

**AMB Generali**

**The Life Assurance and Pensions Market  
in Germany**

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Insurance, Pensions and Savings in Germany  
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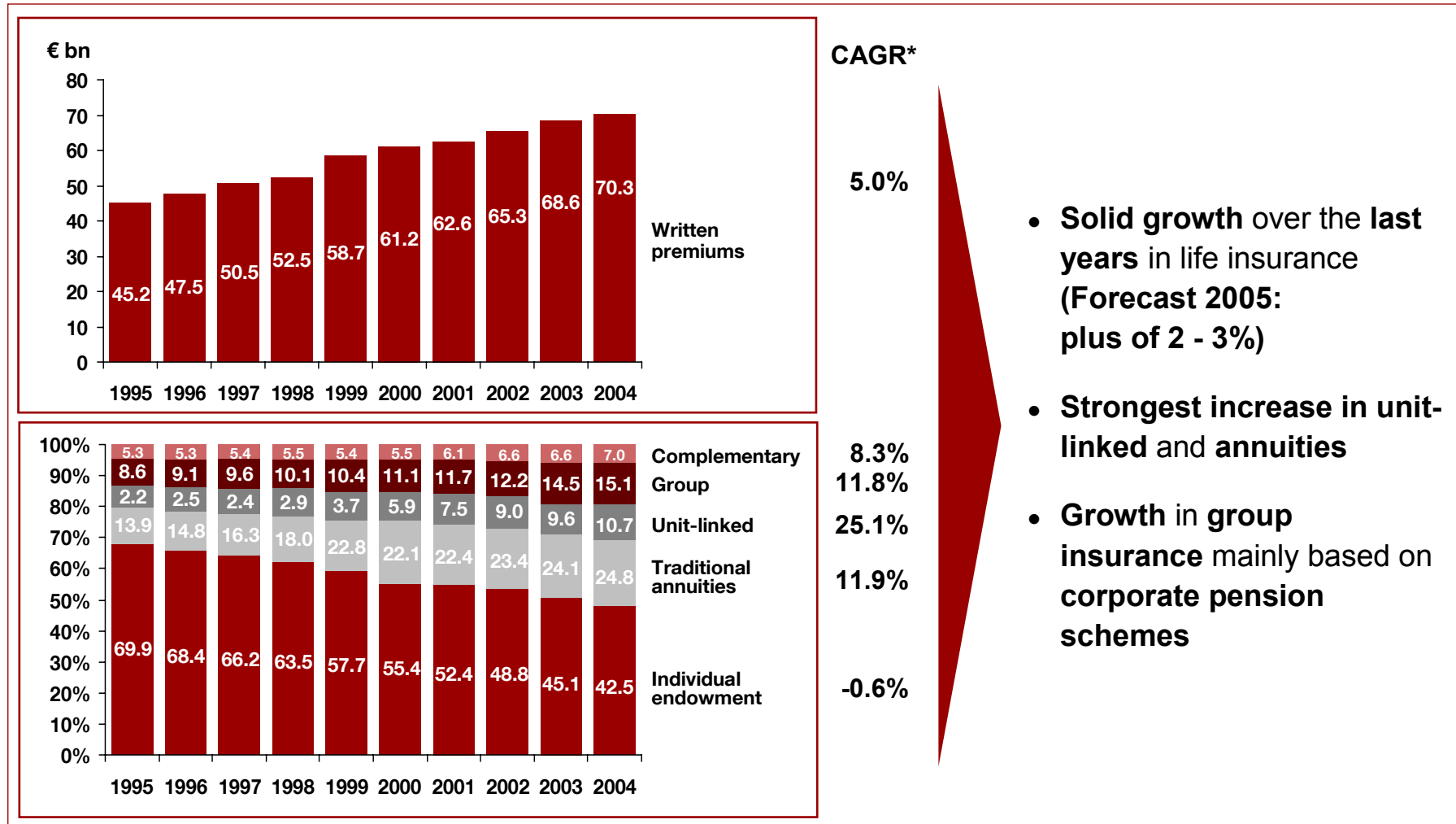
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## Life and Pensions in Germany

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# Solid growth in German life market

