.4% for gross and net account respectively; in 2018, by contrast, currency impacts were less 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 China and the Middle East. Nevertheless, other markets (Malaysia, Central America, UK) also played a significant part in our growth.

Developments by Classes of Business

Unadjusted for currency effects, gross premium income in **life reinsurance** increased from Euro 1,505.2 million in the previous year to Euro 1,694.9 million in 2019. The year under review closed with a very pleasing underwriting profit of Euro 137.9 million (previous year: Euro 167.5 million). This corresponds to a combined ratio of 91.6% for 2019, after 88.6% in the previous year.

In **health reinsurance** our gross premium increased to Euro 660.1 million (previous year: Euro 424.1 million). Principally thanks to our product development services, we again benefited from growth opportunities in certain Asian markets, most notably China. We recorded a substantially increased underwriting profit of Euro 47.0 million (previous year: Euro 3.1 million). This translates into a combined ratio of 92.2%, after 99.1% 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. In 2018 these so-called additional interest rate reserves were recalibrated, resulting in significant balance sheet relief for life insurers. In light of relevant announcements made by the ECB in September 2019 there is, however, concern that this relief may no longer be available in the near future.

Due to the enormous increase in the cost of traditional financial 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 in 2018. We expect stable premium income for 2019. Market leaders were successful in expanding their unit-linked life insurance portfolios, while other market players face more difficulties growing their business. 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.

In 2019 we were again successful in identifying and pursuing growth opportunities in what was a generally flat market.

We continue to concentrate first and foremost 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. Our expertise in the development of essential disability covers is particularly appreciated by our clients and led to substantial new business in this segment. 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.

The digital transformation remains an important challenge for the insurance industry. 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 retention. We have introduced promising insurtech start-ups to our clients and are jointly exploring opportunities for cooperative ventures.

For quite a while now we have been testing the possibilities of a streamlined underwriting process. In this context we have now developed a prototype application which has generated lively interest among our clients, not only in Germany but also internationally.

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.** The low level of interest rates remains a serious hindrance to the design of attractive products for retirement provision with a promising financial return. 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.

In all European markets new regulations such as the Insurance Distribution Directive, the General Data Protection Regulation, IFRS 17 and projects in areas such as digitalization are absorbing enormous amounts of attention, energy and investment. Companies often lack the motivation and support needed for the development of their business and the necessary distribution channels. Major established players are faced with the twin challenge of making their administration cost-efficient in a customer-friendly way while also generating profitable new business. As a result, new business opportunities have emerged for smaller market entrants. On the one hand, we see MGAs teaming up with risk carriers to develop innovative products. On the other hand, a growing number of closed books are changing hands as business strategies are revised and operations made more cost-efficient.

Years of consolidation have resulted in a high degree of concentration in some European life insurance markets – most strikingly in the Netherlands.

Looking at new business and premium income, we observed rather disparate developments in the European markets. France is showing modest growth, we saw a slight premium reduction for Italy, while many other markets are flat or even contracting. 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 has continued to grow at a stronger pace than the average market growth. We retained our relationships with all our existing clients and were successful in adding some new clients. These new business relationships have been established in a mix of existing business segments, new product lines and insurtechs. Our Protection Pulse study tracking sales in the UK market showed year-on-year market growth of 6% in products for protection against biometric risks. We remain confident that this will open up new opportunities for us going forward.

As far as the potential implications of Brexit are concerned, we have contingency plans in place to deal with any eventualities. We do not expect our business model in the UK to be seriously affected.

In **Asia** the life and health insurance industry continues to enjoy robust growth despite the impact of the US-China trade dispute. Especially in the area of health and illness covers we are seeing vigorous activity. Increasing consumer awareness of the importance of life and health insurance coverage offers us consistent growth opportunities in selected markets, including for example in China, India and Vietnam. However, we are also seeing adverse claims experiences in some portfolios. In such cases we work closely with our clients to address the issues by analyzing the causes and improving the risk management policy and processes as well as by modifying the sales and marketing strategies, where necessary. We do not at present expect the effects of the currently spreading coronavirus (SARS-CoV-2) infections to materially affect the profitability of our business.

Online distribution of life and health insurance products continues to grow in importance in China. Other Asian markets are similarly seeing remarkable developments in online distribution, albeit with limited market shares to date. The trend is increasingly towards generating more synergies between various distribution channels, including online sales. The use of Artificial Intelligence and data analytics to increase market share and improve customer satisfaction remains a hot topic. We work on these topics with various partners and offer solutions to our Asian clients.

In **Latin America** our premium volume once more showed pleasing growth overall. Our portfolio includes a significant portion of group scheme business, such as pension funds and employer schemes. This business tends to be rather volatile volume-wise. We were able to secure a sizeable new treaty in El Salvador and continued to grow our portfolio in the year under review despite losing business in other Latin American markets.

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

Our business in **Africa and Australia** is written by subsidiary companies and impacts our underwriting results only through their retrocessions to General Reinsurance AG. In 2019 the retrocessions from Australia were substantially affected by strengthening of reserves, mainly due to lower interest rates and lower reactivations in disability business.

Overall, the international claims experience was once again favorable. As in our domestic market, we remain very well positioned in international markets based on our pricing models, risk management expertise and range of service offerings. We continue to actively explore the latest developments in Decision Analytics, Predictive Modelling and Behavioral Economics as well as their application 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

Competition remains fierce in reinsurance markets due to continued high levels of available capacity. Rates were generally stable in 2019 despite the margin pressure experienced by the reinsurance market. Nevertheless, in most territories we were able to increase our volume of written premium whilst maintaining our underwriting standards. We have continued to increase our shares with key clients internationally, enabling us to grow our business without materially altering our risk profile. The strongest growth derived from specific client relationships in the UK and Italy as well as from our multinational client base.

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

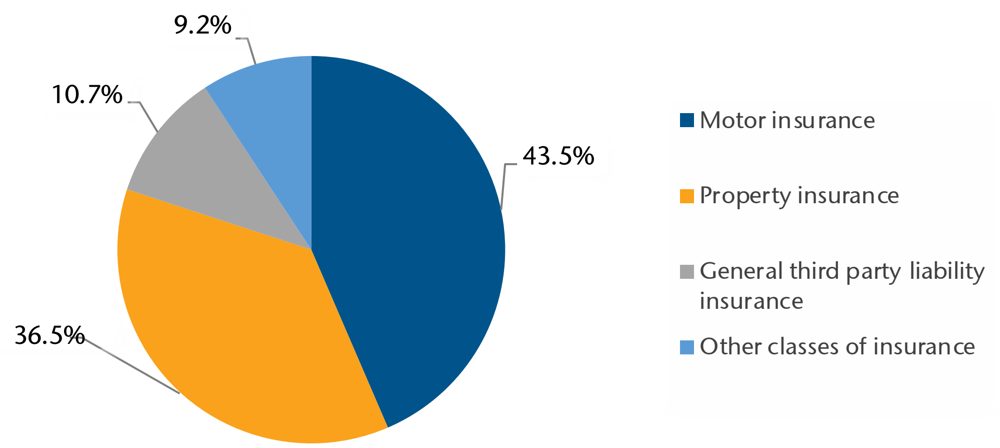
Gross written premium in property and casualty business increased by 25.9% to Euro 1,683.9 million (2018: Euro 1,337.4 million). Adjusted for exchange rate effects, gross written premiums grew by 22.3%.

There were significant prior-year reserve releases from a number of regions, most notably Germany. Most areas of the business performed well, although underwriting results were adversely affected by some large property losses in the UK, South Africa and Latin America. This was more than offset by a lower-than-expected level of natural catastrophe losses in Europe. We also benefited from an improvement in our expense ratio due to the growth in business as well as undiminished rigorous cost discipline. An underwriting result of Euro 171.6 million was achieved before changes in the equalization reserve in 2019 (2018: Euro 188.5 million).

Including changes in the equalization reserve, we generated an overall profit of Euro 46.5 million (2018: Euro 79.1 million). On average, we recorded a slight improvement in the pricing strength of the portfolios renewed in 2019. Our catastrophe exposures rose in the year under review, consistent with our overall premium growth as we maintained a balanced portfolio.

Developments by Classes of Business

The chart below shows the analysis of our gross written premium by major classes of business.



Our gross premium income in **motor insurance** increased by 29.9%, driven mainly by new business in the UK and Italy. The underwriting profit of Euro 42.8 million (2018: profit of Euro 27.8 million) booked before changes in the equalization reserve corresponds to an appreciably improved combined ratio of 92.0% (2018: 92.9%). 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 2019 was attributable to a favorable development of loss reserves established in prior years.

