2020 Annual Report
General Reinsurance AG

A Berkshire Hathaway Company

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Key Figures

		2020	2019	2018	2017	2016
Balance sheet data						
Investments	Euro m	12,631.1	12,169.2	11,422.5	11,503.4	11,231.0
thereof: deposits	Euro m	1,702.9	1,663.4	1,653.7	1,662.4	1,629.2
Cash and cash equivalents	Euro m	324.1	304.3	337.8	217.3	237.7
Investments including cash and cash equivalents	Euro m	12,955.2	12,473.5	11,760.3	11,720.7	11,468.7
Shareholders' equity	Euro m	2,800.4	2,707.4	2,353.4	2,624.8	2,396.5
Return on equity	%	3.4	14.0	-2.9	11.6	5.8
Net underwriting reserves	Euro m	10,565.7	10,389.9	9,702.8	9,318.2	9,320.4
Total assets	Euro m	14,690.7	14,209.2	13,156.5	12,778.4	12,430.9
Income statement						
Gross premiums written	Euro m	4,213.5	4,038.9	3,266.7	2,702.6	2,517.4
Life/health	Euro m	2,558.8	2,355.0	1,929.3	1,663.0	1,638.8
Property/casualty	Euro m	1,654.7	1,683.9	1,337.4	1,039.6	878.6
Net premiums earned	Euro m	3,752.8	3,496.4	2,796.0	2,417.7	2,523.1
Life/health	Euro m	2,507.8	2,236.6	1,813.6	1,599.9	1,607.6
Property/casualty	Euro m	1,245.0	1,259.8	982.4	817.8	915.5
Underwriting result before change in the equalization reserve	Euro m	14.9	356.5	359.1	185.7	161.2
Life/health	Euro m	138.6	184.9	170.6	141.6	159.2
Property/casualty	Euro m	-123.7	171.6	188.5	44.1	2.0
Combined Ratio	%	99.6	89.8	87.2	92.3	93.6
Life/health	%	94.5	91.7	90.6	91.1	90.1
Property/casualty	%	109.9	86.4	80.8	94.6	99.8
Change in the equalization reserve	Euro m	120.6	-125.1	-109.4	17.4	-34.8
Underwriting result after change in the equalization reserve	Euro m	135.5	231.4	249.7	203.1	126.4
Investment income	Euro m	117.0	251.5	-128.1	263.7	161.9
thereof: current investment income	Euro m	152.0	193.3	187.9	184.9	175.4
thereof: realized gains / losses*	Euro m	-35.0	58.2	-316.0	78.8	-13.5
Profit before taxes	Euro m	152.4	464.9	45.7	433.5	275.8
Net income before taxes	Euro m	152.4	464.9	45.7	433.5	275.8
Net income / net loss	Euro m	92.9	354.0	-71.1	290.4	138.8
Dividend	Euro m	0.0	0.0	0.0	200.2	62.2
Employees**		758	735	714	732	780
thereof: in Germany		393	395	380	404	447
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 property/casualty business, which is transacted by another affiliate within the Gen Re Group that does not belong to General Reinsurance AG. With effect from April 2020 General Reinsurance AG started to write Japanese property/casualty business.

The Covid-19 pandemic had a substantial impact on our business in 2020. In addition to the need to increase our reserves for reported and expected claims, we faced reduced volumes of attractive business in a number of markets as well as lower dividend and interest income resulting from weaker economic conditions

Global insured losses from natural disasters were higher compared to more recent years. However, regarding our own portfolio, losses from catastrophic events as well as large individual losses were in line with expectations. Our underwriting result benefited from the partial release of reserves established for loss events in prior years.

General Reinsurance AG recorded an underwriting profit of Euro 14.9 million before changes in the equalization reserve, well below the level of the previous year (Euro 356.5 million). We released an amount of Euro 120.6 million from the equalization reserve in 2020 (2019: contribution of Euro 125.1 million). After allowance for changes in the equalization reserve, the underwriting result decreased from Euro 231.4 million in 2019 to Euro 135.5 million (- 41.5%) in the year under review.

Market conditions in 2020 were heavily impacted by the Covid-19 pandemic. In our property/casualty business, we saw some strengthening of rates as well as suitable modifications of terms and conditions, although this was largely limited to property lines.

The first quarter of the year saw significant volatility in global capital markets in response to the pandemic and the subsequent interventions of national governments and central banks. The expansionary monetary policy pursued by central banks in the form of further cuts in their key interest rates and the continuation or resumption of quantitative easing programs resulted in yet lower interest rates. After a sharp sell-off when the pandemic first took hold, stock markets recovered significantly over the course of the year.

Interest rates languished close to their all-time 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 life insurance products with savings components.

In the year under review we recorded total investment income of Euro 117.0 million compared to Euro 251.5 million in the previous year. This reduction was driven by write-downs in our equity portfolio under German accounting standards, whereas in the previous year we had made substantial write-ups.

Including the effects of other income and expenses, our net income after tax came in at a profit Euro 92.9 million in the year under review, after a profit of Euro 354.0 million in the previous year.

Macroeconomic Environment and Capital Market Developments

Reflecting extraordinary patterns of underlying economic growth, financial markets experienced significant volatility during 2020. These movements were triggered by the outbreak of the Covid-19 virus pandemic.

The year began with considerable optimism. With interest rates considered stable and geopolitical trade tensions easing, the prospects for global economic activity in 2020 looked rosy. The US Federal Reserve (Fed) was expected to ease monetary conditions further in 2020 in order to avert an economic slowdown. Even the specter of 'Brexit Day' on 31 January 2020, when the UK was to begin its process of formally exiting the EU, could not derail the optimism.

Financial markets took little notice of an announcement by the World Health Organization (WHO) on New Year's Eve to the effect that a mysterious pneumonia was sickening dozens of people in China, nor of subsequent reports of cases right across Asia. The United States reported its first case on 21 January, but it was only on 27 January that global financial markets really began to take notice. At the time markets' fears were focused on Asia and the resulting weakness that might befall export-oriented western economies. It took almost another month and widespread infection throughout Europe for markets to come to the realization that they were facing a global crisis of potentially epic proportions. As volatility soared, equities sold off aggressively with safe-haven assets including selected short-dated government bonds and gold benefitting.

During the first quarter governments around the world set about imposing restrictions on physical contacts, thereby hampering economic activity. The economic consequences of these containment measures were immediate and immense. Throughout Europe GDP growth declined significantly during the first quarter and plummeted in the second quarter. In the first quarter of 2020, GDP decreased by 3.3% in the EU. In the second quarter of 2020, still struggling with protective measures put in place to fight Covid-19, seasonally adjusted GDP decreased by 11.4%. These were the sharpest fall on record. The decline was particularly pronounced in countries with service-led economies. As restrictions were eased, a recovery took hold across the EU during the third quarter and GDP increased by 11.5% compared to the previous quarter.

As it became clear that the Covid-19 outbreak was a potent threat to economic stability, central banks acted swiftly by cutting interest rates and upscaling quantitative easing (QE) programs. The European Central Bank (ECB) set up a Pandemic Emergency Purchase Programme (PEPP) which supplemented the existing ECB asset-purchase schemes. In the US, the Fed cut rates to near-zero and greatly expanded its balance sheet, with the scale of asset purchases of over US$7 trillion dwarfing those of the 2008 financial crisis (US$2.25 trillion). The Bank of England cut its base rate to 0.10%, a historic low, and massively increased the scale of its QE program. The moves by the ECB, Fed and Bank of England were mirrored elsewhere with other central banks dramatically cutting rates and, in some cases, beginning QE programs of their own.

National governments acted decisively too. Fiscal spending programs were introduced to support economies and to at least partially alleviate the hardship that would be borne by those who lost their jobs due to the mandatory curtailment of economic activity. These schemes came at a huge cost. In the EU, where Italy and Spain were particularly badly hit, agreement was quickly reached on the need for a central financing program. The Next Generation EU plan was proposed, amounting to Euro 390 billion of grants and Euro 360 billion of loans, and saw the European Commission commit to raise money on the EU's behalf in capital markets. While existing debt will not be taken on by the EU, the agreement effectively mutualizes part of the cost of the Covid-19 response at the EU level and envisages some central debt issuance by the EU – previously an inconceivable arrangement.

Throughout 2020, financial markets' performance reflected economies' responses to the ebb and flow of the pandemic. The onset of the Covid-19 crisis saw significant repricing of risk assets in favor of government bonds. With both German bund and US Treasury markets benefiting from safe-haven status, government bond yields moved significantly lower. Globally, with interest rates declining, government bond markets produced positive total returns for each quarter in 2020 with the strongest returns being observed during the first quarter.

Global equity markets were no less volatile than bond markets. However, the performance of leading US equity indices – which include many of the technology heavyweights that in some respects benefited from Covid-19 – obscures some of the weakness in other sectors that were particularly hard hit by Covid-19 (transportation, hospitality & leisure, etc.). Interestingly, there was a clear divergence between equity market performance in the US and elsewhere. The S&P 500 index generated a return of 16.25%. In contrast, the Euro Stoxx 50 was down by 5.14% and the UK FTSE 100 delivered a performance of -14.34%.

A further theme for 2020, and the continuation of a trend that has existed since the origins of the global financial crisis 10 years ago, is the steady move lower of government bond yields. The "low or no yield" phenomenon broadened its reach during 2020. This move was more pronounced during 2020 due to the extraordinary policy measures introduced by central banks. These measures led to exceptionally low borrowing rates for countries and, as a consequence, for corporate borrowers. While monetary easing was likely anyway, the scale and speed of its implementation in 2020 was as unexpected as the enormous fiscal support that accompanied it.

The end of the year finally saw the agreement of a post-Brexit trade deal between the UK and the EU. The EU–UK Trade and Cooperation Agreement (TCA) has been applied provisionally since 1 January 2020 when the Brexit transition period ended, providing for trade in goods and reduced mutual market access in services. It also includes arrangements for cooperation in a range of policy areas, transitional conditions around access to common fisheries, and the UK's continued participation in some EU programs. The TCA awaits ratification by the European Parliament and the Council of the European Union before it formally comes into effect.

Financial Performance

	2020 Euro m	2019 Euro m
Net earned premium	3,752.8	3,496.4
Net underwriting result	135.5	231.4
Total investment income	117.0	251.5
Other income / expenses	-100.1	-18.0
Taxes	-59.5	-110.9
Net income / net loss	**92.9**	**354.0**
Shareholders' equity	**2,800.4**	**2,707.4**

In common with the rest of the industry, our financial performance in 2020 was significantly impacted by the Covid-19 pandemic. Our underwriting results were lower than last year as a result of losses from the pandemic. Investment income also suffered from the weaker state of the economy. Premium growth was lower than in 2019 as we continued to see marked competition in most lines and geographies.

We incurred losses due to the storms Gloria in January and Sabine/Ciara in February as well as a number of large individual losses. Apart from Covid-19, catastrophe events and individual losses were in line with expectations overall. Loss reserves established in prior years developed positively as noted earlier.

Including the change in the equalization reserve, the underwriting profit reached Euro 135.5 million in 2020 compared to Euro 231.4 million in the previous year.

Our investment income closed with a profit of Euro 117.0 million in the year under review, following a profit of Euro 251.5 million in the previous year. The balance of write-ups and write-downs in our equity portfolio was negative in 2020, whereas in the previous year we had made substantial write-ups.

Net income consequently decreased from a profit of Euro 354.0 million in the previous year to Euro 92.9 million in 2020. Shareholders’ equity increased by 3.4% to Euro 2,800.4 million (previous year: increase of 15.0% to Euro 2,707.4 million).