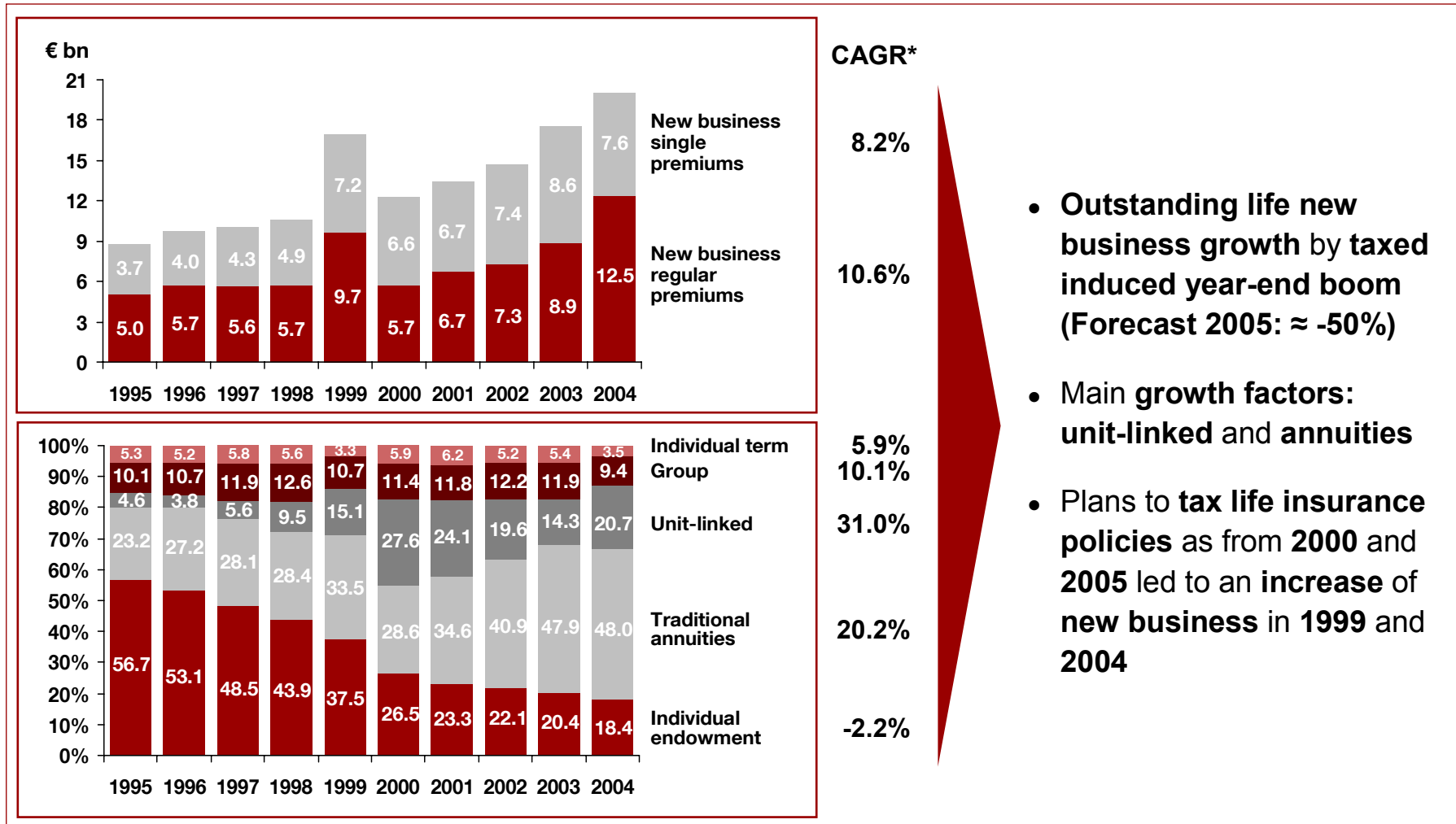


\* compound annual growth rate



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# Accelerated development in life new business