Primary markets in **property insurance** remained highly competitive. Nevertheless, our premium income increased by 26.1% to Euro 614.7 million. Underlying rates on commercial as well as industrial insurance business have increased materially in many territories, leading to more profitable proportional reinsurance opportunities. Similarly, the persistently poor large loss experience has prompted many clients to embark on remediation projects aimed at improving risk selection and reducing exposures to larger risks or insureds that attach less importance to risk management. This, in turn, has created opportunities for us to grow our property facultative reinsurance business in some markets. Major property and catastrophe losses were below expectations for the year, which helped to produce another year of strong underwriting profits for this segment.

We recorded a profit of Euro 75.2 million before changes in the equalization reserve for the property classes in 2019 (previous year: Euro 83.9 million). This translates into a combined ratio of 84.1% (2018: 77.7%).

Our gross written premium in **general liability insurance** increased by 20.1% to reach Euro 180.5 million. This class closed with an underwriting gain of Euro 37.8 million (previous year: gain of Euro 40.4 million) before changes in the equalization reserve. The combined ratio was 72.9% (2018: 64.3%). As in motor insurance, this profit was made possible by the favorable development of reserves set aside for losses from prior years.

Personal accident insurance closed with a profit and our premium income increased by 11.3%. Our premium volume in marine insurance grew moderately in 2019. The result was affected by several large losses. In the **engineering insurance** classes we recorded a premium increase of 13.8% (2018: +35.8%), while the loss experience was positive.

Developments in our major regional markets

Germany

Thanks to strong client loyalty and some success in acquiring new accounts, our business in Germany again developed positively overall in 2019.

Our premium from liability business showed a slight decrease compared to last year. Overall, underwriting results including run-off profits from claims in prior years were satisfactory.

Our premium volume from the German motor insurance market remained stable. The trend in above-average claims inflation continued in 2019, driven by price increases for spare parts but offset by decreasing claims frequency. After the exceptionally low hailstorm losses in the previous year the loss experience normalized again in 2019. Nevertheless, the result of our motor business improved on 2018 due to the positive run-off of losses from prior years.

Some important segments of the primary property insurance market remained fiercely competitive at inadequate pricing levels. Commercial and, most notably, industrial fire insurance are still suffering from inadequate pricing, but there are signs of market hardening.

Losses from natural catastrophes were mainly due to Windstorm Eberhard in March and were in line with our average expectations. In comparison to the previous year, the loss burden of major fire claims decreased somewhat, but the profitability of German property insurance business is still a challenge.

Our premium volume in the engineering insurance classes in Germany remained stable compared to last year. Our result was not impacted by any sizeable losses.

In 2019 the German marine insurance market produced another positive result. Since the few large market losses that occurred this year did not materially affect our business, the results from our book of German marine business were again positive in 2019.

International

In most other **European markets** the impact of losses from natural catastrophe events on our clients was comparatively modest in 2019. The volume of large individual property claims was higher than last year, mainly due to our UK, Latin American and South African operations.

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 two years, we saw some stabilizing effects on both rates and conditions in the European insurance and reinsurance markets in 2019.

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. Since the much-anticipated increase in the discount rate in 2019 turned out to be lower than expected, this is likely to exert upward pressure on insurance and reinsurance rates in 2020. The extent to which we maintain this portfolio for 2020 will depend on the adequacy of those rates. Furthermore, we have seen substantial growth in our **Italian** book, driven by opportunities to support key clients' motor insurance portfolios.

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 remains 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 continued to increase our shares with key clients during 2019.

We vigorously stepped up our activities in the **Dutch** market in the 2019 business year. We were able to write new business across all lines, with particularly appreciable premium growth being achieved in the motor and property insurance segments through several participations in significant proportional and non-proportional programs. Our goal is to further expand our business relationships in this market.

Over the last decade **Latin America** has made impressive strides in economic development, although the recent social unrest in Chile 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 the region's development. We therefore expect business opportunities to improve over time and are ready to act on them.

In 2019 we enjoyed further success in acquiring new business and clients, albeit at a muted pace that reflects market competition and the challenges discussed above. The loss experience was impacted in 2019 by large property losses as well as exposure to the Chilean riots. This was partially offset by the favorable development of prior-year reserves.

Turning to **Asia**, we saw a noticeable increase in opportunities in this region as a result of our marketing efforts and continued close engagement with key target clients. We generated growth in most major countries of this region. However, it must be emphasized that both the primary and reinsurance markets remain extremely competitive. We are nevertheless still optimistic that further attractive business opportunities will open up in view of continuing market growth, both in terms of premium volume and the number of insurance companies.

The international property and casualty business developed well in 2019 and the segment will continue to pursue a 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).

The two major subsidiaries as at the balance sheet date were General Reinsurance Africa Ltd., Cape Town/South Africa, and General Reinsurance Life Australia Ltd., Sydney/Australia.

General Reinsurance Africa Ltd. suffered a large property loss that significantly impacted the gross underwriting result. The subsidiary’s net result was not affected since 100% of its property and casualty business is retroceded to the parent company, General Reinsurance AG.

In contrast to the previous year, General Reinsurance Life Australia Ltd. recorded a considerable underwriting loss in 2019. In 2017 the company had written a very large block of business which involved 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 was retroceded to our US sister company, General Re Life Corporation. This portfolio is now in run-off and the premium income of General Reinsurance Life Australia Ltd. stemming from this transaction has been decreasing since 2019. In the year under review the company substantially increased its reserves, primarily in order to take account of the decline in interest rates but also in response to lower reactivations among recipients of disability pensions. This resulted in an underwriting loss, in which General Reinsurance AG and General Life Corporation also participated by way of retrocessions from General Reinsurance Life Australia Ltd. This was also the reason for a capital increase implemented during 2019.

Our Staff

At the end of the 2019 business year General Reinsurance AG including its staff at service companies employed a total workforce of 735 (21 more than at the end of the previous year), of whom 395 (+15) were based in Germany and 340 (+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 a healthy balance of family and work life as well as opportunities for individual development.

This year we again delivered an international training program aimed at high performers which was very well received. Colleagues from property/casualty, life/health and almost all service units from all over Europe, the Middle East and Africa attended. Participants benefited from an ideal opportunity to learn from each other, exchange ideas, develop their skills as well as build and expand networks.

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 student interns and graduates of these universities.

For the staff at our headquarters in Cologne, we offer an Employee Assistance Program consisting of a confidential external counseling 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. 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. In 2019 the focus continued to be put on data protection and the implementation of the EU General Data Protection Regulation in daily operations. In addition, training in the European Insurance Distribution Directive was delivered to all relevant employees.

We believe that feedback from our employees helps us to identify and prioritize initiatives going forward for a better Gen Re. In order to canvass their views more broadly and solicit more direct and candid feedback, we conducted a global Gen Re employee survey during the summer of 2019. Subsequently, we held a number of town hall meetings at which our senior management discussed, among other topics, the themes addressed in the survey with all employees worldwide. It is envisaged that these global town hall meetings will continue to be held on a quarterly basis throughout 2020.

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 be maintained at least at the level 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. 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 2019 these proportions stood at 22.9% 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 our 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 have implemented 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 the effective functioning of the company's risk management system. It determines the risk strategy, risk appetite and overall tolerance limits and ensures 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 further development of the risk management framework on behalf of the Executive 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 Executive Board and implements the risk management framework at the operating level. Within the risk management system 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.

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 based on our business strategy. It sets out how risks are measured, managed and controlled and specifies our risk appetite and risk tolerances.

Risk Management Process

For the purposes of risk management, we broadly define risk as the threat of potential developments or events negatively impacting our ability to achieve the Company's business goals, continue to operate successfully, preserve our financial strength and reputation, and maintain the quality of our 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:

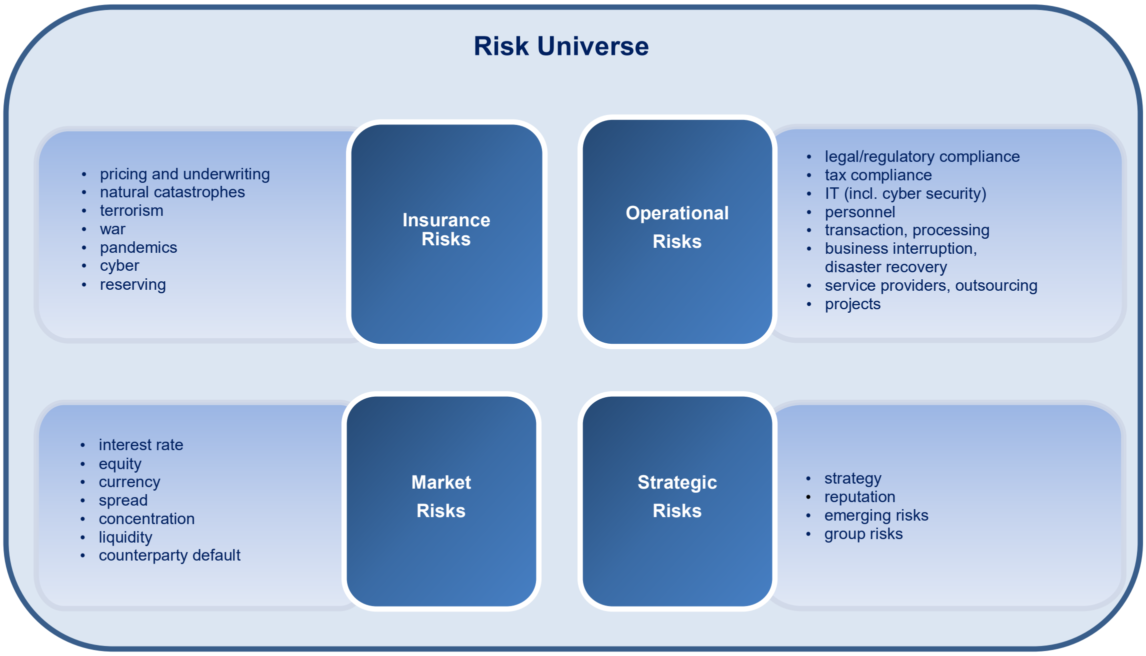
- risk identification,
- risk measurement,
- risk monitoring,
- risk response, and
- risk reporting.

This process is applied globally and includes all legal entities and branches. A key element of this process is the corporate risk library, which has been developed to promote a consistent approach to the definition and identification of risks and to enable effective aggregation of risks across the group. We categorize risks into insurance, market, operational and strategic risks (see chart below).

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

Our global **Internal Audit** unit reviews the effectiveness and efficiency of the internal control system within the scope of its audit mandate. The quality of our risk management processes is therefore independently and regularly assessed 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 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 paragraphs we describe our insurance, market, operational and strategic risks as well as their steering mechanisms.

Insurance Risks

The **pricing and underwriting risk** is the risk that aggregate actual claims amounts may exceed those expected in the underwriting process. In this context, we differentiate between:

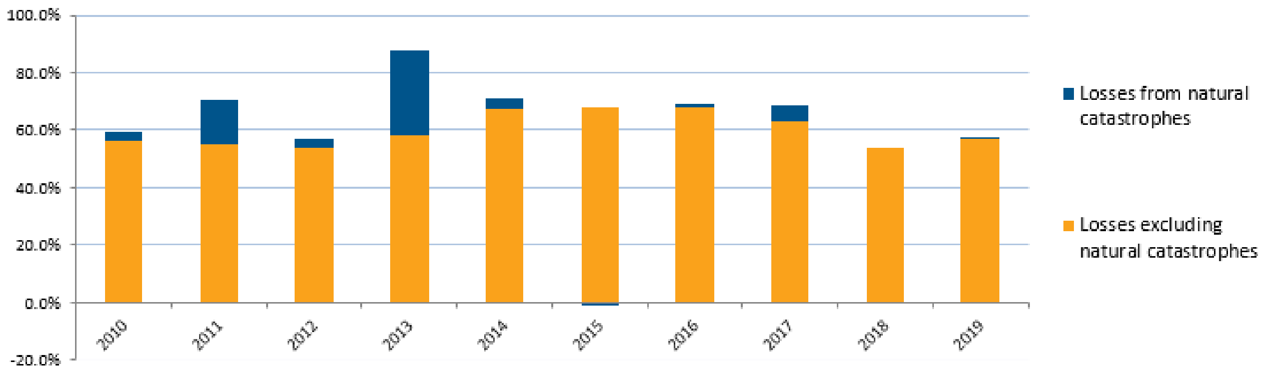
- Risk of random fluctuations as well as pricing model and parameter risk, which can lead to a higher-than-expected claims frequency or severity,
- Large loss accumulation risk caused by a single loss covered by multiple clients or by one event affecting several risks. In the following paragraphs we specifically address natural catastrophes, terrorism, war, pandemic and cyber risks in more detail, but we also 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 appetites and tolerances and through the use of standardized methodologies and software 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 understood. We have risk limits and tolerances in place to manage exposures in different territories.

The **development of our loss ratios (split between natural catastrophe losses and other losses)** over the last ten years is shown below, expressed as percentages of net premiums earned. Partly due to a favorable development of loss reserves, the proportion of natural catastrophe losses in 2019 was only 0.3%. In 2015 and 2018 this proportion was even 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 **terrorism** exposures, but it is a risk that we assume in the course of writing 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 risk may arise in life/health insurance from events such as the spread of serious highly infectious diseases including swine flu, avian flu or pestilence. We regularly consider various scenarios in order to evaluate the potential impact of pandemic events on our portfolio and assess our risk tolerance. In managing this risk, we have implemented appropriate underwriting policy and guidelines, underwriting referrals as well as underwriting reviews.

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. Cyber risks can result from intentional third-party actions as well as human error or technical failure. This remains an evolving challenge and 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 exposures.

Reserving risk is the risk of inadequate reserves resulting from inappropriate methodology and model selection or unanticipated changes in experience connected with external aspects such as biometric, legal and economic factors (e.g. discount factors or inflation). It is controlled by monitoring the underlying business as well as through actuarial reviews, segregation of duties and the principle of dual control in the reserving process.

We consider the reserving process to be a core function of a disciplined reinsurer. We have established a centralized independent reserving function and quarterly reporting procedures. The anticipated ultimate loss ratios are regularly verified and adjusted if necessary, based on updated data. We have generally recorded consistently favorable run-off results in recent years.

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

2019	0.9
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

Market Risks

Our Corporate Investment Policy is designed to ensure that we maintain adequate liquidity at all times to cover our liabilities in conformity 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. They are designed to protect our assets and our return on investment against risks 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, inadequate currency matching,
- **spread risk**: changes in the credit spread above the risk-free interest rate, downgrades in credit quality,
- **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, and
- **counterparty default risk**: bank or other counterparty failure or credit rating downgrades

In view of the prevailing low interest rate environment we aim to maintain the duration of our fixed-income investments below that of the underwriting risks. This significantly reduces the volatility of our investment return as well as the liquidity risk. We also maintain adequate capital to cover the interest rate risk. The performance of the portfolio is regularly analyzed against defined benchmarks and the portfolio undergoes regular stress testing and scenario analyses.

At the balance sheet date, a substantial proportion (25.6% compared to 21.5% at the end of 2018) of the fixed-income securities of General Reinsurance AG was held in top-rated AAA investments; a further 30.0% was held in AA-rated securities (2018: 32.3%).

Our investment guidelines define a specific limit for the **equity allocation** in the portfolio. They also include detailed stipulations for controlling **credit and concentration risks**, such as minimum rating requirements and maximum exposures limits per asset class. The average credit quality of the fixed-income securities held by General Reinsurance AG at year-end 2019 illustrates the high quality of our portfolio.

Equity risks and interest rate risks affecting our investments are monitored by means of various stress tests. In the table below we show an excerpt from the list of scenarios considered and the resulting change in fair value:

Portfolio	Assumptions	Changes in fair value in Euro m
Equities	Price increase of 20%	+527.03
Equities	Price decline of 20%	-527.03
Fixed-income securities	Interest rate rise of 1%	-129.42
Fixed-income securities	Interest rate drop of 1%	+132.41

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

Outstanding receivables and recoverables are regularly monitored on a company-wide basis and provisions are calculated for overdue receivables in accordance with uniform group-wide standards. Targets and measures for dealing with overdue receivables are agreed with the business units, and their enforcement is regularly reviewed. Overdue balances amounted to Euro 31.8 million at year-end (2018: Euro 25.0 million). As in previous years, the default rate in the year under review was negligible.

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

Operational Risks

Operational risks arise from inadequate internal processes or systems, human error 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, processes and controls as well as to propose and implement corrective actions. We manage and control operational risks by means of:

- appropriate policies and processes;
- internal controls including segregation of duties, plausibility checks and avoidance of conflicts of interest;
- regular measures to identify and evaluate operational risks;
- effective quarterly monitoring and reporting procedures; and
- appropriate testing and documentation.

Our goal is to continuously improve our risk awareness and risk culture on the operational level. This is also supported by the Internal Audit Function, which assists senior management and, in particular, the Board by independently reviewing the application and effectiveness of 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 a regular assessment; this is facilitated, in particular, by qualitative discussions intended to increase risk awareness and ensure that effective controls are in place to minimize exposures. We differentiate between the following strategic risks:

Strategy

The company’s response to new opportunities is critical to the successful 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 the company's position and performance capability over the long term. In view of our profit-oriented underwriting policy, our robust pricing and monitoring systems as well as our strong consulting expertise and software offerings, we consider ourselves to be well positioned for continued success in the development of our business.