Underwriting Result

	2020 Euro m	2020 Combined Ratio	2019 Euro m	2019 Combined Ratio
Net earned premium	3,752.8		3,496.4	
Life/health	2,507.8		2,236.6	
Property/casualty	1,245.0		1,259.8	
Underwriting result before change in the equalization reserve	14.9	99.6%	356.5	89.8%
Underwriting result after change in the equalization reserve	135.5		231.4	
Life/health	138.6	94.5%	184.9	91.7%
Property/casualty	-3.1		46.5	
Underwriting result before change in equalization reserve	-123.7	109.9%	171.6	86.4%
Change in equalization reserve	120.6		-125.1	

Our total net earned premium grew by 7.3% from Euro 3,496.4 million in the previous year to Euro 3,752.8 million. Life/health business increased by 12.1% (2020: Euro 2,507.8 million, previous year: Euro 2,236.6 million). Property/casualty business decreased slightly by 1.2% from Euro 1,259.8 million in 2019 to Euro 1,245.0 million in 2020. As in previous years, we retroceded 20% of this portfolio to our parent company, General Reinsurance Corporation.

We benefited from major growth opportunities in various life/health markets, most notably again in Asia, while the net earned premium of our property/casualty business on balance remained roughly at the level of the previous year.

Despite the impacts of the Covid-19 pandemic, life/health reinsurance closed with another pleasing underwriting result (2020: Euro 138.6 million, previous year: Euro 184.9 million), equivalent to a combined ratio of 94.5% (previous year: 91.7%). Overall, the risk experience for mortality and morbidity was satisfactory.

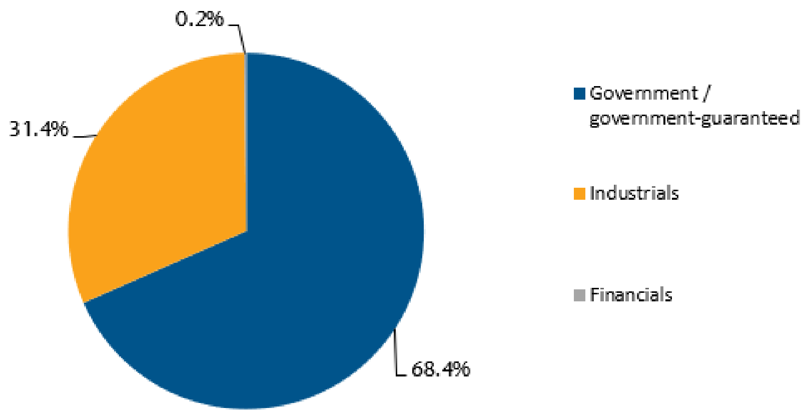
Our business performance in property/casualty reinsurance was heavily impacted by the losses due to Covid-19. Other losses – both catastrophe losses as well as individual risk losses – were broadly in line with expectations. The development of loss reserves established in prior years was positive as noted above. Following an underwriting profit of Euro 171.6 million in 2019, the year under review produced a loss of Euro 123.7 million before changes in the equalization reserve. This equates to a combined ratio of 109.9% (previous year: 86.4%). After allowing for the changes in the equalization reserve we recorded a loss of Euro 3.1 million in 2020 (previous year: profit of Euro 46.5 million).

Investments incl. Cash and Cash Equivalents

		2020		2019
	Euro m	%	Euro m	%
Real estate, rights to real estate and buildings	14.7	0.1	8.1	0.1
Investments in affiliated companies and participations	777.8	7.1	777.0	7.4
Equities, investment fund certificates and other non-fixed-income securities	2,236.7	20.5	2,275.6	21.7
Bearer bonds and other fixed-income securities	7,836.8	71.7	7,377.5	70.2
Bank deposits	62.2	0.6	67.6	0.6
Investments, excluding deposits retained on assumed reinsurance business	**10,928.2**	**100.0**	**10,505.8**	**100.0**
Deposits retained on assumed reinsurance business	1,702.9		1,663.4	
Total investments	**12,631.1**		**12,169.2**	
Current accounts with banks, cheques and cash	324.1		304.3	
Investments including cash and cash equivalents	**12,955.2**		**12,473.5**	

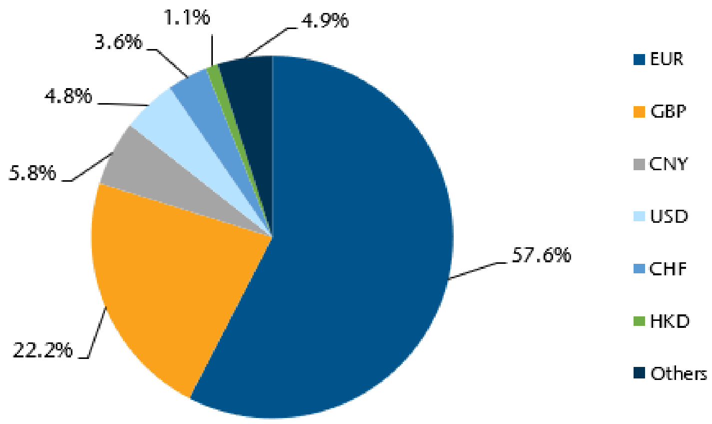
Our investments encompass a balanced portfolio of high-quality, highly liquid fixed-income securities, stocks and loans. At 16.8%, the equity allocation of our investments excluding deposits retained on assumed reinsurance business was slightly lower than in the previous year (17.8%).

Bond Portfolio



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 (57.6%) of our investments are in euro-denominated instruments (previous year: 58.3%), followed by investments held in pound sterling (22.2%, previous year: 23.2%), Chinese yuan renminbi (5.8%, previous year: 4.6%) and US dollars (4.8%, previous year: 4.2%).

Investment Income

	2020 Euro m	2019 Euro m
Income from participations	1.2	1.1
Income from equities	69.7	102.5
Income from bearer bonds and other fixed-interest securities	54.3	64.0
Interest on reinsurance deposits	49.9	55.2
Income from other investments	26.9	26.4
Less administration costs on investments, interest costs and other investment expenses	4.9	4.7
Less income from technical interest	45.1	51.2
Current investment income	**152.0**	**193.3**
Gains / losses from disposals	-1.8	-32.5
Write-ups / write-downs of investments	-33.2	90.7
Total investment income	**117.0**	**251.5**

Current investment income decreased from the previous year's level (Euro 193.3 million) to Euro 152.0 million. In 2020 we booked losses from disposals in the amount of Euro 1.8 million (2019: losses of Euro 32.5 million). The remaining balance of write-ups and write-downs was attributable for the most part to the equity portfolio (2020: loss of Euro 33.2 million, previous year: profit of Euro 90.7 million).

Dividends from our equity portfolio decreased to Euro 69.7 million (2019: Euro 102.5 million). A number of companies reduced their dividends due to the economic impacts of the pandemic. Further cuts in interest rates resulted in a reduction in interest income on our fixed-income securities from Euro 64.0 million in 2019 to Euro 54.3 million. We generated a return of 0.7% on our bond portfolio (2019: 0.9%) and a dividend yield of 3.8% in our equity portfolio (2019: 5.2%), delivering a total return of 1.4% (2019: 1.8%).

Total investment income excluding technical interest therefore amounted to a profit of Euro 117.0 million in the year under review after a profit of Euro 251.5 million in the previous year.

Other Profit Contributions

Other income/expenses closed with a loss of Euro 100.1 million in 2020 (2019: loss of Euro 18.0 million). The significantly higher loss in 2020 compared to the previous year was mainly driven by exchange rate losses (unrealized foreign exchange gains being recorded in a currency revaluation reserve under German accounting standards) and reserves for interest on income tax.

Shareholders' Equity

Capital strength and solvency rank among the key competitive factors in international reinsurance business. Following an increase of 15.0% in the previous year, which was due to the very favorable results in 2019, the shareholders' equity of General Reinsurance AG increased by 3.4% in 2020 to Euro 2,800.4 million.

The net income for 2020 amounted to a profit of Euro 92.9 million. Taking into account the profit carried forward from prior years of Euro 380.3 million, the disposable profit is Euro 473.3 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 property and casualty business, which is transacted by a related company within the Gen Re Group.

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

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

Life and Health Reinsurance

Market Development

The development of international life and health insurance markets in 2020 was dominated by the Covid-19 pandemic. The protracted low interest rates in many countries and the sharp volatility on capital markets posed additional challenges for life and health insurers.

Due to the pandemic, economic output in most markets declined during the year, leading among other things to increased unemployment. In some countries it was possible to mitigate the impact on labor markets through short-time working arrangements. The drop in disposable incomes associated with the decline in economic output led to substantially lower new business in many countries. In markets where single premium business accounts for a large proportion of retirement provision products, a decrease in the total written premium was observed. New business declined in other segments, too, such as credit life.

Our focus in life and health reinsurance is on the coverage of biometric risks. Even though general risk awareness has likely been heightened by the pandemic and biometric covers were less heavily impacted than savings products by the contraction in new business, we saw new business decline in various markets in 2020. On the other hand, some very pleasing new business opportunities opened-up as a consequence of the collaboration with our clients in product development and especially in connection with innovations in the field of biometric risks.

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

The Covid-19 pandemic had implications not only for new business volumes but also in terms of an elevated claims experience. It should be noted that the pandemic has so far resulted in fewer additional death benefits in our cedants' insurance portfolios than initially anticipated. The effects of the pandemic on occupational disability insurance, which plays an important role in some markets, are difficult to assess accurately at this moment in time. The impact of direct physical consequences associated with coronavirus infections is expected to be rather minor. An increased volume of claims could, however, result from the considerable psychological and financial pressure caused by measures taken in response to the pandemic. Surveys conducted by insurers indicate elevated levels of mental stress in both the working and non-working population. It remains to be seen whether this will lead to significantly increased claims for occupational disability benefits.

Financial Results

Despite the Covid-19 pandemic, our life and health reinsurance business delivered a pleasing performance in 2020 combined with an overall satisfactory claims experience. At Euro 138.6 million, the underwriting result came in below the previous year's level (Euro 184.9 million), particularly due to reserves that we established for Covid-19. We adjusted our underwriting policy by introducing tighter terms and conditions to control pandemic risk exposure. We also adjusted our reserves for disability business in certain markets due to adverse development in the claims experience as well as for declining interest rates.

The combined ratio stood at 94.5%, following 91.7% in 2019. Gross written premiums increased by 8.7% to Euro 2,558.8 million (2019: Euro 2,355.0 million). Net earned premium in life and health insurance grew by 12.1% in the year under review to Euro 2,507.8 million (previous year: Euro 2,236.6 million. Adjusted for exchange rate effects, written premiums grew by 13.7% for gross account or 17.3% for net. In contrast to the previous year, premium growth was more pronounced in original currency than in euros due to changes in exchange rates.

As in the previous year, developments in key markets again varied widely in the year under review, although the environment for our business – as described below – was challenging overall. Growth was generated in various segments and markets, most notably in particular in East and Southeast Asia such as China, Malaysia and India, certain European markets including France and the UK, the Middle East with Saudi Arabia, as well as Central America.

Development by Classes of Business

Unadjusted for exchange rate effects, gross premium income in life reinsurance grew from Euro 1,694.9 million in the previous year to Euro 1,766.0 million in 2020. The year under review closed with an underwriting profit of Euro 81.5 million (previous year: Euro 137.9 million). This corresponds to a combined ratio of 95.2% for 2020, after 91.6% in the previous year.