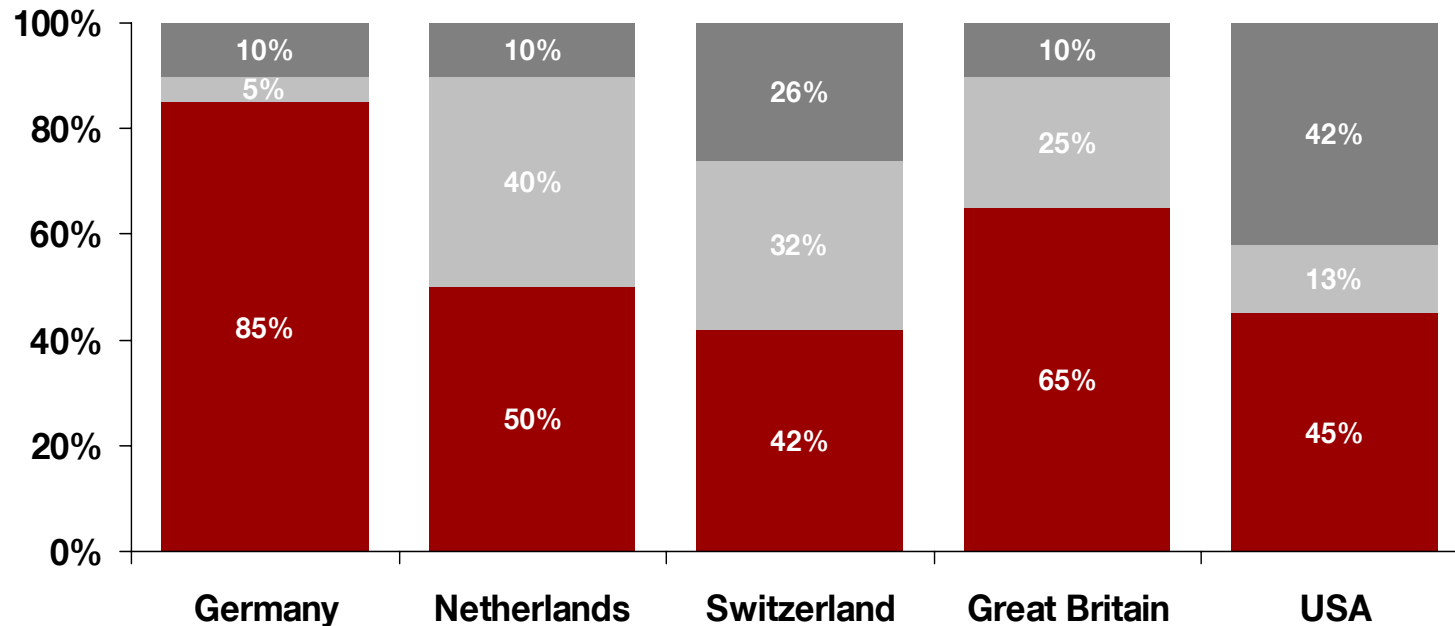


\* compound annual growth rate



## Public retirement income dominates old age income in Germany

**Composition of old age income  
in % of two-person retiree household total income**



1. pillar: Public retirement income (public pensions, social assistance, civil servants' pensions etc)

2. pillar: Private and corporate pension income

3. pillar: All other retirement income (asset income, net transfers, earnings etc)

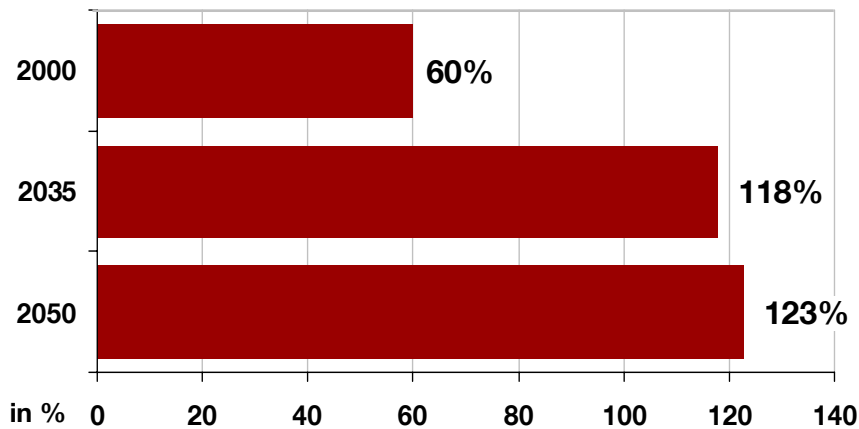


# Increasing efforts to maintain living standard

Year	1910	2003
Average life expectancy	47	78
Retirement age	70	63
Difference	23	-15