Reputation

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

In addition, we have adopted a Code of Conduct setting out our position on corporate integrity and values. This is an initiative established by Berkshire Hathaway, our ultimate parent company. Our associates worldwide 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 losses resulting from a newly developing or changing situation (political, economic, social, technological, legal, regulatory, tax, environmental, etc.) that could have a material impact on the company’s operations but which may not yet be fully understood or difficult to quantify and may not even yet be considered in contract terms and conditions, pricing, reserving, operations or capital management procedures.

We identify and evaluate emerging risks as part of the annual group-wide Own Risk and Solvency Assessment (ORSA) process. Developments are monitored regularly by our Global Emerging Risk Working Group.

Intra-Group Risks

Intra-group risks arise from the potential financial failure of an affiliated company and the possible adverse impact on the company in terms of growth, costs and/or regulatory implications. We control this risk through active management of our branches and subsidiaries and the application of appropriate limits of authority for each operational unit. With respect to the wider intra-group risk related to our parent companies and other Berkshire Hathaway affiliates, we consider this risk to be extremely remote due to the financial strength of Gen Re and the Berkshire Hathaway groups.

Solvency II Reporting and Major Factors Influencing Opportunities and Risks

Solvency II reporting consists of both annual and quarterly Quantitative Reporting Templates (QRTs), the Regular Supervisory Report (RSR) as well as the Solvency and Financial Condition Report (SFCR). These 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 General Reinsurance AG, we have been granted permission by the Federal Financial Supervisory Authority (BaFin) to prepare and publish a "Single SFCR" covering both the solo and group position. 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 2019 had not been completed as at the date of this report. For the fourth quarter of 2019 the solvency ratio amounted to 203% for General Reinsurance AG on a stand-alone basis.

Additional details of our company's 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 the Solvency II results at year-end 2019 for General Reinsurance AG will be published on 7 April, while the Single SFCR for the General Reinsurance AG Group will be available on 19 May 2020.

In addition to regulatory developments in Europe, we continuously 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" will become effective on 1 January 2022. It will introduce some fundamental changes in the accounting treatment, measurement and disclosure of insurance and reinsurance contracts. It 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 to address the new requirements.

Following Brexit at the end of January 2020, we continue to monitor developments and decisions being made that affect the operation and regulation of (re)insurance markets. We believe that we have appropriate plans in place to deal with any changes that will be implemented in the future.

The low interest rate environment remains a major factor influencing the entire insurance industry. Both sides of the balance sheet are affected. While we are adversely affected by diminishing returns on our investments, the impact is somewhat dampened by the relatively short duration of our investment portfolio. Further, the implications for the valuation of our liabilities 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 monitor interest rate changes closely and respond where appropriate by adjusting our reserves accordingly. 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 ideally 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 long-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 limits.

At this point in time, we are not aware of any developments that could have a significant adverse impact on General Reinsurance AG's assets, financial position or net income. In particular, we do not at present expect the effects of the coronavirus infections to materially affect the profitability of our business.

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 the General Reinsurance AG Group. In April 2020 General Reinsurance AG will begin writing Japanese property and casualty business. Above and beyond traditional reinsurance products we offer a comprehensive range of services, including actuarial advice, product development, underwriting and claims management in individual life insurance and software offerings. We continue to systematically adopt a profit-oriented underwriting policy. Our underwriting know-how and our pricing and monitoring systems are continuously refined and updated. Our strong consulting expertise is held in high regard by clients at home and abroad.

In life/health insurance we anticipate modest growth in our gross premium income for 2020. 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 ultimately expect gross premium in 2020 to come in at a similar level to 2019. We have been able to develop some new client relationships and increase our participations in existing business, though to a lesser extent than in the previous year. 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.

Last year, global economic growth fell to its lowest level since 2008/09. A slight improvement is expected for 2020, mainly due to a forecasted increase in economic output in a number of emerging markets. Potential impacts of the coronavirus epidemic cannot yet be assessed. However, given the uncertainty of forecasts, particularly with regard to the expected slowdown in the USA and China, a significant reduction in global economic development is not entirely unlikely. Tensions between the US and China have eased somewhat following agreements reached at the end of the year.

In Europe, the ECB took new measures in 2019 in response to the deteriorating economic outlook. As explained in the Capital Market Development section, its interest rate on the deposit facility was reduced by 10 basis points to -0.50%, and the quantitative easing programme was restarted in November with monthly asset purchases of Euro 20 billion. The Fed lowered its key interest rate by 25 basis points to 1.50% - 1.75%. Increasing geopolitical risks are adding another element of uncertainty to the markets. The shape of the EU's future relations with the UK post-Brexit will become clearer in the course of 2020.

Financial markets will continue to closely monitor the potential impact of protectionist trade policies on global growth, investment and corporate earnings.

In view of the continued expansive monetary policy and the resulting persistently low level of interest rates with reduced reinvestment yields, we are expecting a slightly lower investment income for 2020.

Compared to 2019, we anticipate a stable level of underwriting and total operating profits in 2020, 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 our pricing expectations. We anticipate moderately increased gross premium income overall in original currency for 2020.

Corporate Social Responsibility Reporting

General Reinsurance AG is compiling a 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 2020.

Balance Sheet as at 31 December 2019

Assets			2019	2018
		Euro	Euro	Euro
A. Intangible assets				
	I. Internally created industrial property rights and similar rights and assets	3,246,488 €		0
	II. Concessions, industrial property rights and similar rights and assets acquired against payment as well as licenses to such rights and assets	51,094 €		29,820
			3,297,582	29,820
B. Investments	I. Real estate, rights to real estate and buildings	8,087,476		8,472,295
	II. Investments in affiliated companies and participations	777,017,220		727,376,867
	III. Other investments	9,720,708,766		9,032,938,850
	IV. Deposits retained on assumed reinsurance business	1,663,430,116		1,653,709,212
			12,169,243,578	11,422,497,224
C. Receivables	I. Reinsurance accounts receivable of which from affiliated companies: Euro 63,260,922 (previous year: Euro 10,197,352) of which from participations: Euro 5,698,994 (previous year: Euro 3,352,076)	1,142,648,121		901,002,783
	II. Sundry receivables of which from affiliated companies: Euro 2,022,118 (previous year: Euro 1,143,971) of which from participations: Euro 7,378 (previous year: Euro 2,380)	95,802,455		26,946,203
			1,238,450,576	927,948,986
D. Sundry assets	I. Property, plant and equipment and inventories	6,700,506		5,927,926
	II. Current accounts with banks, cheques and cash	304,300,463		337,840,701
			311,000,969	343,768,627
E. Deferred items	I. Deferred interest	63,927,784		59,720,318
	II. Other deferred items	513,476		632,559
			64,441,260	60,352,877
F. Deferred tax assets			407,577,569	387,861,643
G. Excess of plan assets over pension liability			15,221,655	14,000,000
Total assets			14,209,233,189	13,156,459,177

Liabilities

				2019	2018
		Euro		Euro	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		26,338,788		97,461,386
	V. Net income/net loss for the year		354,005,344		-71,122,597
				2,707,441,987	2,353,436,644
B. Underwriting reserves	I. Unearned premiums				
	1. Gross amount	767,660,626			560,475,992
	2. Less: reinsured portion	81,259,360			51,675,492
			686,401,266		508,800,500
	II. Actuarial reserves for life and health policies				
	1. Gross amount	1,762,382,223			1,768,806,959
	2. Less: reinsured portion	51,408,076			54,536,385
			1,710,974,147		1,714,270,574
	III. Reserve for outstanding claims				
	1. Gross amount	7,410,061,738			6,916,008,034
	2. Less: reinsured portion	481,115,390			334,151,965
			6,928,946,348		6,581,856,069
	IV. Equalization reserve and similar reserves		972,156,404		847,103,079
	V. Other underwriting reserves				
	1. Gross amount	91,440,214			50,813,212
	2. Less: reinsured portion	25,117			36,766
			91,415,097		50,776,446
				10,389,893,262	9,702,806,668
C. Other provisions				600,077,954	671,403,048
D. Deposits retained on assumed reinsurance business				27,179,917	31,427,773

					2019	2018
			Euro	Euro	Euro	Euro
E. Other liabilities	I.	Reinsurance accounts payable of which to affiliated companies: Euro 160,945,951 (previous year: Euro 105,403,214)		475,909,653		379,584,191
	II.	Sundry liabilities of which taxes: Euro 2,873,862 (previous year: Euro 2,035,086) of which social security: Euro 1,394,189 (previous year: Euro 2,516,274) of which to affiliated companies: Euro 1,636,147 (previous year: Euro 8,754,065)		8,352,310		17,407,618
					484,261,963	396,991,809
F. Deferred items					378,106	393,235
Total liabilities					14,209,233,189	13,156,459,177