In health reinsurance our gross premium increased to Euro 792.8 million (previous year: Euro 660.1 million). We again benefited from growth opportunities in some Asian markets, especially China. We generated an underwriting profit of Euro 57.1 million (previous year: Euro 47.0 million), equivalent to a combined ratio of 92.9%, after 92.2% in the previous year.

Developments in our Home Market and Abroad

Germany

The German life insurance sector was similarly impacted by the effects of the Covid-19 pandemic in multiple ways in 2020. The challenges associated with physical distancing requirements and the extensive changeover to mobile working were mastered very well across the board, and operational business activities were maintained.

The economic consequences of the crisis proved to be less pronounced in the German life insurance industry than initially feared. While new business declined in the second quarter as expected, there are grounds for satisfaction with the full year thanks to a robust first quarter and the generally less stringent restrictions placed on public life in Germany by international standards. Sizeable waves of cancellations were not recorded for life insurance policies despite economic challenges such as those caused by the temporary closure of entire sectors and short-time working, even though premium waivers did increase somewhat. It can be assumed that a heightened risk awareness has taken hold among some sections of the population when it comes to the risks of death and disability. Drawing a positive conclusion, it can be stated that life insurance has proven to be a reliable partner in a time of crisis and continues to enjoy the trust of consumers.

Due to the substantial long-term guarantees typically associated with traditional life insurance products in the German market, the protracted low level of interest rates remains a considerable drag on the industry. If the interest guarantees given by life insurers are higher than a reference interest rate derived from market data, the regulator requires them to hold additional reserves – known as additional interest rate reserves – to guarantee their future claims paying ability. The renewed drop in interest rates is adding to life insurers' funding requirements.

On the product design side, providers are increasingly dispensing with classical guarantees for retirement provision and savings products on account of the low market rates, a move which at the same time opens up prospects of higher returns through more wide-ranging investment options.

When it comes to risk protection, the tendency continues in the market to give greater weight to preserving the capacity to work. This is coming about through, on the one hand, the modernization and further differentiation of traditional occupational disability insurance, and, on the other hand, through more recent forms of coverage such as essential disability insurance, which are characterized by an especially transparent product description and tap into an additional customer group since premiums tend to be lower. This market is fast-moving and typically sees quicker product cycles. We cultivate an intensive dialogue with our clients and actively support their product development activities. In 2020 we were thus again able to work with our clients to establish the foundation for further growth going forward.

Not least due to the Covid-19 pandemic, the digital transformation and pace of innovation have gained considerable added momentum.

In cooperation with a number of companies in the insurtech market, we further expanded our expertise in this area. We offer our clients comprehensive advice on related future-oriented topics and provide fresh impetus for innovative and efficient digital processes in the field of biometric risk. Noteworthy here are novel approaches in underwriting, optimized processes in claims management as well as various activities intended to support and motivate policyholders for the sake of their health.

Despite the difficult market environment in 2020, we again recorded modest premium growth and a pleasing profit contribution.

International

Some of the factors described in relation to our home market also apply to other life insurance markets across Europe. The low level of interest rates remains a serious hindrance to the design of products for retirement provision with an attractive financial return. While the insurance industry outside of Germany is not burdened to the same extent by balance sheet issues resulting from past financial guarantees, capital market volatility in the year under review similarly led to substantially reduced solvency levels at a number of life insurance companies.

Interest guarantees, capital requirements and limited new business opportunities were again reflected in a sustained trend towards consolidation in European markets in 2020.

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. On top of this, 2020 brought an additional challenge with the sudden shift towards mobile working. Many insurers are currently exploring how work in the insurance industry will likely be organized going forward. The events that unfolded in 2020 can be expected to give a considerable boost to digitalization and automation.

Looking at new business and premium income, we observed rather disparate developments in the European life and health insurance markets. In some markets such as in Italy we anticipate a modest decline for 2020 because the premium volume is heavily influenced by volatile single premium business.

The primary market in France has seen a similar development, but we were able to act on opportunities in the reinsurance market and substantially increased our premium there. Premium income is flat in many markets. The Netherlands recorded a drop in life insurance premiums, as had been the case in previous years. An opposing effect has derived since 2019 from the assumption of pension obligations, which stimulates growth in occupational retirement provision. Against the backdrop of the pandemic, it is difficult to make an overall assessment of the Dutch life insurance industry for the year under review. However, we are assuming a slight decline in premium income.

Our portfolio in the **UK and Ireland** again delivered good growth against the backdrop of an insurance market negatively impacted by the Covid-19 pandemic. We maintained our profitability, despite paying additional mortality and morbidity claims due to Covid-19. We booked broad growth across all our portfolios, group and individual, mortality, morbidity, and longevity. We keep adding both traditional and "challenger" brands to our client portfolio.

We closely monitored the results of the Brexit negotiations and we are convinced that our newly implemented processes satisfy all relevant regulatory and data privacy rules.

Even in the face of many sources of uncertainty, we are convinced that European markets still offer considerable potential for life and health business on both the primary and reinsurance side. 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 focus on service – both in product development and when it comes to supporting our clients with risk management – we can leverage this potential to generate new business opportunities. In the reporting period we succeeded in developing new customer relationships and increasing our premium income not only in health insurance but also in life and occupational disability business. Globally, **East Asian** economies were the first to be significantly affected by the Covid-19 outbreak. Due to restrictions placed on physical contacts and movement, sales of life and health insurance policies in Asia dropped sharply in the first six months, especially in the mature markets which rely more on agency and bancassurance channels. However, life and health insurance companies in Asia were quick to make increasing use of digital processes in operations and sales so as to adapt to the new environment. As some Asian countries were soon able to bring the epidemic reasonably well under control, sales of new business bounced back.

Online distribution of life and health policies outperformed other sales channels during this period. In some emerging markets, consumer awareness of the need for life and health coverage has increased considerably due to the pandemic, hence contributing to the growth of protection product sales.

Our Asian life/health business again delivered very good growth in 2020. Demand for life and health insurance products continues to grow strongly in China, where we wrote a number of large reinsurance treaties. After a drop around the middle of the year, sales of new life and health insurance policies in India recovered strongly towards the end of 2020, with business from new clients also contributing to our growth in Asia. Covid-19-related claims did not have a significant effect on our portfolio. Health insurance saw a slight improvement in claim ratios as insureds tended to avoid hospitalizations and surgeries during the pandemic. However, our profitability was adversely impacted by some late reporting of claims incurred in previous years.

In **Latin America** our premium volume showed further pleasing growth – despite the difficult situation facing some of our clients owing to the pandemic-induced economic downturn. Our portfolio includes a significant portion of group scheme business, such as pension funds and employer schemes. Higher claims expenditure due to Covid-19 infections caused our results in the year under review to deteriorate relative to the previous year.

In the **Middle East** and North Africa our business continued to develop favorably despite the ongoing complex political landscape in some markets and the impacts of the Covid-19 pandemic.

Our business in sub-Saharan **Africa** and **Australia** is written by subsidiary companies and impacts our underwriting results through their retrocessions to General Reinsurance AG. General Reinsurance Life Australia Ltd. recorded an underwriting loss in 2020, which also adversely affected retrocessions to General Reinsurance AG. This was largely due to a poor claims experience in its disability business and the strengthening of the corresponding reserves.

Overall, the international claims experience was once again favorable despite the pandemic. Just as in our domestic market, we are very well positioned internationally with our reinsurance solutions, our risk management expertise and our range of service offerings. We continue to actively explore the latest developments in digitalization and data analytics as well as their applications for the benefit of our clients – and hence also for our own sustained success in what remains an extremely demanding environment.

Property and Casualty Reinsurance

Market Development

The Covid-19 pandemic had a material impact on the insurance industry and particularly on our business during 2020. While the ultimate amount of losses remains uncertain, the repercussions of pandemic exposures as well as persistently lower investment returns and industry-wide poor underwriting profitability resulted in an increased focus on rates, terms and conditions through most of 2020.

Typically, more than 75% of General Reinsurance AG’s property/casualty business is negotiated in the fourth quarter of the year, with contracts incepting on 1 January of the following year. This means that the majority of business covered in 2020 was written under the fiercely competitive conditions that prevailed up to the end of the first quarter in 2020.

In recent years we have been able to increase our volume of written premium while maintaining our underwriting standards. This has been achieved by working closely with key clients to increase our shares, enabling us to grow our business without materially altering our risk profile. During the 1 January 2020 renewals we saw fewer attractive growth opportunities given the competitive conditions and as a result our written premium remained broadly stable when compared to 2019.

During the renewals in the second, third, and fourth quarter of 2020 we saw a modest improvement in terms and conditions and in premium rates. Our direct business model enables us to enjoy a close relationship with our clients, giving us the opportunity to work with them to manage the risks that their businesses face through underwriting measures, exclusions, and systematic selection. This has proven particularly helpful through the pandemic in 2020. The direct relationship with our clients along with modest improvements in market conditions made it possible to retain most of our portfolio that came up for renewal through 2020.

Financial Results

Gross written premium in property and casualty business decreased by 1.7% to Euro 1,654.7 million (2019: Euro 1,683.9 million). Adjusted for exchange rate effects, gross written premiums grew by 2.6%.

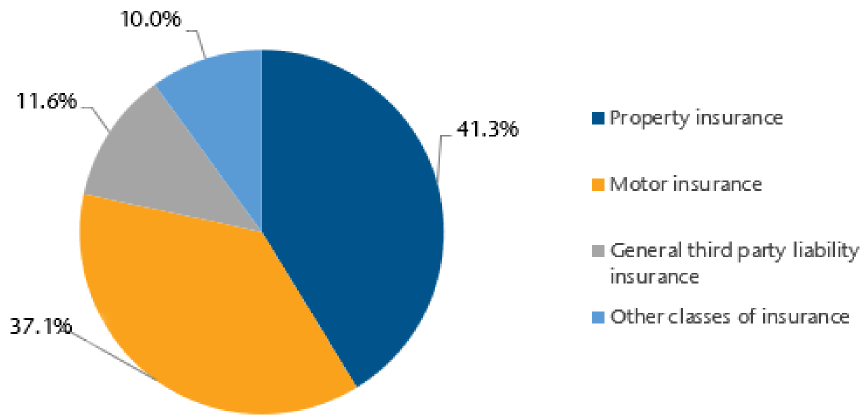
While significant reserves were released for losses from prior years for a number of regions, most notably Germany, this was more than offset by negative development in other areas. Most areas of the business were materially affected by potential losses from pandemic-related exposures, hence impacting our overall result. The ultimate total loss to be expected from this event remains very uncertain as our clients have so far only paid out a small portion of the relevant claims.

Excluding pandemic-related losses, the underlying risk experience was in line with expectations as the adverse effects of some large losses in Europe and North America, to which we are exposed through European cedents, were offset by a lower-than-expected level of natural catastrophe losses in Europe. An underwriting loss of Euro 123.7 million was recorded for 2020 before changes in the equalization reserve (2019: profit of Euro 171.6 million).

Including changes in the equalization reserve, we booked an overall loss of Euro 3.1 million (2019: profit of Euro 46.5 million). On average, we recorded a material improvement in the pricing strength of the portfolios renewed in 2020 as we focused on ensuring an adequate return from the risk that we assumed. Our catastrophe exposures remained largely stable in 2020, although we now also have exposure to Japanese natural catastrophe events after starting to write Japanese business for the account of General Reinsurance AG from 1 April 2020 onwards.