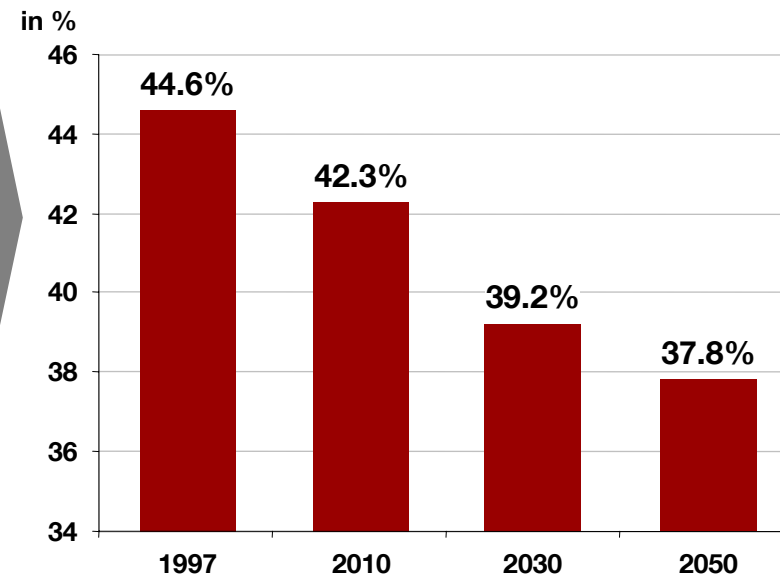
## Retirement dependency ratio

(For every x retirees there are 100 payers of contributions to state-run pension scheme age 20-64)



## Public retirement income replacement ratio

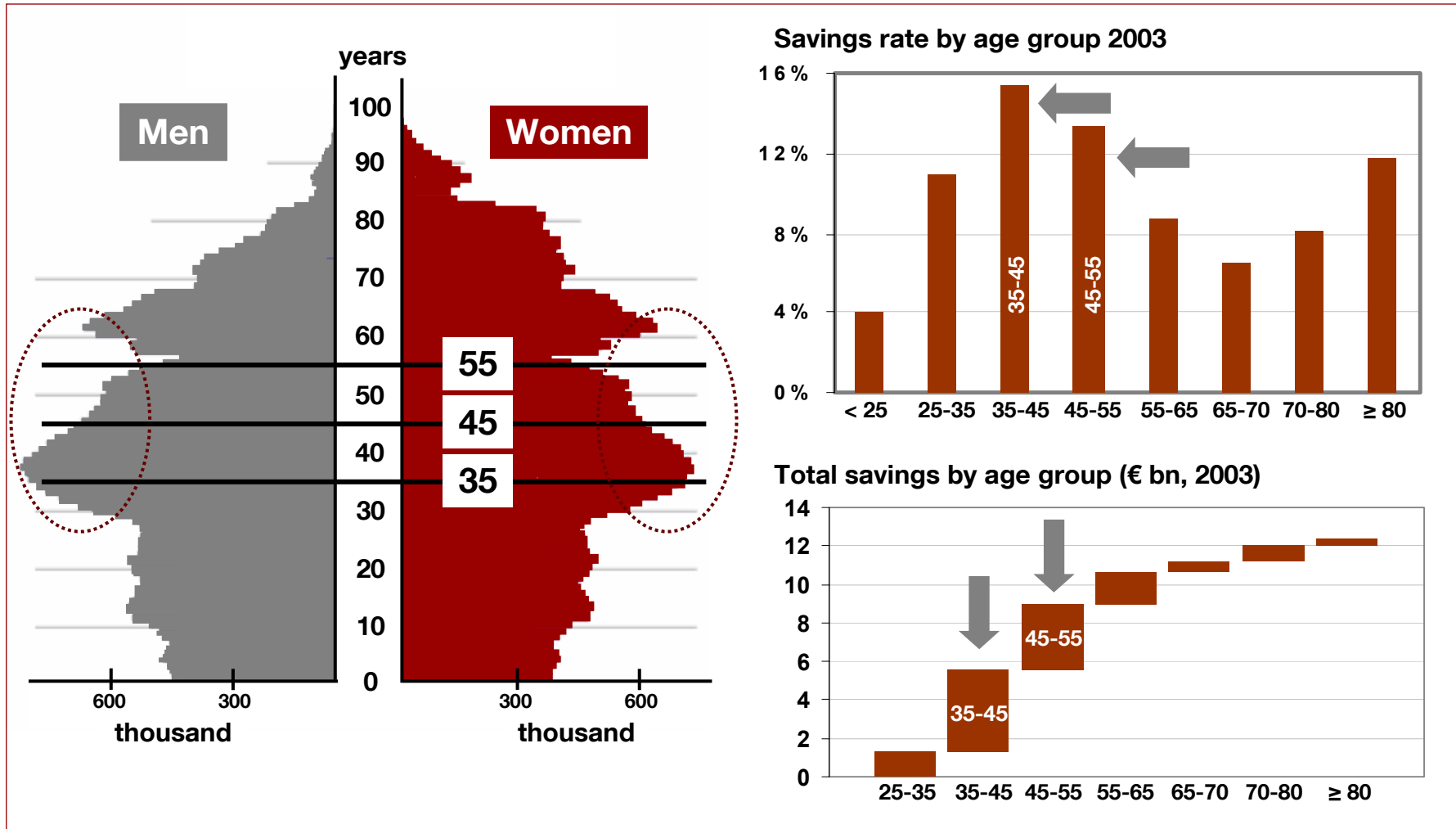
(Public retirement income replaces x% of last gross income before retirement)