Income Statement

		Euro	Euro	2019 Euro	2018 Euro
I. Underwriting Account	1. Earned premiums net of reinsurance				
	a) Gross premiums	4,038,906,319			3,266,700,095
	b) Retrocession premiums	382,008,755			296,640,197
			3,656,897,564		2,970,059,898
	c) Change in gross unearned premiums	-190,022,897			-198,001,872
	d) Change in the reinsurers' share of the gross unearned premiums	-29,540,209			-23,874,815
			-160,482,688		-174,127,057
				3,496,414,876	2,795,932,841
	2. Interest on reinsurance funds net of reinsurance			50,197,566	50,067,559
	3. Sundry underwriting income net of reinsurance			1,341,856	1,219,648
	4. Claims expenditure net of reinsurance				
	a) Claims payments				
	aa) Gross amount	2,249,432,975			1,727,177,100
	bb) Reinsurers' share	126,696,952			91,500,879
			2,122,736,023		1,635,676,221
	b) Change in the reserve for outstanding claims				
	aa) Gross amount	339,017,184			253,121,681
	bb) Reinsurers' share	145,740,488			122,993,085
			193,276,696		130,128,596
				2,316,012,719	1,765,804,817
	5. Change in the other underwriting reserves net of reinsurance			-18,979,958	5,558,438
	6. Expenditure relating to profit- and non-profit-related premium refund net of reinsurance			-878,317	183,709
	7. Insurance business expenditure net of reinsurance			852,730,151	723,185,733
	8. Sundry underwriting expenses net of reinsurance			4,632,643	4,482,525
	9. Subtotal			356,477,144	359,121,702
	10. Change in the equalization reserve and similar reserves			-125,053,324	-109,392,318
	11. Underwriting result net of reinsurance			231,423,820	249,729,384
II. Investment and general account	1. Investment income of which from affiliated companies: Euro 25,196,793 (previous year: Euro 24,944,426)	343,772,746			278,786,680
	2. Investment expenses	41,097,912			355,931,997
			302,674,834		-77,145,317
	3. Underwriting interest on reinsurance funds		-51,156,102		-50,989,586
				251,518,732	-128,134,903
	4. Sundry income		51,332,815		36,403,651
	5. Sundry expenditure		69,327,824		112,266,333
				-17,995,009	-75,862,682
	6. Profit before taxes			464,947,543	45,731,799
	7. Tax on income and profit		108,703,741		108,146,480
	8. Other taxes		2,238,458		8,707,916
				110,942,199	116,854,396
	9. Income/loss after taxes			354,005,344	-71,122,597

Notes to the Financial Statement

Development of assets items A and B I. to III. in the 2019 business year			Book values previous year Euro	Exchange rate gains/losses Euro
Asset items	A. Intangible assets			
	1	Internally generated industrial property rights and similar rights and assets	0	0
	2	Concessions, industrial property rights and similar rights and assets acquired against payment as well as licenses for such rights and assets	29,820	0
	3	Total A.	29,820	0
	B. I.	Real estate, rights to real estate and buildings including buildings on foreign real estate	8,472,295	0
	II.	Investments in affiliated companies and participations		
	1	Shares in affiliated companies	67,594,184	0
	2	Loans to affiliated companies	634,800,000	0
	3	Participations	24,982,683	0
	4	Total B II.	727,376,867	0
	III.	Other investments		
	1	Equities, investment fund certificates and other non-fixed-income securities	2,442,958,699	23,603,693
	2	Bearer bonds and other fixed-income securities	6,527,860,052	134,980,104
	3	Sundry fixed-term securities		
		a) Notes and loans	21,044	740
	4	Bank deposits	62,054,080	650,569
	5	Sundry investments	44,975	0
	6	Total B III.	9,032,938,850	159,235,106
Total			**9,768,817,832**	**159,235,106**

Acquisitions Euro	Disposals Euro	Write-ups Euro	Write-downs Euro	Book values business year Euro
3,246,488	0	0	0	3,246,488
36,225	0	0	14,951	51,094
3,282,713	0	0	14,951	3,297,582
0	0	0	384,819	8,087,476
49,640,353	0	0	0	117,234,537
0	0	0	0	634,800,000
0	0	0	0	24,982,683
49,640,353	0	0	0	777,017,220
0	282,394,126	91,490,042	0	2,275,658,308
3,735,654,623	3,020,606,988	0	423,468	7,377,464,323
0	21,784	0	0	0
4,870,236	0	0	0	67,574,885
0	33,725	0	0	11,250
3,740,524,859	3,303,056,623	91,490,042	423,468	9,720,708,766
3,793,447,925	**3,303,056,623**	**91,490,042**	**823,238**	**10,509,111,044**

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 statement 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.

In accordance with §248 section 2 German Commercial Code internally created intangible assets were capitalized and valued at production costs.

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.

Equities, investment fund certificates, bearer bonds and other fixed-income securities were carried at acquisition cost. Shares and bearer bonds which we acquired in several tranches were 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 equities, investment fund 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.

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 deposit receivables were estimated.

Receivables and other assets

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

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

Fixed assets were valued at purchase cost less write-downs based on the economic useful life.

Low-value items for which the purchase costs less input VAT were lower than Euro 800 were 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 immateriality and merely minor changes.

Current accounts with banks, cheques and cash as well as other sundry receivables were 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 were calculated using the temporary concept. The company 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

The balances in respect of pension assets and liabilities relate to both defined benefit pension plans and also insurance policies purchased as part of a defined contribution plan. 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 in respect of the defined benefit plans were recognized at fair value. Creditors of the company are unable to access these assets by way of individual enforcement measures or insolvency.

The amounts receivable under insurance policies correspond to the liability of the company towards its associates. Furthermore, the fair values of investments in respect of the insurance policies were determined on the basis of market prices and stock exchange quotations.

Liabilities

Underwriting reserves

The provisions of §§ 341e to 341h German Commercial Code were 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 were established 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 established 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 was 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 was 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 were generally constituted in line with our contractual arrangements with our cedants.

Sundry liabilities

Deposits and reinsurance accounts payable were 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 were 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 2.71% was determined by extrapolating the rates published by the German Bundesbank until 31 October 2019 in accordance with § 253, section 2 of the German Commercial Code to 31 December 2019 using the method prescribed by the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungs-verordnung).

In addition, a rate of compensation increase of 2.50%, pension indexation rate 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 42,057,575.

In accordance with § 253, section 1 sentence 2 of the German Commercial code the other reserves were 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 were 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 were converted into euros at the mean rates of exchange as at the balance sheet date. The exchange profits or losses were 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 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 €	2019	2018
Australian Dollar	0.6240	0.6176
British Pound	1.1743	1.1099
Chinese Yuan Renminbi	0.1287	0.1278
Danish Krone	0.1338	0.1339
Hong Kong Dollar	0.1159	0.1120
Japanese Yen	0.0082	0.0079
South Korean Won	0.0008	0.0008
South African Rand	0.0634	0.0604
Swiss Franc	0.9200	0.8846
Singapore Dollar	0.6653	0.6388
US Dollar	0.9023	0.8773

Appropriation of profit

The 2019 business year closed with a net profit after taxes of Euro 354,005,344. Taking into account the profit of Euro 26,338,788 carried forward from prior years, the disposable profit totals Euro 380,344,132. The Executive Board of General Reinsurance AG proposes to the Supervisory Board that the disposable 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. Equities, investment fund 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) Registered bonds
	a) Notes and loans
	5. Bank deposits
	6. Sundry investments
	7. Total III.
Total	

*) The fair values of real estate and buildings were calculated in 2016 for Financial Year 2018 and in 2019 for Financial Year 2019

		2019			2018
Book value	**Fair value**	**Valuation reserve**	**Book value**	**Fair value**	**Valuation reserve**
8,087,476	28,300,000	20,212,524	8,472,295	23,800,000	15,327,705
117,234,537	312,155,614	194,921,077	67,594,184	219,611,598	152,017,414
634,800,000	705,861,240	71,061,240	634,800,000	688,056,600	53,256,600
24,982,683	25,162,076	179,393	24,982,683	25,180,698	198,015
777,017,220	1,043,178,930	266,161,710	727,376,867	932,848,896	205,472,029
2,275,658,308	3,011,979,432	736,321,124	2,442,958,699	2,858,052,381	415,093,682
7,377,464,323	7,414,912,166	37,447,843	6,527,860,052	6,559,271,492	31,411,440
0	0	0	0	0	0
		0			0
0	0	0	0	0	0
0	0	0	21,044	21,044	0
67,574,885	67,574,885	0	62,054,080	62,054,080	0
11,250	39,009	27,759	44,975	87,917	42,942
9,720,708,766	10,494,505,492	773,796,726	9,032,938,850	9,479,486,914	446,548,064
10,505,813,462	**11,565,984,422**	**1,060,170,960**	**9,768,788,012**	**10,436,135,810**	**667,347,798**

Assets

Intangible assets

In accordance with § 285 number 22 of the German Commercial Code internally created intangible assets accounted for an amount of Euro 3,246,488 (previous year: Euro 0).