Developments by Classes of Business

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



Primary markets in **property insurance** remained competitive in 2020. Nevertheless, the improvement in primary rates that began in late 2018 and continued through 2019 gathered impetus over the last 12 months. We take the view that primary business is now closer to rate adequacy in some regions. Underlying rates on commercial as well as industrial insurance business have continued to increase materially, leading to more profitable proportional reinsurance conditions.

Similarly, the actions taken by many insurers in 2018 and 2019 to correct the persistently poor large-loss experience were sustained in 2020. As a result, we saw an opportunity to grow our property business in 2020, leading to an increase in premium of 11.1% to Euro 682.8 million. These market dynamics have also created opportunities for us to grow our property facultative reinsurance business in some markets.

We recorded a loss of Euro 139.0 million in our property portfolio before changes in the equalization reserve in 2020 (previous year: gain of Euro 75.2 million). This translates into a combined ratio of 127.2% (2019: 84.1%). This portfolio saw a poor experience emerge on non-proportional property business and was also impacted by potential losses from pandemic-related exposures.

Our gross premium income in **motor insurance** decreased by 16.3% in 2020, driven mainly by a reduction in our exposure to both proportional and non-proportional business in the UK. Given sustained low investment returns and against the backdrop of developments with adverse profit implications, such as rising care expenses, we saw fewer opportunities to write business at adequate rates in the UK. The underwriting profit of Euro 17.6 million (2019: profit of Euro 42.8 million) booked before changes in the equalization reserve corresponds to a combined ratio of 96.2% (2019: 92.0%). The increase in the combined ratio since 2019 is attributable to a less favorable development of prior-year reserves compared to 2019.

Our gross written premium in **general liability insurance** increased by 6.7% to reach Euro 192.6 million. Our close partnership with a number of large multinational clients enabled a modest level of growth in this class in spite of the broader unfavorable landscape for liability business driven by persistently low investment returns and significant loss inflation in many territories, particularly North America, to which we are exposed through some of our clients' overseas business. This class closed with an underwriting loss of Euro1.0 million (previous year: gain of Euro 37.8 million) before changes in the equalization reserve. The combined ratio stood at 100.7% (2019: 72.9%). The 2019 result benefited from a particularly favorable prior-year development compared to 2020.

We have a small portfolio of personal accident insurance which saw a reduction in written premium by 14.0% following a poor loss experience. Similarly, our **engineering** portfolio contracted in the year under review following a poor loss experience in the engineering market and as yet inadequate terms. Offsetting this, we recorded reasonable growth in our **marine** business where we have seen increased opportunities to participate in programs with multinational clients. On a combined basis, our smaller portfolios of marine, personal accident and engineering business produced a combined ratio of 92.3% before and 81.6 % after allowance for changes in the equalization reserve in 2020.

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 2020.

Our premium from liability business showed a slight increase 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 almost stable. The trend in above-average claims inflation continued in 2020. This effect was offset by a lower claims frequency attributable to less driving due to the Covid-19 pandemic.

Some important segments of the primary **property insurance** market remained fiercely competitive at still inadequate pricing levels. Progress is being made in commercial and, most notably, industrial fire insurance, and there are signs of further market hardening.

Losses from natural catastrophes were mainly due to storm Sabine in February and were in line with our expectations. In comparison to the previous year, the burden of major fire claims decreased somewhat, but the profitability of German property insurance business is still a challenge, in particular due to the additional losses incurred from business closures during the Covid-19 pandemic.

Our premium volume in the **engineering insurance** classes in Germany showed a slight decrease compared to last year. Our result was not impacted by any sizeable losses.

In 2020 the German **marine insurance** market was also affected by the Covid-19 pandemic, mainly in connection with event cancellation losses.

International

In most other **European markets** the impact of losses from natural catastrophe events on **our clients** was comparatively modest in 2020. The volume of large individual property claims in the market remains high and tends to impact deals with aggregate deductible structures disproportionately.

The majority of the year was dominated by the insurance industry's response to the pandemic. While the ultimate total anticipated loss expenditure still remains highly uncertain, this event is likely to be sufficiently significant that it prompts insurers and reinsurers alike to reflect on the adequacy and clarity of their terms and conditions and the appropriateness of the premiums charged for the risk transferred. Working closely with our clients in all territories to find a basis on which we can support their local business has been a key task for us this year, one which we are pleased to report that we have been able to achieve with the successful renewal of most treaties at adequate rates and terms.

The motor insurance market in the **United Kingdom**, which had been a source of sizeable growth in recent years, yielded fewer opportunities for growth in 2020. The rate adequacy of UK motor reinsurance 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 long-awaited increase in the discount rate in 2019 turned out to be lower than expected, material improvements in insurance and reinsurance rates were anticipated in 2020. While reinsurance rates did rise, we believe that the increase seen was not sufficient to achieve rate adequacy in the longer term and we reduced our participation in this class as a result. Although we reduced our premium volume overall in the UK market, we were able to increase shares in non-motor business and expand our participation in some London Market specialty lines, which are seeing an improved rate environment.

Outside of Germany, our continental European book of business was broadly stable. We have continued to increase our participations with **multinational** clients based in Europe as we engage closely with them and build sustainable relationships. Our business with multinational clients is broadly spread over all lines of business with a weighting toward property insurance. In the course of 2020 we were able to further broaden our business relationships with these clients without materially increasing our catastrophe exposure. We have recently developed expertise in agricultural reinsurance, a move which has been extremely well received by our clients in many territories and we expect this to be an area of continued growth for us in future.

In **France, Italy, Scandinavia and the Iberian Peninsula** we maintained stable shares in our portfolios, consolidating the growth of recent years and deepening our relationships with our local clients. The French and Scandinavian markets have seen continued elevated levels of large property losses both from natural hazards and other events. This has disproportionately impacted property results in these regions, particularly business that is written on an "aggregate" basis, i.e., business that is structured with an aggregate deductible feature. There is a higher proportion of pro rata business in Iberia and Italy, leading to more stable results although the Spanish market was impacted by storm Gloria in early 2020 which was a not inconsiderable event for this market.

Our **Latin American business** also continues to increase in importance with further growth recorded in a number of markets. We have a broad spread of business across many lines and clients, spanning both treaty and facultative reinsurance, with a local presence in Mexico and Brazil. Our expertise and broad experience enable us to support our clients well and continue to grow our business with a sustainable level of profitability.

Turning to **Asia,** we began to write Japanese business with natural catastrophe exposure in April 2020. Reinsurance rates improved in 2020 following significant catastrophe losses in the Japanese market from Typhoon Jebi in 2018 and Typhoons Hagabis and Faxai in 2019. It is our expectation that additional opportunities will open up for us in this market in 2021 following further natural catastrophe activity in 2020. We also continue to see opportunities for growth through our local operations in India, Singapore and China.

Our business in **Africa** is written through a subsidiary and impacts our underwriting results through their retrocessions to General Reinsurance AG. During 2020, our African business generated an underwriting loss as reserves were established in respect of potential losses arising from pandemic exposure.

At the end of 2020 General Reinsurance AG entered into an agreement with another Group company, Faraday MGA Ltd. ("Faraday"), to create a facility through which Faraday will underwrite certain business that meets our appetite on behalf of General Reinsurance AG. Unlike General Reinsurance AG , Faraday makes capacity available through broker distribution channels. This facility enables us to expand our participation in certain attractively priced market segments by offering capacity to clients through brokers. We nevertheless remain convinced that we can offer our clients considerable value added through long-term and stable direct relationships and Gen Re will therefore continue to transact its business primarily as a direct partner going forward.

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. All property/casualty business written by General Reinsurance Africa Ltd. is retroceded to General Reinsurance AG.

As noted in the Introduction section, the General Reinsurance AG reported a lower underwriting profit largely due to the impact of the Covid-19 pandemic. Our branches and subsidiaries were also affected. In addition, General Reinsurance Life Australia Ltd. saw poor claims experiences in disability business which led to some reserve strengthening.

Our Staff

At the end of the 2020 business year General Reinsurance AG employed a total workforce including its staff at service companies of 758 (23 more than at the end of the previous year), of whom 393 (-2) were based in Germany and 365 (+25) worked abroad.

Our Global IT and International P&C units both carried out major restructuring initiatives which resulted in a number of redundancies. The reorientation of IT is designed to transform how we use technology and data and how we position ourselves for the future in order to remain relevant, agile and competitive in a challenging environment. The changes in our international P&C business will allow us to be more client-focused, operate as efficiently as possible and enhance our profit opportunities in the long term.

The Covid-19 pandemic has of course had a major impact on the way we work together and conduct our business. In every location our employees have adapted very well to working from home and using technology to stay connected with each other and with our clients; going forward, it is likely that there will generally be more flexibility in this regard.

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 and consistent treatment of our employees, competitive remuneration, flexible working hours to ensure a healthy balance of family and work life especially during the pandemic period as well as opportunities for individual development.

During 2020 we rebranded our Talent Management system such that the look and feel and navigation of the system is far easier and more intuitive to use. We also added new online learning content covering topics ranging from leadership and management to technical and data skills. Many of the courses are available in multiple languages and new materials will be released over time. All our employees are also required to complete online interactive compliance training courses as well as courses related to data security, ethical business conduct, conflicts of interest, corruption, money laundering, financial integrity, data protection, anti-trust law, trade sanctions, insider trading and workplace harassment. A number of diversity, equity and inclusion initiatives were launched during the year and include the introduction of online courses to help employees understand their own inbuilt biases.

We continue to support cooperation with universities to promote interaction between research and practice and we organized a highly successful Mathematicians' Day, held for the first time on a virtual basis.

For the staff at our headquarters in Cologne, we support the company sports club, which offers training facilities as well as a variety of health management and fitness courses. At present, unfortunately, apart from extensive digital proposals all joint sports activities are on hold due to the pandemic. We also 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 family members. The provider of these services reported that there was an increase in calls as a result of the Covid-19 situation.

In line with legislation (Law on Equal Participation of Women and Men in Leadership Positions in the Private Sector and Public Sector), the Executive Board continues to closely monitor the numbers of men and women is senior positions and is continuing with the goal set in 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%. 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 2020 these proportions stood at 25.7% and 44.1% respectively.

Word of Thanks to Our Staff

As ever, we extend our thanks to all our staff for their hard work, considerable and efficient dedication on all levels. Through their expertise and personal commitment during what has been a most difficult time, 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, which includes the determination of risk appetite and overall tolerance limits, and ensures operational implementation of the risk management process.

The **Chief Risk Officer** assumes responsibility for the Risk Management Function and has a direct reporting line to the Executive Board. The Risk Management Function is responsible for the implementation and further development of the risk management system on behalf of the Executive Board. It executes the risk strategy at an operational level, including the monitoring and reporting of the company's risk profile. In this role, it is supported by Risk Officers and special risk working groups for both business risks and operational risks which provide detailed input and expert knowledge, enabling us to ensure appropriate coverage of risk topics across various units and to leverage professional expertise group-wide.

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.

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 process aims to support the company's business strategy by limiting risks to acceptable levels.