Source: Dang et al. 2001; social security committee of the German Government; Deutsches Institut für Altersvorsorge



# Demographic dynamics continue to support saving process



Source: Bureau of Statistics 2004, Germany

# Apparent increase in awareness and willingness to save

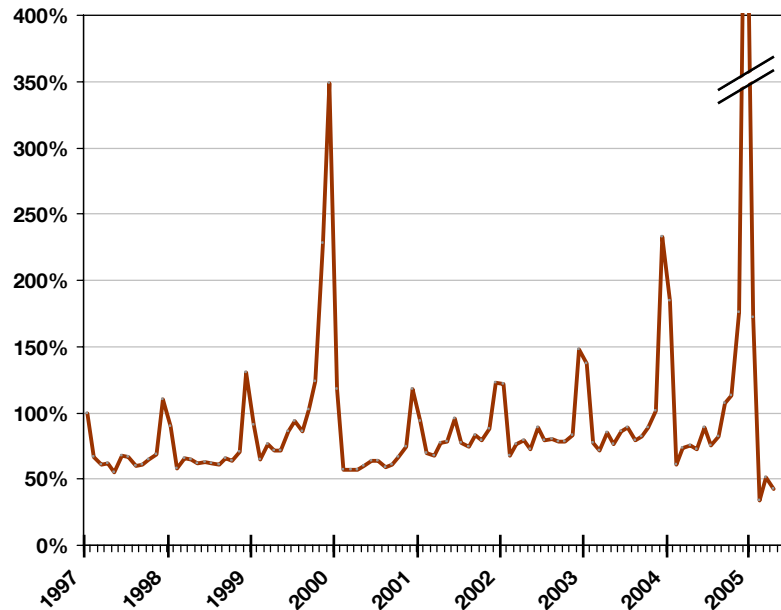
## Increasing year-end peaks



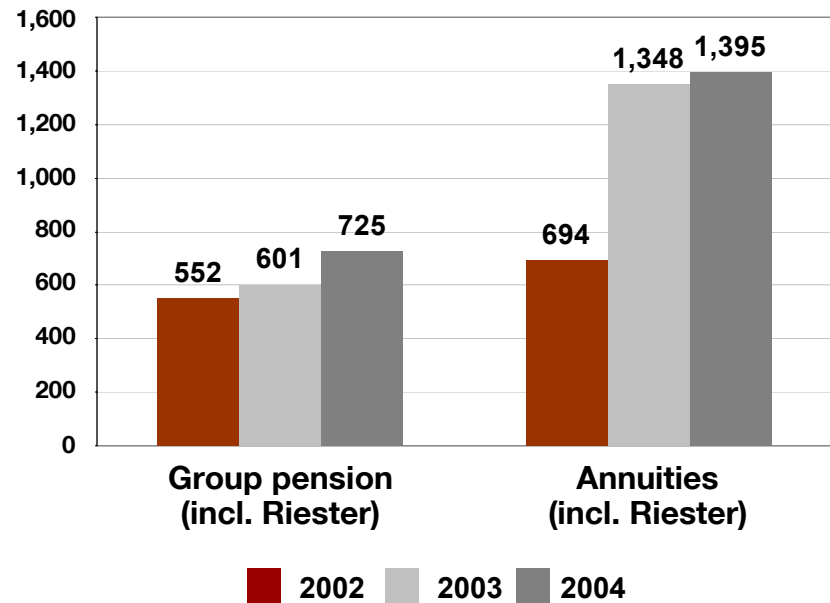
## Increasing average premium levels

### Life new business volume month by month in Germany

01/1997 = Index 100



### Average annual premium per contract in € in Germany



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## Retirement Income Act leads to changes in life business