The total research and development expenses of the financial year 2019 amounted to Euro 4,342,163.

Real estate and buildings

The book value of the real estate and buildings utilized by the company was Euro 8,087,476 (previous year: Euro 8,472,295).

Other investments

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 of the German Commercial Code.

The book value of participations for which no write-down was taken was Euro 24,884,818 (previous year: Euro 24,884,818). The fair value of these participations amounted to Euro 24,106,275 (previous year: Euro 24,106,275).

As at 31 December 2019 no additional payment obligations existed in respect of the recognized share capital (previous year: Euro 0).

The book value of equities for which a write-down was taken was Euro 116,159,833 (previous year: Euro 389,435,847). The fair value of these equities amounted to Euro 114,631,855 (previous year: Euro 373,650,194). 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.

Non-permanent impairments amounting to Euro 0 (previous year: Euro 338,588,713) were recognized on equities in the area of securities allocated to fixed assets in the business year just ended.

In the area of securities classified as fixed assets a write-up was made according to § 253, section 5 German Commercial Code on equities amounting to Euro 91,490,042 (previous year: Euro 0). No write-up was recognized on other investments according to § 253, section 5 of the German Commercial Code in the business year just ended (previous year: Euro 0).

The book value of the investment fund certificates relate to a special fund for which no write-down was taken was Euro 403,769,000 (previous year: Euro 403,769,000). The fair value of the securities invested in the fund amounted to Euro 402,042,490 (previous year: Euro 404,348,080).

The investment fund 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 402,042,490 (previous year: Euro 404,348,080), the book value is Euro 403,769,000 (previous year: Euro 403,769,000). No distribution was made for the business year (previous year: Euro 0).

In all above-mentioned cases a permanent impairment was not to be expected because the financial standing of the issuers was not in doubt.

The book value of the bearer bonds for which no write-down was taken was Euro 2,021,444,150 (previous year: Euro 3,362,704,218). The fair value of these bonds amounted to Euro 2,018,153,167 (previous year: Euro 3,351,569,511).

Write-downs of Euro 423,468 (previous year: Euro 155,848) were taken in the year under review on fixed-income securities assigned to current assets.

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).

The amount of the write-downs omitted under § 341 b, section 2 of the German Commercial Code in conjunction with § 253, section 3 of the German Commercial Code totaled Euro 7,324,014 (previous year: Euro 27,698,903); it was attributable in an amount of Euro 1,527.978 (previous year: Euro 15,785,653) to equities, in an amount of Euro 1,726,510 (previous year: Euro 0) to investment certificates relating to a special fund and in an amount of Euro 778,453 (previous year: Euro 778,453) to participations as well as in an amount of Euro 3,290,983 (previous year: Euro 11,134,707) to fixed-income securities.

Investments amounting to Euro 331,597,270 (previous year: Euro 320,673,874) have been deposited with cedants as security for reinsurance liabilities or were administered for us on a trustee basis.

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 2019 or 2018.

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

No derivative financial transactions were entered into in 2019 or 2018. As at 31 December 2019 and 31 December 2018 there were no outstanding foreign exchange forward transactions.

Deposits retained on assumed reinsurance business

Of these, deposits receivable from affiliated companies accounted for Euro 40,897,908 (previous year: Euro 21,883,722).

Reinsurance accounts receivable

An amount of Euro 17,976,732 of the reinsurance accounts receivable is attributable to Zillmer adjustments in assumed life reinsurance business (previous year: Euro 19,425,239).

Sundry receivables

The item "Sundry receivables" primarily shows tax receivables from revenue authorities of Euro 84,200,692 as well as receivables from interest on taxes of Euro 4,309,278, receivables from security deposits of Euro 3,514,236 and receivables from affiliated companies of Euro 2,022,118.

Receivables with a maturity of more than one year in accordance with § 268, section 4 German Commercial Code amounted to Euro 66,332,029 (previous year: Euro 6,704,116).

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. 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 2019 according to § 246, section 2 of the German Commercial Code:

Euro thsd.	
Fair value of plan assets	3,554
Pension fund liabilities	-3,554
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 2019 according to § 246, section 2 of the German Commercial Code:

Euro thsd.	
Fair value of plan assets	60,081
Provisions for pensions	-44,859
Total	15,222

Income	5,188
Expenses	-1,495
Total	3,693

The acquisition cost of the total plan assets amounted to Euro 32,097,448.

Liabilities

Subscribed capital

The share capital as at 31 December 2019 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 2019	1,405,208,342	
Contributions from the previous year's disposable profit	0	
Withdrawals in the current year	0	
Contribution from current year's net income	0	
Closing balance on 31 December 2019		1,405,208,342
		1,405,924,151

Other provisions

			2019	2018
		Euro	Euro	Euro
I.	Provisions for pensions and similar obligations		258,782,326	235,371,994
II.	Tax provisions		193,041,928	265,080,129
III.	Sundry provisions			
	a) Provisions for currency translation gains	45,173,673		52,187,144
	b) Services which have been received but for which accounts have not yet been settled	2,738,230		3,652,344
	c) Miscellaneous	100,341,796		115,111,437
			148,253,699	170,950,925
			600,077,954	671,403,048

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

Reinsurance accounts payable

An amount of Euro 0 (previous year: Euro 4,930) 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 8,352,310 (previous year: Euro 17,407,618).

As at 31 December 2019 there were no liabilities with a maturity of more than five years (previous year: Euro 0).

As at 31 December 2019 no liabilities were secured by pledges or similar rights (previous year: Euro 0).

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

	Euro	Euro
1. Internally created intangible assets	3,246,488	
less deferred tax liabilities established thereon	0	
		3,246,488
2. Fair value of assets netted in accordance with § 246 section 2 German Commercial Code	63,635,029	
Less acquisition costs of such assets	32,097,448	
		31,537,581
3. Deferred tax assets in * accordance with § 253 section 6 German Commercial Code		407,577,569
4. Difference in pension obligation between 7- and 10-year average interest rate in accordance with § 253 section 6 German Commercial Code		42,057,575
Non-distributable amount as at 31 December 2019		**484,419,213**
Available capital		2,651,726,178
less non-distributable amount		484,419,213
Amount available for distribution as at 31 December 2019		**2,167,306,965**

*including deferred tax liabilities for 2. pursuant to § 268, section 8, sentence 3 German Commercial Code (HGB)

Notes to the Income Statement

Claims expenditure net of reinsurance

Overall, the impact of major losses and natural catastrophes was below our expectations. The positive run-off from losses in previous years also contributed to the positive result.

Change in the other underwriting reserves net of reinsurance

	2019 Euro	2018 Euro
a) Net actuarial reserves for life and health policies	21,624,174	19,358,362
b) Sundry net underwriting reserves	-40,604,131	-13,799,924
	-18,979,958	5,558,438

Minus signs indicate contributions to the reserves.

Insurance business expenditure net of reinsurance

	2019	2018
	Euro	Euro
a) Gross insurance business expenditure	957,228,908	801,272,798
b) Less: commission and profit commission on reinsured business	104,498,757	78,087,064
	852,730,151	723,185,734

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.

Sundry underwriting expenses

Sundry underwriting expenses mainly comprise fire protection tax.

Investment Income

		2019 Euro	2018 Euro
a)	Income from participations of which in affiliated companies: Euro 0 (previous year: Euro 0)	1,071,390	1,078,890
b)	Income from other investments of which in affiliated companies Euro 25,196,793 (previous year: Euro 24,944,426)		
aa)	Income from real estate, rights to real estate and buildings	2,162,931	2,042,774
bb)	Income from other investments	245,921,865	240,186,612
		248,084,796	242,229,386
c)	Write-ups on investments	91,490,041	0
d)	Income from the disposals of investments	3,126,519	35,478,404
		343,772,746	**278,786,680**

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

Investment expenses

	2019 Euro	2018 Euro
a) Expenses for the administration of investments, interest expenditure and other investment expenses	4,712,527	4,445,695
b) Write-downs on investments	808,287	339,129,380
c) Losses from the disposal of investments	35,577,098	12,356,922
	41,097,912	355,931,997

Sundry income

Sundry income mainly relates to income from exchange rate gains of Euro 30,364,853, income from interest on taxes of Euro 9,156,571, income from the discounting of other reserves of Euro 3,779,509, income from the release of bad debt provisions of Euro 3,330,888 as well as income from charging services rendered of Euro 2,438,592.