Risk Management Process

The risk management process at General Reinsurance AG comprises the following elements:

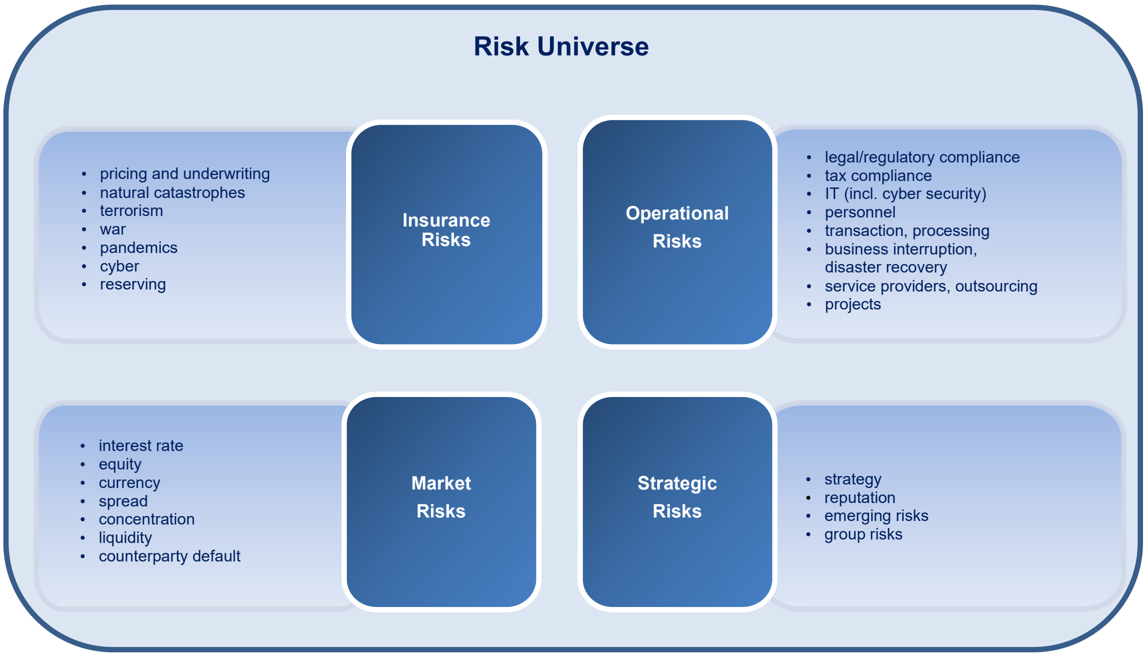
- risk identification,
- risk measurement,
- risk monitoring,
- risk response, and
- risk reporting.

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:

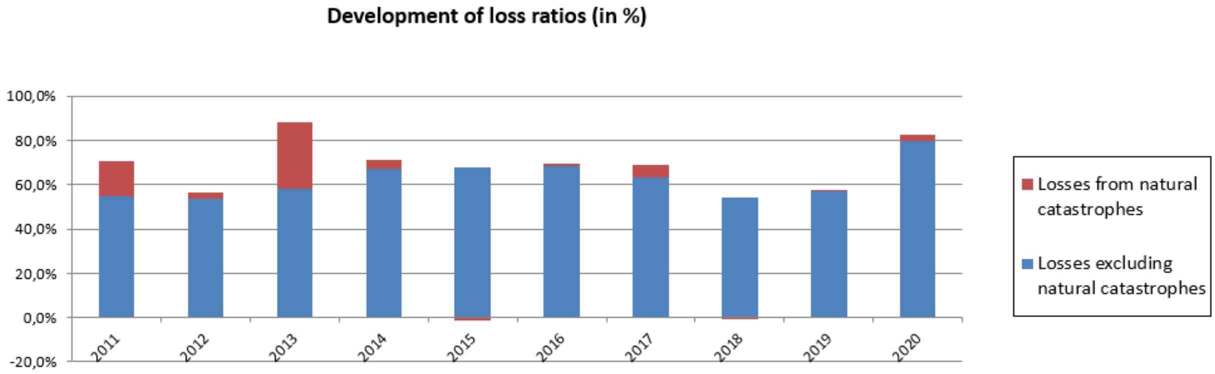
- Risk of random fluctuations as well as pricing model and parameter risk, which can lead to a higher-than-expected claims frequency or severity,
- Large loss accumulation risk caused by a single loss covered by multiple clients or by one event affecting several risks. In the following paragraphs we 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 Executive Board to ensure that peak exposures are accurately 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 2020 was only 2.6%. 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 emanate 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 an appropriate underwriting policy as well as guidelines, referrals and underwriting reviews.

Pandemic risk has clearly come under intense scrutiny across the (re)insurance industry in 2020 following the global impact of the Covid-19 pandemic. Due to the manifold effects of government measures taken to contain the spread of the virus worldwide, there has been considerable impact on our property/casualty business. We continue to review our risk profile in light of lessons learned and we take appropriate action where necessary, such as the application of strong policy wordings and exclusions.

Cyber risk refers to potential losses from cyber-attacks or threats covered by our reinsurance contracts 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, both explicitly and implicitly. 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.

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

2020	-2.5
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

This table shows the run-off results of recent years in property/casualty business on a calendar year basis, expressed in % of the original net liability. In the case of business written on an underwriting year basis, we are unable to determine a sufficiently precise allocation of claims between the current and prior years due to limitations in the data received from clients. The corresponding claims are therefore fully allocated to the prior years, thus adversely impacting the run-off result. This approach resulted in a negative run-off result for 2020, although the loss reserves established in prior years developed positively as mentioned earlier.

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, incomplete 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 a relatively short duration of our fixed-income investments. This significantly reduces the volatility of our investment return as well as our liquidity risk. We also maintain adequate capital to cover the associated interest rate and spread 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 (30.6% compared to 25.6% at the end of 2019) of the fixed-income securities of General Reinsurance AG was held in AAA-rated investments, a further 33.4% was held in AA-rated securities (2019: 30.0%).

Our investment guidelines define a specific limit for the equity allocation in the portfolio. They also include detailed criteria 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 2020 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 of our investment portfolio:

Portfolio	Assumptions	Changes in fair value in Euro m
Equities	Price increase of 20%	+506.04
Equities	Price decline of 20%	-506.04
Fixed-income securities	Interest rate rise of 1%	-101.00
Fixed-income securities	Interest rate drop of 1%	+97.63

Counterparty default risks arise from our different counterparties, most notably from investment transactions and reinsurance business with respect to cedants, retrocessionaires and brokers. It may not be possible to redeem fixed interest security holdings or recover outstanding receivables.

We manage the risk arising from investment transactions through the rigorous criteria for credit quality, concentration, and duration referred to above. 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 30.3 million at year-end (2019: Euro 31.8 million). As in previous years, the default rate in the year under review was negligible.

Lastly, **currency risk** is managed through our currency matching policy and the review of currency balances on a regular basis to ensure that we understand our exposures and take appropriate action where necessary. We have some degree of tolerance to accept currency mismatches in certain currencies where other economic factors are taken into account. At the same time, we ensure that we maintain sufficient capital to cover the associated currency risk.

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 across the company’s different operational units. This is also supported by the Internal Audit Function, which assists senior management and the Executive 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, which is available 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 identification and assessment of 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 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 in the Life/Health insurance industry, we continue to manage this risk appropriately.

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 has been 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. Such risks have still to be fully understood, are difficult to quantify and may not have been considered in contract terms and conditions, pricing, reserving, operational activities or capital allocation. 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

We define group or intra-group risk as the risk of failure of an affiliated company to meet financial commitments which can lead to restricted growth, increased costs and/or additional regulatory scrutiny and which may have an impact on the Group’s solvency or liquidity. These risks may involve reputational risks, risks stemming from intra-group transactions, concentrations across the Group, and interdependencies between risks arising from conducting business through different entities and in different jurisdictions as well as risks from third-country entities.

We actively manage our subsidiaries with limits in place on a subsidiary level and we regularly monitor the liquidity and local capital requirements at each location. In addition, we constantly monitor regulatory requirements to ensure that we comply with applicable principles, rules and standards. In view of our processes and monitoring procedures implemented as well as the financial strength of General Reinsurance AG and the Berkshire Hathaway Group, we consider the group risk to be remote.

Solvency II Reporting and Major Factors Influencing Opportunities and Risks

Solvency II reporting encompasses requirements such as the Own Risk and Solvency Assessment (ORSA) Report, the annual and quarterly Quantitative Reporting Templates (QRTs) and the Regular Supervisory Report (RSR). Our focus here is on the Solvency and Financial Condition Report (SFCR), which will be publicly available on our corporate website effective 20 May 2021.

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 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. The Solvency II balance sheets are audited annually in accordance with regulatory requirements.

Our Solvency Capital Requirement calculations are based on the Solvency II standard formula, including the use of undertaking-specific parameters. The calculations for year-end 2020 have not been completed as of the date of this report. The solvency ratio as at the fourth quarter of 2020 was 182% for General Reinsurance AG on a stand-alone basis.

In addition to regulatory developments in Europe, we continuously monitor the potential impacts that other international solvency regimes may have on the General Reinsurance Group.

International Financial Reporting Standard (IFRS) 17 "Insurance Contracts" will become effective on 1 January 2023. IFRS 17 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.

With the expiry of the transition period on 31 December 2020 the United Kingdom (UK) left the European Union (EU) Single Market and Customs Union as well as the scope of application of all EU policies. On 24 December 2020 the EU and the UK agreed in principle on the Trade and Cooperation Agreement which does not, however, cover any decisions relating to equivalences for financial services.

As a result, UK financial services firms have lost their “passporting right” to offer services within the EU and, as a reinsurer domiciled in Germany, we are permitted to conduct reinsurance business with clients based in the European Economic Area (EEA) only from within the European Union.

While our UK Branch can support this business by providing services, the EEA-based client business previously written through our UK Branch must be transferred to our head office in Cologne, Germany. We have worked closely with our clients to ensure a seamless transition to the new legal and regulatory frameworks and we consider ourselves well placed to ensure that we can support all our clients and adjust to any future changes that may be implemented.

Both in terms of its financial strength and the strength of its risk management system, General Reinsurance AG remains well positioned to successfully pursue its business strategy. We consider our capital resources sufficient and appropriately structured to meet our business needs over the short- and long-term horizon. We have effective controls and risk management processes in place.

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, which are served by Gen Re affiliates that are not part of the General Reinsurance AG Group. 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 as well as 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 expect our gross premium income to remain on a stable level at best for 2021. 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.

The majority of treaties in our property/casualty portfolio came up for renewal on 1 January. Given the persistently competitive market conditions that we saw during this renewal period, our current expectation is that premium income in 2021 is likely to be slightly below the level of 2020. However, we were again able to develop some new client relationships and increase our participations in existing business, albeit to a lesser extent than in the previous year, whilst taking action to reduce our exposure to business which we consider to be inadequately rated. 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.

The economic outlook for 2021 is focused on recovery and repair. Along with a high number of deaths and acute personal hardship, Covid-19 caused severe economic disruption to economic growth and to employment. Swift deployment of a family of vaccines, without any adverse unforeseen side effects, is central to the positive global growth scenario for 2021. Acknowledging that there will be country by country variation, the speed at which day-to-day life returns to ‘normal’ will be strongly linked to the success of the various vaccination programs.

While we expect growth and inflation to pick up in 2021 and beyond, it is unlikely that central banks’ key policy rates will increase materially. Central banks will wish to continue to foster environments that are supportive to recovery and repair.

As noted earlier, the post-Brexit trade deal was finally agreed at the end of 2020. It is a diluted version of the UK’s previous integration in the EU economy and this has led to some initial practical difficulties in its implementation. It remains to be seen whether the deal will achieve its objectives of easing bureaucracy and retaining frictionless trade.

In view of the continued expansive monetary policy and the resulting persistently low level of interest rates with reduced reinvestment yields, we are expecting slightly lower investment income for 2021.