### Market

#### Legal changes...

- **"Alterseinkünftegesetz"** (Retirement Income Act) with new retirement arrangement in **3 tiers**
  - Tier 1: **basic provision**
  - Tier 2: **private (Riester) + corporate pension**
  - Tier 3: **conventional life insurance (endowment + annuity)**
- Significant **changes in taxation** since 2005
  - Gradual change to **taxation of benefits** with **extended tax exemption in tier 1+2**
  - **Abolishment of full tax exemption for endowments** and **improvement of tax situation for annuities**

#### ...lead to:

- **year-end boom of life insurance in 2004**
- **higher awareness for private provision**
- **change of product mix from 2005 onwards**

### AMB Generali

- **Benefits from tax-induced year-end boom**
- **Strategic position in all relevant life growth segments**
  - Placement of **broad product portfolio** from 1.1.2005, **coverage of all 3 tiers with innovative products**
  - **Focus on tax-improved annuities in all 3 tiers (unit-linked and classic); life new business with 69% annuities** already in 2004
  - **Market leader in unit-linked with focus on annuities** (app. **85% annuities of unit-linked new business in 2004**)
  - Focus on **unique selling position** of insurance products

**AMB Generali well positioned for new situation in life business**



# AMB Generali responds to changes in life with broad portfolio mix

## Tier 1: Basic provision

- **Offer of new basic annuities (traditional and unit-linked)** similar to statutory pensions
- **Attractive supplementary products offset disadvantages of legal restrictions**
  - **Term insurance** and **surviving dependants'** insurance
  - **Occupational disability** insurance
  - Other **supplementary non-life insurance** (e.g. unemployment, accident)

## Tier 2: Private and corporate pension

- Adjustment of **Riester products** to include **new features**
  - **Abolition of annual audit** and **simplified criteria** to qualify for state incentives
  - Up to **30%** of the maturity payment in **one-off lump-sum payment**
  - **Unisex tariffs** as of **2006**
- All **five vehicles of corporate pension business** offered with **special focus** on **tax-improved "Direktversicherung"**
- **Special modular products** for mid-sized **corporate pension business** (e.g. pension schemes, commutation of pension commitments)

## Tier 3: Conventional life insurance

- **High focus on tax-improved annuities**
- **"Universal life"** product approach for **endowments**
  - **Flexible product contributions, benefits and bonus schemes**
  - **Tailor-made policies**, particularly for 48+
- Extended product portfolio for **term and occupational disability** insurance



## Tier 1: Basic provision as starting ground for social security

<b>Product</b>	<ul style="list-style-type: none"><li>• <b>Social security</b> (public programme)</li><li>• <b>Pension plans</b> (professional organisations)</li><li>• <b>Traditional annuity plans</b> (life insurance companies)</li></ul>
<b>Restrictive product features</b>	<ul style="list-style-type: none"><li>• <b>Annuity payments may not begin before age 60</b></li><li>• <b>Benefits may not be inherited</b>, e.g. by family members</li><li>• <b>Benefits may not be transferred</b>, e.g. to family members</li><li>• <b>Amounts accumulated may not be taken out as loans</b></li><li>• <b>Policy may not be sold</b></li><li>• <b>Annuity payments may not be transformed into lump-sum payment at maturity</b></li></ul>
<b>But additional product offering</b>	<ul style="list-style-type: none"><li>• <b>Additional products to cover personal disability and surviving dependants' provision</b> (premium not exceeding 50% of basic product)</li></ul>
<b>Taxation</b>	<ul style="list-style-type: none"><li>• <b>Saving period:</b> € 20,000 per person and year tax-deductible (starting from € 12,000 in 2005; gradually increasing to € 20,000 in 2025; for basic product incl. additional product cover)</li><li>• <b>Pay-out period:</b> <b>Full taxation</b> (gradually increasing from 50% of payment as taxable basis in 2005 to 100% in 2040)</li></ul>



## Tier 2: Private and corporate pensions with high growth potential

### Private "Riester" pension

- Only 3.8 million contracts market-wide until 2004, but **high potential of 30 million employees**
- **Product to become easier and more flexible** from 2005 onwards which should **increase broad acceptance**
- **Imminent unisex-tariffs** from 2006 will lead to **additional growth in 2005**
- **Doubled savings amount** in 2004 with **positive effect** on life new business; **next Riester-step in 2006**

AMB Generali with top position:

784,000 contracts until 2004  
Current market share  $\approx$  20%, nb 34%

**Medium-term target for market share:  
>15%**

### Corporate pension

- **Corporate pension as growth market**
  - **High market growth** of new business
  - **Small and medium-sized companies market (SME)** with **late start but good development**
- **AMB Generali with focussed strategy**
  - **SME market with competitive edge in specialised segments**
  - **Pensionskasse very successful** with over 82,000 new contracts
  - **Launching new flexible products**