Sundry expenditure

Sundry expenditure mainly comprises contributions to interest on pension reserves of Euro 28,346,461 and exchange rate losses of Euro 13,753,483. Interest on taxes amounted to Euro 836,966 compared to Euro 52,602,548 in the previous year.

Tax on income and profit

The profit before taxes was reduced by Euro 108,703,741 (previous year: Euro 108,146,480 due to tax on income. Deferred taxes accounted for income of Euro 19,715,926 (previous year: Euro 163,068,152).

Details on the Individual Classes of Reinsurance

		2019 Euro	2018 Euro
Premium income **Gross written premiums**	Life insurance	1,694,939,125	1,505,206,940
	Health insurance	660,066,901	424,070,072
	General third party liability insurance	180,541,893	150,334,262
	Accident insurance	19,004,505	17,071,192
	Motor insurance	733,071,620	564,308,242
	Marine insurance	42,409,406	41,318,669
	Property insurance	614,663,929	487,315,743
	Engineering insurance	65,844,160	57,835,055
	Sundry classes of insurance	28,364,780	19,239,920
	Total	**4,038,906,319**	**3,266,700,095**

		2019 Euro	2018 Euro
Net earned premiums	Life insurance	1,635,099,851	1,466,171,625
	Health insurance	601,473,439	347,401,745
	General third party liability insurance	139,320,253	113,064,102
	Accident insurance	15,256,477	13,450,884
	Motor insurance	536,760,044	393,142,255
	Marine insurance	32,816,751	31,980,372
	Property insurance	472,410,710	377,015,749
	Engineering insurance	43,756,435	40,783,134
	Sundry classes of insurance	19,520,916	12,922,975
	Total	3,496,414,876	2,795,932,841

		2019 Euro	2018 Euro
Subtotal before change in the equalization reserve and similar reserves net of reinsurance	Life insurance	137,906,192	167,523,686
	Health insurance	47,016,467	3,057,760
	General third party liability insurance	37,827,411	40,400,600
	Accident insurance	2,145,559	-2,600,748
	Motor insurance	42,819,283	27,750,663
	Marine insurance	8,961,900	7,366,203
	Property insurance	75,241,581	83,930,647
	Engineering insurance	-3,798,060	5,684,692
	Sundry classes of insurance	8,356,811	26,008,199
	Total	**356,477,144**	**359,121,702**

		2019 Euro	2018 Euro
Underwriting result after change in the equalization reserve and similar reserves net of reinsurance	Life insurance	137,906,192	167,523,686
	Health insurance	47,016,467	3,057,760
	General third party liability insurance	32,650,501	-4,477,731
	Accident insurance	755,608	-2,655,525
	Motor insurance	-68,417,848	-54,241,857
	Marine insurance	4,073,332	3,748,864
	Property insurance	62,422,491	119,949,282
	Engineering insurance	2,757,168	4,844,168
	Sundry classes of insurance	12,259,909	11,980,737
	Total	**231,423,820**	**249,729,384**

		2019 %	2018 %
Combined ratio *) before change in the equalization reserve and similar reserves net of reinsurance	Life insurance	91.6	88.6
	Health insurance	92.2	99.1
	General third party liability insurance	72.9	64.3
	Accident insurance	85.9	119.3
	Motor insurance	92.0	92.9
	Marine insurance	72.7	77.0
	Property insurance	84.1	77.7
	Engineering insurance	108.7	86.1
	Sundry classes of insurance	57.2	-101.3
	Total	**89.8**	**87.2**

*) Underwriting result in relation to the earned premiums

		2019 Euro	2018 Euro
Underwriting reserves net of reinsurance	Life insurance	3,349,875,380	3,233,364,798
	Health insurance	377,647,728	264,943,826
	General third party liability insurance	1,456,668,526	1,428,436,543
	Accident insurance	73,775,165	72,378,514
	Motor insurance	3,557,946,636	3,210,625,594
	Marine insurance	117,333,956	117,767,925
	Property insurance	1,047,332,347	973,561,376
	Engineering insurance	204,708,637	188,161,071
	Sundry classes of insurance	204,604,887	213,567,021
	Total	**10,389,893,262**	**9,702,806,668**

		2019 Euro	2018 Euro
Reserves for outstanding claims net of reinsurance	Life insurance	3,074,318,170	3,010,900,120
	Health insurance	170,227,805	127,120,017
	General third party liability insurance	1,231,457,706	1,214,591,725
	Accident insurance	71,057,523	71,057,213
	Motor insurance	3,129,318,111	2,951,090,620
	Marine insurance	84,090,190	90,558,717
	Property insurance	622,224,591	580,626,144
	Engineering insurance	149,754,924	135,658,412
	Sundry classes of insurance	107,471,475	114,523,675
	Total	**8,639,920,495**	**8,296,126,643**

Life and health reserves include actuarial reserves

Overall, the net run-off result is positive and represents 1.3% (previous year: 3.6%) of the original provision.

		2019 Euro	2018 Euro
Equalization reserve and similar reserves	General third party liability insurance	194,187,255	189,010,346
	Accident insurance	2,272,916	882,965
	Motor insurance	272,250,030	161,012,899
	Marine insurance	22,627,661	17,739,093
	Property insurance	371,682,213	358,863,121
	Engineering insurance	20,636,347	27,191,575
	Sundry classes of insurance	88,499,982	92,403,080
	Total	**972,156,404**	**847,103,079**

General Information

Employees

In 2019 the company employed an average of 612 staff (previous year: 607), including 220 working for our branch offices abroad (previous year: 218). Furthermore, an average of 118 staff (previous year: 111) was employed at service companies.

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

Personnel expenses

		2019	2018
		Euro	Euro
1.	Salaries and wages	87,963,396	94,704,862
2.	Statutory social security contributions and expenses for benefits	11,807,803	11,488,312
3.	Expenses for retirement benefits	30,550,491	33,816,622
		130,321,690	140,009,796

The total remuneration granted to members of the Executive Board in 2019 includes fixed annual basic salary and bonus payments, intra-group allocations of remunerations and benefits. The members of the Executive Board were granted a total remuneration of Euro 2,428,494 (previous year: Euro 2,199,463). This amount is broken down as follows: Euro 1,360,632 was paid for fixed salary and intra-group allocations. Variable compensation amounted to Euro 1,023,750, which is based on the company's underwriting result in the previous year. 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 benefits, such as the use of a company car and insurance coverage and those resulting from deferred tax liabilities. The monetary benefit associated with such other compensation amounted to Euro 44,112.

The expense from increasing the pension reserve for active members of the Executive Board amounted to Euro 250,113 (previous year: income of Euro 3,887,119). 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 1,476,038 (previous year: Euro 1,507,056) were made to former members of the Executive Board or their dependents in the 2019 business year. The provisions for pensions payable to such persons as at 31 December 2019 totaled Euro 33,024,326 (previous year: Euro 30,994,498).

Fixed remuneration paid to the members of the Supervisory Board totaled Euro 45,436 (previous year: Euro 45,269).

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 of the German Stock Corporation Act. In relation to this corporation we are a dependent company in accordance with § 17 of the

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 of the 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.

Important differences between the regulations of the German Commercial Code (HGB) and US GAAP

Reinsurance business

- US GAAP requires acquisition costs to be deferred; this is not permitted by the German Commercial Code (HGB) (§ 248 HGB).
- The equalization reserve and provision for major risks required by German accounting principles are not included as reserves under US GAAP, since they do not involve liabilities to third parties at the balance sheet date. This gives rise, on the one hand, to higher shareholders' equity and, on the other hand, to greater volatility in the result for the period recognized under US GAAP.
- For the purpose of measuring the loss reserves US GAAP permits portfolio measurement. This contrasts with the principle of individual measurement required under German commercial law. In addition, under US GAAP the reserve is to be established in accordance with the best estimate principle, whereas HGB expressly requires prudent measurement (§ 252 HGB).
- The reinsurance recoverables on the loss reserves are shown as an asset under US GAAP and are not deducted from the loss reserves.
- Under US GAAP the premium income in life insurance is reduced by the savings elements – only the premiums collected to cover the technical risk are recognized under premium income. Actuarial reserves established in the balance sheet are netted with funds held by ceding companies, insofar as netting is contractually permissible.