Compared to 2020, we anticipate a stable level of underwriting and total operating profits in 2021, provided that our investment performance is not materially impacted by volatility in the capital markets and insofar as our loss experience from natural catastrophes, man-made disasters and particularly with respect to any continuing effects from the Covid-19 pandemic is in line with our pricing expectations. We anticipate that gross premium income in original currency will remain on a stable level at best for 2021.

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 2021.

Balance Sheet as at 31 December 2020

Assets			2020	2019
		Euro	Euro	Euro
A. Intangible assets				
	I. Internally created industrial property rights and similar rights and assets	10,470,002		3,246,488
	II. Concessions, industrial property rights and similar rights and assets acquired against payment as well as licenses to such rights and assets	43,239		51,094
			10,513,241	3,297,582
B. Investments	I. Real estate, rights to real estate and buildings	14,662,267		8,087,476
	II. Investments in affiliated companies and participations	777,845,762		777,017,220
	III. Other investments	10,135,761,067		9,720,708,766
	IV. Deposits retained on assumed reinsurance business	1,702,868,475		1,663,430,116
			12,631,137,571	12,169,243,578
C. Receivables	I. Reinsurance accounts receivable of which from affiliated companies: Euro 2,460,175 (previous year: Euro 63,260,922) of which from participations: Euro 2,942,934 (previous year: Euro 5,698,994)	1,008,997,906		1,142,648,121
	II. Sundry receivables of which from affiliated companies: Euro 3,626,826 (previous year: Euro 2,022,118) of which from participations: Euro 0 (previous year: Euro 7,378)	168,456,463		95,802,455
			1,177,454,369	1,238,450,576
D. Sundry assets	I. Property, plant and equipment and inventories	6,754,360		6,700,506
	II. Current accounts with banks, cheques and cash	324,080,485		304,300,463
			330,834,845	311,000,969
E. Deferred items	I. Deferred interest	61,696,384		63,927,784
	II. Other deferred items	424,862		513,476
			62,121,246	64,441,260
F. Deferred tax assets			466,797,118	407,577,569
G. Excess of plan assets over pension liability			11,866,834	15,221,655
Total assets			14,690,725,224	14,209,233,189

Liabilities			Euro	Euro	2020 Euro	2019 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			380,344,131		26,338,788
	V. Net income/net loss for the year			92,930,313		354,005,344
					2,800,372,299	2,707,441,987
B. Underwriting reserves	I. Unearned premiums					
		1. Gross amount	794,647,289			767,660,626
		2. Less: reinsured portion	96,566,940			81,259,360
				698,080,349		686,401,266
	II. Actuarial reserves for life and health policies					
		1. Gross amount	1,681,559,220			1,762,382,223
		2. Less: reinsured portion	51,840,449			51,408,076
				1,629,718,771		1,710,974,147
	III. Reserve for outstanding claims					
		1. Gross amount	7,938,540,756			7,410,061,738
		2. Less: reinsured portion	617,984,184			481,115,390
				7,320,556,572		6,928,946,348
	IV. Equalization reserve and similar reserves			851,553,792		972,156,404
	V. Other underwriting reserves					
		1. Gross amount	65,801,536			91,440,214
		2. Less: reinsured portion	28,156			25,117
				65,773,380		91,415,097
					10,565,682,864	10,389,893,262
C. Other provisions					703,265,472	600,077,954
D. Deposits retained on assumed reinsurance business					25,878,807	27,179,917

Liabilities		Euro	Euro	2020 Euro	2019 Euro
E. Other liabilities	I. Reinsurance accounts payable of which to affiliated companies: Euro 167,347,948 (previous year: Euro 160,945,951), of which to participations: Euro 114,822 (previous year: Euro 84,963)		581,240,592		475,909,653
	II. Sundry liabilities of which taxes: Euro 2,922,364 (previous year: Euro 2,873,862) of which social security: Euro 5,018,834 (previous year: Euro 1,394,189) of which to affiliated companies: Euro 1,530,481 (previous year: Euro 1,636,147)		13,917,941		8,352,310
				595,158,533	484,261,963
F. Deferred items				367,249	378,106
Total liabilities				14,690,725,224	14,209,233,189

Income Statement

		Euro	Euro	2020 Euro	2019 Euro
I. Underwriting Account	1. Earned premiums net of reinsurance				
	a) Gross premiums	4,213,474,348			4,038,906,319
	b) Retrocession premiums	409,474,019			382,008,755
			3,804,000,329		3,656,897,564
	c) Change in gross unearned premiums	-67,193,200			-190,022,897
	d) Change in the reinsurers' share of the gross unearned premiums	-15,988,294			-29,540,209
			-51,204,906		-160,482,688
				3,752,795,423	3,496,414,876
	2. Interest on reinsurance funds net of reinsurance			44,346,164	50,197,566
	3. Sundry underwriting income net of reinsurance			651,140	1,341,856
	4. Claims expenditure net of reinsurance				
	a) Claims payments				
	aa) Gross amount	2,456,165,542			2,249,432,975
	bb) Reinsurers' share	168,344,689			126,696,952
			2,287,820,853		2,122,736,023
	b) Change in the reserve for outstanding claims				
	aa) Gross amount	770,986,958			339,017,184
	bb) Reinsurers' share	139,370,913			145,740,488
			631,616,045		193,276,696
				2,919,436,898	2,316,012,719
	5. Change in the other underwriting reserves net of reinsurance			62,183,131	-18,979,958
	6. Expenditure relating to profit- and non-profit-related premium refunds net of reinsurance			194,499	-878,317
	7. Insurance business expenditure net of reinsurance			919,987,257	852,730,151
	8. Sundry underwriting expenses net of reinsurance			5,461,213	4,632,643
	9. Subtotal			14,895,991	356,477,144
	10. Change in the equalization reserve and similar reserves			120,602,612	-125,053,324
	11. Underwriting result net of reinsurance			135,498,603	231,423,820
II. Investment and general account	1. Investment income of which from affiliated companies:Euro 25,803,808 (previous year: Euro 25,196,793)	222,390,163			343,772,746
	2. Investment expenses	60,254,454			41,097,912
			162,135,709		302,674,834
	3. Underwriting interest on reinsurance funds		-45,089,125		-51,156,102
				117,046,584	251,518,732
	4. Sundry income		51,854,324		51,332,815
	5. Sundry expenditure		151,979,849		69,327,824
				-100,125,525	-17,995,009
	6. Profit before taxes			152,419,662	464,947,543
	7. Tax on income and profit		56,606,173		108,703,741
	8. Other taxes		2,883,176		2,238,458
				59,489,349	110,942,199
	9. Income/loss after taxes			92,930,313	354,005,344

Notes to the Financial Statement

Development of assets items A and B I. to III. in the 2020 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	3,246,488	-13,781
	2. Concessions, industrial property rights and similar rights and assets acquired against payment as well as licenses for such rights and assets	51,094	0
	3 Total A.	3,297,582	-13,781
	B. I. Real estate, rights to real estate and buildings including buildings on foreign real estate	8,087,476	0
	II. Investments in affiliated companies and participations		
	1. Shares in affiliated companies	117,234,537	0
	2. Loans to affiliated companies	634,800,000	0
	3. Participations	24,982,683	0
	4. Total B II.	777,017,220	0
	III. Other investments		
	1. Equities, investment fund certificates and other non-fixed-income securities	2,275,658,308	-8,824,476
	2. Bearer bonds and other fixed-income securities	7,377,464,323	-223,888,603
	3. Sundry fixed-term securities		
	a) Notes and loans	0	0
	4. Bank deposits	67,574,885	-3,965,118
	5. Sundry investments	11,250	0
	6. Total B III.	9,720,708,766	-236,678,197
Total		**10,509,111,044**	**-236,691,978**

Acquisitions Euro	Disposals Euro	Write-ups Euro	Write-downs Euro	Book values business year Euro
7,237,295	0	0	0	10,470,002
9,842	0	0	17,697	43,239
7,247,137	0	0	17,697	10,513,241
6,959,610	0	0	384,819	14,662,267
0	0	0	0	117,234,537
0	0	0	0	634,800,000
0	0	828,542	0	25,811,225
0	0	828,542	0	777,845,762
0	0	13,709,517	43,848,734	2,236,694,615
3,757,655,956	3,070,949,943	0	3,479,932	7,836,801,801
0	0	0	0	0
0	1,345,117	0	0	62,264,650
0	11,249	0	0	1
3,757,655,956	3,072,306,309	13,709,517	47,328,666	10,135,761,067
3,771,862,703	**3,072,306,309**	**14,538,059**	**47,731,182**	**10,938,782,337**

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 until completion.

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 cost 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 was shown as deferred interest if the amount pertained to the period prior to the closing date but was 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 were not yet available, the liabilities were estimated.

Zillmer adjustments in ceded life reinsurance business were 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 2.30% was determined by extrapolating the rates published by the German Bundesbank until 30 November 2020 in accordance with § 253, section 2 of the German Commercial Code to 31 December 2020 using the method prescribed by the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungs-verordnung).

In addition, a rate of compensation increase of 2.25%, pension indexation rate of 1.50% and a staff turnover rate of 3.00% were 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 41,281,940.

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 €	2020	2019
Australian Dollar	0.6211	0.6240
British Pound	1.1016	1.1743
Chinese Yuan Renminbi	0.1254	0.1287
Danish Krone	0.1344	0.1338
Hong Kong Dollar	0.1058	0.1159
Japanese Yen	0.0079	0.0082
South Korean Won	0.0007	0.0008
South African Rand	0.0562	0.0634
Swiss Franc	0.9226	0.9200
Singapore Dollar	0.6153	0.6653
US Dollar	0.8202	0.9023

Appropriation of profit

The 2020 business year closed with a net profit after taxes of Euro 92,930,313. Taking into account the profit of Euro 380,344,131 carried forward from prior years, the disposable profit totals Euro 473,274,444. 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. Sundry fixed-term securities
	a) Notes and loans
	4. Bank deposits
	5. Sundry investments
	6. Total III.
Total	

*) The fair values of real estate and buildings were last calculated in 2019 by an external expert.

		2020			2019
Book value	Fair value	Valuation reserve	Book value	Fair value	Valuation reserve
14,662,267	28,300,000	13,637,733	8,087,476	28,300,000	20,212,524
117,234,537	239,219,139	121,984,602	117,234,537	312,155,614	194,921,077
634,800,000	698,880,240	64,080,240	634,800,000	705,861,240	71,061,240
25,811,225	26,715,552	904,327	24,982,683	25,162,076	179,393
777,845,762	964,814,931	186,969,169	777,017,220	1,043,178,930	266,161,710
2,236,694,615	2,903,160,824	666,466,209	2,275,658,308	3,011,979,432	736,321,124
7,836,801,801	7,877,758,489	40,956,688	7,377,464,323	7,414,912,166	37,447,843
0	0	0	0	0	0
62,264,650	62,264,650	0	67,574,885	67,574,885	0
1	20,804	20,803	11,250	39,009	27,759
10,135,761,067	10,843,204,767	707,443,700	9,720,708,766	10,494,505,492	773,796,726
10,928,269,096	11,836,319,698	908,050,602	10,505,813,462	11,565,984,422	1,060,170,960

Assets

Intangible assets

In accordance with § 285 number 22 of the German Commercial Code internally created intangible assets accounted for an amount of Euro 10,470,003 (previous year: Euro 3,246,488).

The total research and development expenses of the financial year 2020 amounted to Euro 12,207,539.

Real estate and buildings

The book value of the real estate and buildings utilized by the company was Euro 14,662,267 (previous year: Euro 8,087,476).