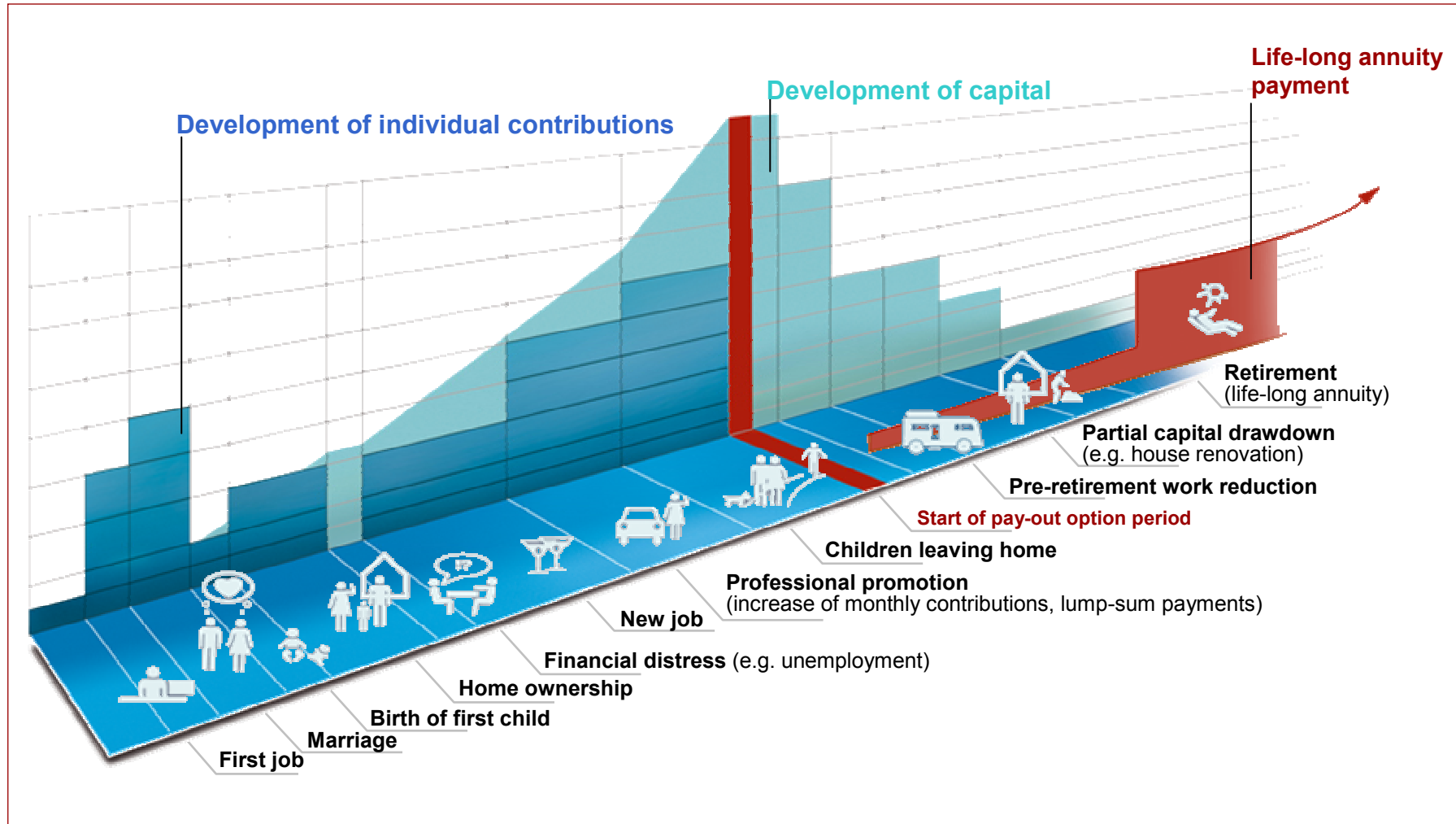
AMB Generali with improved growth:

Nb 2004 up +56% to € 288 m  
Current nb market share  $\approx$  8%

**Medium-term target for nb market share:  
 $\approx$  15%**



# Tier 3 / Example (p. 1): Flagship product of AachenMünchener Life: "Wunschpolice"



## Tier 3 / Example (p. 2): "Wunschpolice" with unique flexibility features

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### Flexible choice of contribution mode