Investments

- The measurement of investments excluding equity positions at fair values as well as the open recognition of unrealized gains and losses in the asset classes in group shareholders' equity under US GAAP run contrary to the cost method specified in § 253 HGB. The same applies to the measurement of equity positions at fair values as well as the open recognition of unrealized gains and losses in this asset categoryin the consolidated income statement under US GAAP (ASU 2016-01).
- Investment funds (Spezialfonds) are entities that must be consolidated under US GAAP. Through inclusion of these investment funds in the consolidated financial statements the securities held within the funds are treated as direct holdings (look-through accounting). This means that income and expenses are recognized in the consolidated financial statement at the time of their accrual, whereas the provisions of German commercial law are geared to the time of distribution.
- Under US GAAP investments are written down if the impairments are not temporary. This contrasts with the depreciation rules of the German Commercial Code, under which an asset allocated to current assets is to be measured at acquisition cost or at the value on the balance sheet date if this is lower (§ 253 HGB). Under the rules of § 341b HGB securities allocated to long-term assets are to be written down

only in the event of permanent impairment. What is more, when measuring the impairment to be taken on units in investment funds (Spezialfonds) the German Commercial Code requires that portfolio effects be recognized, while the consolidation of investment funds under US GAAP results in the measurement of individual instruments.

- The provisions of German commercial law require write-ups to be made on investments up to cost of acquisition. Such write-ups are not permissible under US GAAP.

Other provisions

- Under the German Commercial Code pension provisions are discounted according to the Act on the Modernization of Accounting Law (BilMoG) on a flat basis using an average market interest rate determined by the German Bundesbank (§ 253 HGB) and assuming a term to maturity of 15 years. Under US GAAP the discount rate is geared to long-term bonds of high-quality issuers.
- Under the German Commercial Code provisions with a term to maturity of more than one year are discounted using the average market interest rate of the past seven business years according to their term to maturity (§ 253 HGB). The discount rates are determined by the German Bundesbank. Such discounting is not permitted under US GAAP.

Currency translation

- The principle of functional currencies under ASC 830 results in parts of the translation gains / losses being recognized in equity under US GAAP.
- Based on the German imparity principle, unrealized exchange losses are to be recognized in income, whereas exchange gains may only be recognized upon realization. In accordance with US GAAP exchange gains and losses are recognized in the period of accrual.

Audit fees

A total of Euro 1,390,000 (previous year: Euro 1,313,844) was expensed for audit fees in the business year. No expenditure was incurred in 2019 for other assurance services or other services performed by the auditors (previous year: Euro 227,952).

The fees for auditing services provided by Deloitte GmbH Wirtschaftsprüfungsgesellschaft mainly related to the audit of the annual financial statements and the reporting package in accordance with the instructions of the group auditor as well as statutory extensions of the engagement.

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 2019 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 future years. Therefore, we do not expect any claims arising out of the letters of comfort.

- General Reinsurance Life Australia Ltd., Sydney/Australia
- General Reinsurance Africa Ltd., Cape Town/South Africa

As at 31 December 2019, other financial liabilities from leasing agreements amounted to Euro 12,252,134 (previous year: Euro 12,296,480).

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 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 General Reinsurance AG, 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 registered office	Share %	Shareholders' equity [1] Euro	Business year result[1] Euro
Affiliated companies	General Reinsurance AG - Escritório de Representacao no Brasil Ltda., São Paulo	100	1,353,489	140,090
	General Reinsurance Life Australia Ltd., Sydney	100	158,094,660	-6,156,165
	General Reinsurance Africa Ltd., Cape Town	100	138,449,266	16,820,845
	General Reinsurance Beirut S.A.L. (Off-Shore), Beirut	100	655,143	127,447
	General Reinsurance México S.A., Mexico City	100	1,039,383	-76,201
	Gen Re Support Services Mumbai Private Ltd. [2] *	100	218,957	-53,546

	Name and registered office	Share %	Shareholders' equity[1]	Business year result[1]
Participations	ARGE FJA, KR BU-System, Munich	50	41,798	31,722
	Triton Gesellschaft für Beteiligungen mbH, Luxemburg [2]	19	5,551,835	-55,357
	Nürnberger Beteiligungs-Aktiengesellschaft, Nürnberg	3	696,420,448	63,641,985

[1] Figures taken from last available Annual Report

[2] In liquidation

*) Different fiscal year (31 March 2019)

Supervisory Board

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

Stephen A. Michael
Chief Executive Officer
Resolute Management Services Limited, London/UK
Deputy Chairman

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

Andrew Gifford
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

Andrew Michael D'Arcy (since 1 May 2019)
London/UK

Property/Casualty

Michael O'Dea
London/UK

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

Charles S. Shamieh
New York City, New York/USA

Investments
Actuarial
Global Marketing & Client Communications

Cologne, 5 March 2020

The Executive Board

Dr. Winfried Heinen

Andrew Michael D'Arcy

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 2019, and the statement of profit and loss for the financial year from 1 January to 31 December 2019, 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 2019. In accordance with the German legal requirements, we have not audited the content of the non-financial report pursuant to Sections 289b to 289e German Commercial Code (HGB) referred to in the section "Corporate Social Responsibility Report" of the management report nor the content of the statement on the quota for women pursuant to Section 289f (1) No. 4 HGB included in the section "Our Employees" 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 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 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 nor the disclosures concerning the quota for women.

Pursuant to Section 322 (3) sentence 1 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 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Stand-ards 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 Regula-tion. 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 signifi-cance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual fi-nancial 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 (Nonlife business line) that we determined as a key audit matter in the course of our audit.

Our presentation of this key audit matter has been structured as follows:

a) description (including reference to corresponding information in the annual financial state-ments)

b) auditor's response

Reserve for incurred but not reported (IBNR) claims (Nonlife business line)

a) The outstanding claims reserve includes a reserve for IBNR claims of mEUR 7,410 for claims or events that have transpired as at the balance sheet date but have not been reported un-til recorded as part of an inventory count. The IBNR claims reserve is to be reported on a lump-sum basis by the Company in accordance with Section 341g (2) 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 reserve, the Company uses general-ly 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 reserve in the form of a lump-sum estimate is dependent 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 claims reserve 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 annual 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 "Technical Reserves" section.

b) During our audit we conducted, 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 ac-count 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 reserve we assign internal experts (actuaries). Our experts recalculate the IBNR claims reserve by means of actuarial methods. Thereby, a range of reasonable results of the IBNR claims reserve is determined which is derived from appropriate upper and lower limits subject to defined parameters and as-sumptions. The results of the recalculation are then compared with the IBNR claims reserve determined by the Company.

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

Furthermore, the computation and the development of the IBNR claims reserve are dis-cussed both with the Company's chief actuary and executive directors.

Other Information

The executive directors are responsible for the other information. The other information com-prises

- the separate non-financial report pursuant to Sections 289b to 289e HGB referred to in the "Corporate Social Responsibility Report" section of the management report,
- the statement on the quota for women pursuant to Section 289f (1) No. 4 HGB referred to in the section "Our Employees" in the management report, and
- all 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 Fi-nancial 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 Ac-counting 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 le-gal 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 man-agement report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 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 judgement 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 ex-ists 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 pro-spective 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 the audi-tor'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 29 April 2019. We were engaged by the supervisory board on 29 April 2019. 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 Holger Höhndorf.

Düsseldorf/Germany, 6 March 2020

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Signed: Höhndorf	Signed: Hoppe
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Supervisory Board Report

Dear Sir or Madam,

The Supervisory Board held three meetings in 2019.

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 its underwriting and investment policy. In addition, developments on international 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 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 2019 business year were as follows:

- The Supervisory Board was informed about the major risk management activities in 2019, 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 upcoming changes to the Solvency II requirements were another topic of discussion for the Supervisory Board.
- The Supervisory Board was kept updated on the most significant compliance activities, most notably the implementation of the General Data Protection Regulation (GDPR) and compliance with trade sanctions. The compliance function informed the Supervisory Board about legal and regulatory developments and about cooperation with the relevant authorities. In particular, the Supervisory Board was informed about the focal points of the BaFin audit conducted on a routine basis.
- The Executive Board informed the Supervisory Board about organizational changes intented to increase efficiency by centralizing core functions and to address regulatory requirements across the different jurisdictions in which General Reinsurance AG operates.
- The Supervisory Board was informed about strategic IT initiatives, for example the development of a new Life/Health system to be used for underwriting, claims management, individual policy administration and data analytics.
- Throughout the year the Supervisory Board was continuously kept abreast of Brexit developments and the potential implications for the company.
- 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 assessment of the new member of the Executive 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 28 April 2020 the Supervisory Board was informed about the course of business activities and results in 2019. 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 statement, the Executive Board's report on relations with affiliated companies, supplementary financial information and the audit report of the external auditor were submitted to the Supervisory Board without delay.

After the annual 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 remaining 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 and 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 Executive Board's report on relations with affiliated companies 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 auditors for the 2020 business year.

Personalia

Mr. Andrew Michael D'Arcy was appointed to the Executive Board with effect from 1 May 2019.

Word of Thanks

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, 28 April 2020

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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