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.

No omitted write-down occurred on participations for the business year just ended (previous year: Euro 778,543).

There was a write-up in accordance with § 253, section 5 German Commercial Code on participations amounting to Euro 828,542 (previous year: Euro 0).

As at 31 December 2020 no additional payment obligations existed in respect of the recognized share capital (previous year: Euro 0).

There were also no omitted write-downs on equities (previous year: Euro 1,527,978). These equities are used in business operations on a permanent basis and allocated to fixed assets.

A permanent impairment of Euro 43,848,734 (previous year: Euro 0) was recognized on equities in the area of securities allocated to fixed assets in the business year just ended.

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.

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 13,709,517 (previous year: Euro 91,490,042). 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 399,697,284 (previous year: Euro 402,042,490).

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 399,697,284 (previous year: Euro 402,042,490), 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 1,502,183,880 (previous year: Euro 2,021,444,150). The fair value of these bonds amounted to Euro 1,500,691,181 (previous year: Euro 2,018,153,167).

Write-downs of Euro 3,479,932 (previous year: Euro 423,468) 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 5,564,415 (previous year: Euro 7,324,014); it was attributable in an amount of Euro 0 (previous year: Euro 1,527,978) to equities, in an amount of Euro 4,071,716 (previous year: Euro 1,726,510) to investment certificates relating to a special fund and in an amount of Euro 0 (previous year: Euro 778,453) to participations as well as in an amount of Euro 1.492.699 (previous year: Euro 3,290,983) to fixed-income securities.

Investments amounting to Euro 332,055,746 (previous year: Euro 331,597,270) 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 2020 or 2019.

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

No derivative financial transactions were entered into in 2020 or 2019. As at 31 December 2020 and 31 December 2019 there were no outstanding foreign exchange forward transactions.

Deposits retained on assumed reinsurance business

Of these, deposits receivable from affiliated companies accounted for Euro 90,263,469 (previous year: Euro 40,897,908).

Reinsurance accounts receivable

An amount of Euro 16,453,602 of the reinsurance accounts receivable is attributable to Zillmer adjustments in assumed life reinsurance business (previous year: Euro 17,976,732).

Sundry receivables

The item "Sundry receivables" primarily shows tax receivables from revenue authorities of Euro 143,677,611 as well as receivables from interest on taxes of Euro 13,804,766, receivables from affiliated companies of Euro 3,626,826 and receivables from security deposits of Euro 3,339,661.

Receivables with a maturity of more than one year in accordance with § 268, section 4 German Commercial Code amounted to Euro 68,645,813 (previous year: Euro 66,332,029).

Deferred tax assets

The recognized deferred tax assets mainly relate to the revaluation of underwriting reserves, the different fiscal treatment of pension provisions and intangible assets, differences in investment positions due to national and international tax regulations and different accounting principles at foreign branches as well as existing Net Operating Losses for Germany and for some of the 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 2020 according to § 246, section 2 of the German Commercial Code:

Euro thsd.	
Fair value of plan assets	3,583
Pension fund liabilities	-3,583
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 2020 according to § 246, section 2 of the German Commercial Code:

Euro thsd.	
Fair value of plan assets	57,685
Provisions for pensions	-45,818
Total	11,867

Income	3,403
Expenses	-1,342
Total	2,061

The acquisition cost of the total plan assets amounted to Euro 32,126,425.

Liabilities

Subscribed capital

The share capital as at 31 December 2020 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 2020	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 2020		1,405,208,342
		1,405,924,151

Other provisions

			2020	2019
		Euro	Euro	Euro
I.	Provisions for pensions and similar obligations		271,260,291	258,782,326
II.	Tax provisions		209,330,095	193,041,928
III.	Sundry provisions			
a)	Provisions for currency translation gains	86,758,197		45,173,673
b)	Services which have been received but for which accounts have not yet been settled	2,577,030		2,738,230
c)	Miscellaneous	133,339,860		100,341,796
			222,675,087	148,253,699
			703,265,472	600,077,954

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

Reinsurance accounts payable

An amount of Euro 0 (previous year: Euro 0) 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 13,917,941 (previous year: Euro 8,352,310).

As at 31 December 2020 there were no liabilities with a maturity of more than five years (previous year: Euro 0).

As at 31 December 2020 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	10,470,003	
less deferred tax liabilities established thereon	0	
		10,470,003
2. Fair value of assets netted in accordance with § 246 section 2 German Commercial Code	61,268,378	
Less acquisition costs of such assets	32,126,425	
		29,141,953
3. Deferred tax assets in *accordance with § 253 section 6 German Commercial Code		466,797,117
4. Difference in pension obligation between 7- and 10-year average interest rate in accordance with § 253 section 6 German Commercial Code		41,281,940
Non-distributable amount as at 31 December 2020		**547,691,013**
Available capital		2,744,656,491
less non-distributable amount		547,691,013
Amount available for distribution as at 31 December 2020		**2,196,965,478**

*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

Claims arising from the Covid-19 pandemic resulted in higher claims compared to the previous year. The impact of major losses and natural catastrophes was higher than in the previous year, but overall in line with our expectations.

Change in the other underwriting reserves net of reinsurance

	2020 Euro	2019 Euro
a) Net actuarial reserves for life and health policies	40,662,587	21,624,174
b) Sundry net underwriting reserves	21,520,544	-40,604,131
	62,183,131	-18,979,958

Minus signs indicate contributions to the reserves.

Insurance business expenditure net of reinsurance

	2020 Euro	2019 Euro
a) Gross insurance business expenditure	1,020,957,252	957,228,908
b) Less: commission and profit commission on reinsured business	100,969,995	104,498,757
	919,987,257	852,730,151

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

		2020 Euro	2019 Euro
a)	Income from participations of which in affiliated companies: Euro 0 (previous year: Euro 0)	1,178,529	1,071,390
b)	Income from other investments of which in affiliated companies Euro 25.803.808 (previous year: Euro 25,196,793)		
aa)	Income from real estate, rights to real estate and buildings	2,124,491	2,162,931
bb)	Income from other investments	198,664,053	245,921,865
		200,788,544	248,084,796
c)	Write-ups on investments	14,538,059	91,490,041
d)	Income from the disposals of investments	5,885,031	3,126,519
		222,390,163	**343,772,746**

The interest from negative interest rates was offset against interest income.

Investment expenses

	2020 Euro	2019 Euro
a) Expenses for the administration of investments, interest expenditure and other investment expenses	4,851,618	4,712,527
b) Write-downs on investments	47,713,485	808,287
c) Losses from the disposal of investments	7,689,351	35,577,098
	60,254,454	41,097,912

Sundry income

Sundry income mainly relates to income from exchange rate gains of Euro 30,647,047, income from interest on taxes of Euro 9,334,575, income from the discounting of other reserves of Euro 7,956,754, income from charging services rendered of Euro 1,704,112 as well as income from the release of bad debt provisions of Euro 1,365,929.

Sundry expenditure

Sundry expenditure mainly comprises exchange rate losses of Euro 79,748,467 and interest on taxes in the amount of Euro 31,830,108 compared to Euro 836,966 in the previous year. Contributions to interest on pension reserves amounted to Euro 15,552,207 (previous year: Euro 28,346,461). Allowances and write-offs on receivables accounted for Euro 11,091,784 (previous year: Euro 6,152,185).

Tax on income and profit

The profit before taxes was reduced by Euro 56,606,173 (previous year: Euro 108,703,741 due to tax on income. Deferred taxes accounted for income of Euro 59,219,549 (previous year: Euro 19,715,926).

Details on the Individual Classes of Reinsurance

		2020 Euro	2019 Euro
Premium income Gross written premiums	Life insurance	1,766,028,993	1,694,939,125
	Health insurance	792,751,659	660,066,901
	General third party liability insurance	192,561,094	180,541,893
	Accident insurance	16,334,709	19,004,505
	Motor insurance	613,785,277	733,071,620
	Marine insurance	65,521,617	42,409,406
	Property insurance	682,793,332	614,663,929
	Engineering insurance	59,493,631	65,844,160
	Sundry classes of insurance	24,204,036	28,364,780
	Total	**4,213,474,348**	**4,038,906,319**

		2020 Euro	2019 Euro
Net earned premiums	Life insurance	1,703,869,848	1,635,099,851
	Health insurance	803,906,101	601,473,439
	General third party liability insurance	147,852,174	139,320,253
	Accident insurance	12,995,873	15,256,477
	Motor insurance	468,032,859	536,760,044
	Marine insurance	45,924,242	32,816,751
	Property insurance	511,187,448	472,410,710
	Engineering insurance	40,106,328	43,756,435
	Sundry classes of insurance	18,920,550	19,520,916
	Total	**3,752,795,423**	**3,496,414,876**

		2020 Euro	2019 Euro
Subtotal before change in the equalization reserve and similar reserves net of reinsurance	Life insurance	81,538,119	137,906,192
	Health insurance	57,052,525	47,016,467
	General third party liability insurance	-1,020,720	37,827,411
	Accident insurance	-4,886,917	2,145,559
	Motor insurance	17,586,437	42,819,283
	Marine insurance	-1,012,140	8,961,900
	Property insurance	-138,998,485	75,241,581
	Engineering insurance	13,572,000	-3,798,060
	Sundry classes of insurance	-8,934,828	8,356,811
	Total	**14,895,991**	**356,477,144**

		2020 Euro	2019 Euro
Underwriting result after change in the equalization reserve and similar reserves net of reinsurance	Life insurance	81,538,119	137,906,192
	Health insurance	57,052,525	47,016,467
	General third party liability insurance	30,691,195	32,650,501
	Accident insurance	-3,466,243	755,608
	Motor insurance	7,591,356	-68,417,848
	Marine insurance	1,677,789	4,073,332
	Property insurance	-38,074,802	62,422,491
	Engineering insurance	20,048,406	2,757,168
	Sundry classes of insurance	-21,559,742	12,259,909
	Total	**135,498,603**	**231,423,820**

		2020 %	2019 %
Combined ratio *) before change in the equalization reserve and similar reserves net of reinsurance	Life insurance	95.2	91.6
	Health insurance	92.9	92.2
	General third party liability insurance	100.7	72.9
	Accident insurance	137.6	85.9
	Motor insurance	96.2	92.0
	Marine insurance	102.2	72.7
	Property insurance	127.2	84.1
	Engineering insurance	66.2	108.7
	Sundry classes of insurance	147.2	57.2
	Total	**99.6**	**89.8**

*) Underwriting result in relation to earned premium

		2020 Euro	2019 Euro
Underwriting reserves net of reinsurance total underwriting reserves	Life insurance	3,440,525,555	3,349,875,380
	Health insurance	366,428,474	377,647,728
	General third party liability insurance	1,431,783,533	1,456,668,526
	Accident insurance	77,191,275	73,775,165
	Motor insurance	3,496,192,292	3,557,946,636
	Marine insurance	124,949,300	117,333,956
	Property insurance	1,207,704,761	1,047,332,347
	Engineering insurance	194,299,820	204,708,637
	Sundry classes of insurance	226,607,854	204,604,887
	Total	**10,565,682,864**	**10,389,893,262**

		2020 Euro	2019 Euro
Reserves for outstanding claims net of reinsurance	Life insurance	3,208,832,378	3,074,318,170
	Health insurance	169,536,995	170,227,805
	General third party liability insurance	1,234,052,053	1,231,457,706
	Accident insurance	75,904,744	71,057,523
	Motor insurance	3,052,157,627	3,129,318,111
	Marine insurance	91,648,442	84,090,190
	Property insurance	861,247,252	622,224,591
	Engineering insurance	139,247,484	149,754,924
	Sundry classes of insurance	117,648,368	107,471,475
	Total	**8,950,275,343**	**8,639,920,495**

Life and health reserves include actuarial reserves

Overall, the net run-off result is negative and represents -0.9% (previous year: 1.3%) of the original provision.

		2020 Euro	2019 Euro
Equalization reserve and similar reserves	General third party liability insurance	162,475,339	194,187,255
	Accident insurance	852,242	2,272,916
	Motor insurance	282,245,111	272,250,030
	Marine insurance	19,937,732	22,627,661
	Property insurance	270,758,531	371,682,213
	Engineering insurance	14,159,941	20,636,347
	Sundry classes of insurance	101,124,896	88,499,982
	Total	**851,553,792**	**972,156,404**

General Information

Employees

In 2020 the company employed an average of 616 staff (previous year: 612), including 221 working for our branch offices abroad (previous year: 220). Furthermore, an average of 138 staff (previous year: 118) 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

		2020 Euro	2019 Euro
1.	Salaries and wages	100,994,234	87,963,396
2.	Statutory social security contributions and expenses for benefits	12,015,140	11,807,803
3.	Expenses for retirement benefits	23,456,284	30,550,491
		136,465,658	130,321,690

The total remuneration granted to members of the Executive Board in 2020 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 3,368,463 (previous year: Euro 2,428,494). This amount is broken down as follows: Euro 1,309,558 was paid for fixed salary and intra-group allocations and variable compensation amounted to Euro 2,058,905, 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 53,115.

The income from decreasing the pension reserve for active members of the Executive Board amounted to Euro 3,310,835 (previous year: expense of Euro 250,113). 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 1,781,969 (previous year: Euro 1,476,038) were made to former members of the Executive Board or their dependents in the 2020 business year. The provisions for pensions payable to such persons as at 31 December 2020 totaled Euro 37,392,282 (previous year: Euro 33,024,326).

Fixed remuneration paid to the members of the Supervisory Board totaled Euro 41,873 (previous year: Euro 45,436).

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 100% of the 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 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 the 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 shareholders' 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 1,390,000) was expensed for audit fees in the business year. No expenditure was incurred in 2020 for other assurance services or other services performed by the auditors (previous year: Euro 0).

- The fees for auditing services provided by Deloitte GmbH Wirtschaftsprüfungsgesellschaft mainly related to the audit of the annual financial statements and US GAAP 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 2020 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 2020, other financial liabilities from leasing agreements amounted to Euro 9,880,987 (previous year: Euro 12,252,134).

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.

Since 1 January 2017 our parent company participates in our property and casualty business with a quota share of 20%. During 2020, we entered into a stop loss arrangement with General Re Life Corporation, a fellow subsidiary with respect to some of our Life Health business.

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	1,000,111	23,799
	General Reinsurance Life Australia Ltd., Sydney	100	139,527,736	-17,167,885
	General Reinsurance Africa Ltd., Cape Town	100	115,449,383	-17,316,962
	General Reinsurance Beirut S.A.L. (Off-Shore), Beirut	100	798,448	124,624
	Gen Re Servicios México S.A., Mexico City	100	1,174,998	49,447
	Gen Re Support Services Mumbai Private Ltd. [2] *	100	186,507	-21,760

	Name and registered office	Share %	Shareholders' equity[1]	Business year result[1]
Participations	ARGE FJA, KR BU-System, Munich [2]	50	71,609	29,812
	Triton Gesellschaft für Beteiligungen mbH, Luxemburg [2]	19	5,223,522	-211,766
	Nürnberger Beteiligungs-Aktiengesellschaft, Nürnberg	3	708,247,166	46,386,718

[1] Figures taken from last available Annual Report

[2] In liquidation

*) Different fiscal year (31 March 2020)

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* (until 28 April 2020)
Client Accounting Specialist
General Reinsurance AG, Cologne/Germany

Rafael Lorsbach* (since 15 June 2020)
Senior Claims Specialist
General Reinsurance AG, Cologne/Germany

*Employees' representative

Executive Board

Charles S. Shamieh
New York City, New York/USA
Chair (since 01.08.2020)

Life/Health: Asia, Australia & New Zealand, Canada, Caribbean, Sub-Saharan Africa, UK & Ireland (since 1 August 2020)
Investments
Actuarial
Global Marketing & Client Communications
Technology & Operations (1 May 2020 – 23 September 2020)

Andrew Michael D'Arcy
Sevenoaks, Kent/UK

Property/Casualty

Michael O'Dea
Richmond, Surrey/UK

Finance (Accounting/Controlling/Tax)
Legal/Compliance
Internal Audit
Technology & Operations (until 30 April 2020)
Corporate Risk Management
Business Continuity Management
Human Resources (since 1 August 2020)

Ulrich Pasdika (since 1 August 2020)
Solingen/Germany

Life/Health: Continental Europe, Middle East, North Africa, Latin America

Dr. Frank A. Schmid (since 24 September 2020)
Hoboken, New Jersey/USA

Technology & Operations

Dr. Winfried Heinen (until 31 July 2020)
Cologne/Germany
Chair

Cologne, 3 March 2021

The Executive Board

Charles S. Shamieh

Andrew Michael D'Arcy

Michael O'Dea

Ulrich Pasdika

Dr. Frank A. Schmid

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 2020, and the statement of profit and loss for the financial year from 1 January to 31 December 2020, 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 2020. 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) included in 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 and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 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 Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following, we present the reserve for incurred but not reported (IBNR) claims (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 statements), and

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 7,939 for claims or events that have transpired as at the balance sheet date but have not been reported until recorded as part of an inventory count. The IBNR claims 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 generally accepted actuarial methods, such as the chain ladder method or the Bornhuetter-Ferguson method or the expected loss approach.

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

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

   For auditing the computation of the IBNR claims 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 assumptions. 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 computation 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 obtaining an understanding of the actual settlement – also during the year – in the course of time.

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

Other Information

The executive directors and the supervisory board are responsible for the other information. The other information comprises

- the report of the supervisory board,
- the separate non-financial report pursuant to Sections 289b to 289e HGB to be made available probably after the date of the Independent Auditor's Report 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,
- all other parts of the annual report,
- but not the annual financial statements, not the audited content of the management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. Apart from that, the executive directors are responsible for the other information.

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 mentioned above and, in so doing, to consider whether the other information

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

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

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

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 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 exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company’s position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the supervisory board on 28 April 2020. We were engaged by the supervisory board on 28 April 2020. 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, 5 March 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:	Signed:
Holger Höhendorf	Petra Hoppe
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Supervisory Board Report

Dear Sir or Madam,

The Supervisory Board held six meetings in the course of 2020.

At the meetings the Supervisory Board was informed in a detailed and timely manner by the Executive Board about the company's current business policy and, in particular, its underwriting and investment policy. In addition, developments on international reinsurance markets, the implementation of corporate policy, the performance of the company's business, the results of individual business units, capital management measures and the development of management expenses were the subject of thorough discussion. In the 2020 calendar year a regular dialogue was maintained regarding, most notably, the impacts of the Covid-19 pandemic on the company.

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

The other main points of deliberation in the 2020 reporting year were as follows:

- The Supervisory Board was informed about the major risk management activities in 2020, 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, the assessment of cyber risks as well as changes to the company's risk tolerance limits were further topics of discussion for the Supervisory Board.
- The Supervisory Board was kept updated on the most significant compliance activities, including for example the further expansion of the data protection management system, the roll-out of an application-supported vendor governance process and observance of trade sanctions. The compliance function informed the Supervisory Board about legal and regulatory developments, audits that were conducted and cooperation with the relevant authorities. In addition, the Supervisory Board was kept continuously informed about the findings of the routine BaFin audit carried out on a regular basis and the resulting remedial measures taken to address identified concerns.
- The findings of the audits conducted by the Internal Audit function and the envisaged new audit concentrations were presented to the Supervisory Board and subjected to its assessment.
- The Supervisory Board discussed in depth the impacts of the Covid-19 pandemic on the company's various business units and operations. In addition, it was kept regularly informed about the work situation at the worldwide offices of General Reinsurance AG.
- The Supervisory Board considered the investment policy, including the Master Investment Guidelines, developments on financial markets, additional stress tests with respect to the impacts of the COVID-19 pandemic and capital management measures within the group.
- The Executive Board informed the Supervisory Board of the organizational changes in the areas of IT and P&C.
- The Supervisory Board was informed about strategic IT initiatives, including for example measures to further strengthen IT security, the Cloud migration strategy, cooperation with insurtechs and progress made in the development of a new Life/Health system to be used for (individual) underwriting, claims management, individual policy administration and data analytics.

- Throughout the year, the Supervisory Board was continuously informed about measures taken by the company in preparation for possible scenarios following the expiry of the Brexit transition period on 31 December 2020.
- Contractual matters, remuneration arrangements, bonus payments as well as the assessment of individual performance and new individual targets for the members of the Executive Board were discussed and determined. The collective fit and proper assessment of the Executive Board and the Supervisory Board (by way of self-assessment) as well as the individual fit and proper assessments of the new member of the Supervisory Board and the new members of the Executive Board were reviewed and confirmed. In addition, suitable training measures were defined for the Supervisory Board.
- In the course of the year, several junior executives were introduced to the Supervisory Board and presented their work results and ongoing projects. This enabled the Supervisory Board to obtain a good overview of the business priorities as well as the personnel resources available within the organization.

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

At the meeting on 23 March 2021 the Supervisory Board was informed about the course of business and the results in 2020. The Supervisory Board considered the annual financial statement prepared by the Executive Board and the Executive Board's report on relations with affiliated companies.

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

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

The Executive Board proposed to the Supervisory Board that it should be recommended to the Ordinary General Meeting that the 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 report submitted by the Executive Board and the audit report of the auditors. 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 auditors for the 2021 business year.

Personalia

Mr. Frank Roselieb resigned his seat on the Supervisory Board effective 28 April 2020 after 13 years as an employee representative on the Supervisory Board. On 15 June 2020 Mr. Rafael Lorsbach was elected as a new employee representative on the Supervisory Board.

Dr. Winfried Heinen resigned his seat on the Executive Board effective 31 July 2020 due to his retirement. Dr. Heinen had worked for the Gen Re Group in various roles for almost 32 years, including 13 years serving on the Executive Board of General Reinsurance AG and 4 years as its Chairman.

Mr. Charles Shamieh was elected to succeed him as Chairman of the Executive Board on 1 August 2020.

Mr. Ulrich Pasdika and Dr. Frank Schmid were elected as new members of the Executive Board effective 1 August 2020 and 24 September 2020 respectively.

Word of Thanks

The Supervisory Board thanks the previous members of the Executive Board and the Supervisory Board who resigned their seats in 2020 for the valuable contributions that they made for the benefit of General Reinsurance AG as well as for their trusting and constructive cooperation over many years and decades.

The Supervisory Board would like to thank the Executive Board and the employees of General Reinsurance AG, who in these difficult times and in extremely challenging circumstances showed considerable commitment as they played their part in extensively limiting the impacts of the pandemic on the company and enabling it to enjoy a successful business development.

Cologne, 23 March 2021

Manfred Seitz
(Chairman)

Stephen A. Michael
(Deputy Chairman)

Sandra Bell

Andrew Gifford

Rafael Lorsbach

Thomas Mosakowski

The people behind the promise®

General Reinsurance AG
Theodor-Heuss-Ring 11
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