- Current payments
- Single payments
- Intermission of payments

### Flexible choice of assets unit-linked or traditional

- Base investment
- Bonus investment
- Dynamic increases of annuity payments

### Flexible point of time

- To stop investment process
- To start with pay-out process

### Flexible choice to include additional coverages

- Term life components
- Dependant's coverage
- Disability coverage

### Flexible paying mode

- Annuity
- Single payment
- Combination of both



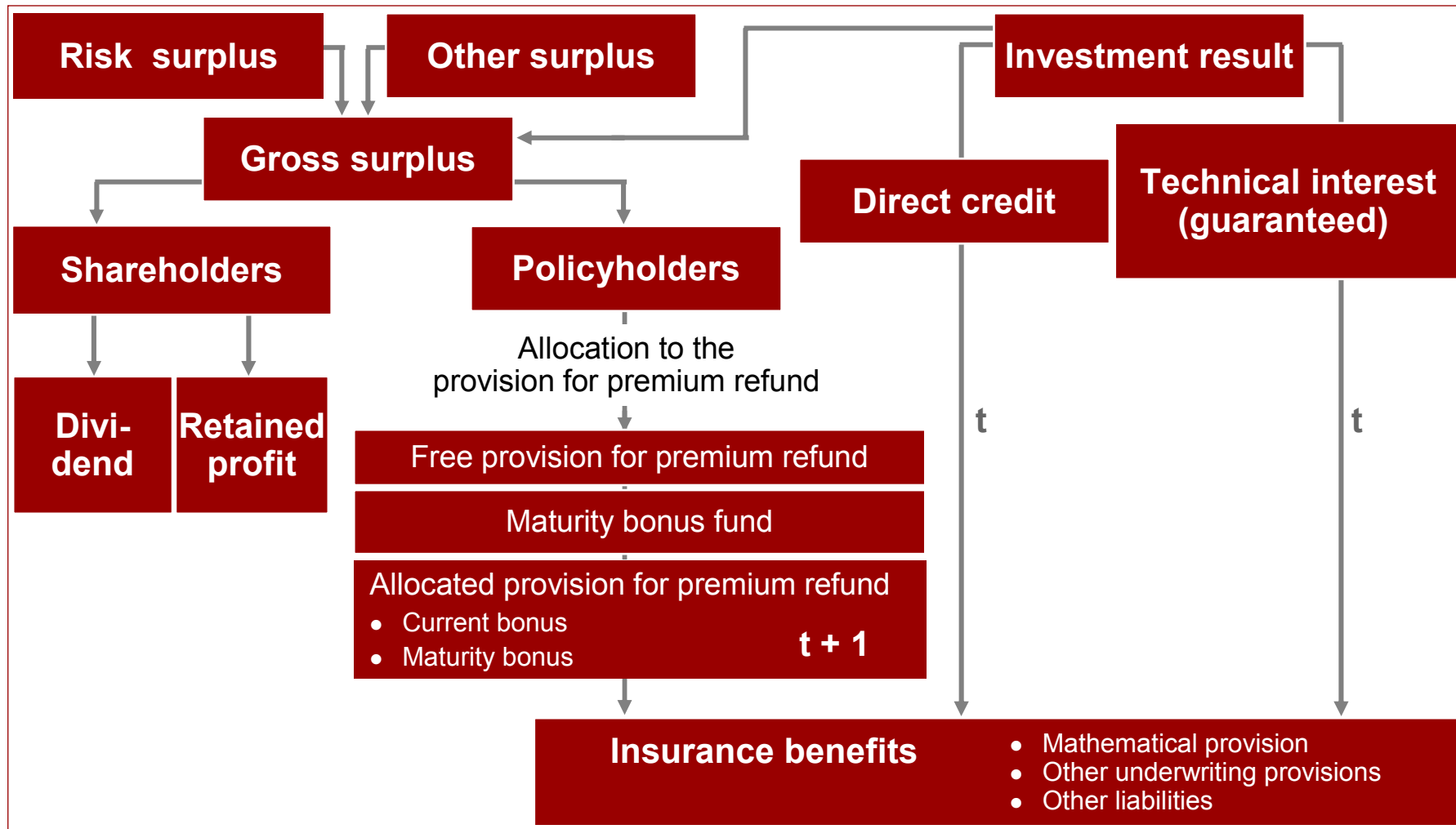
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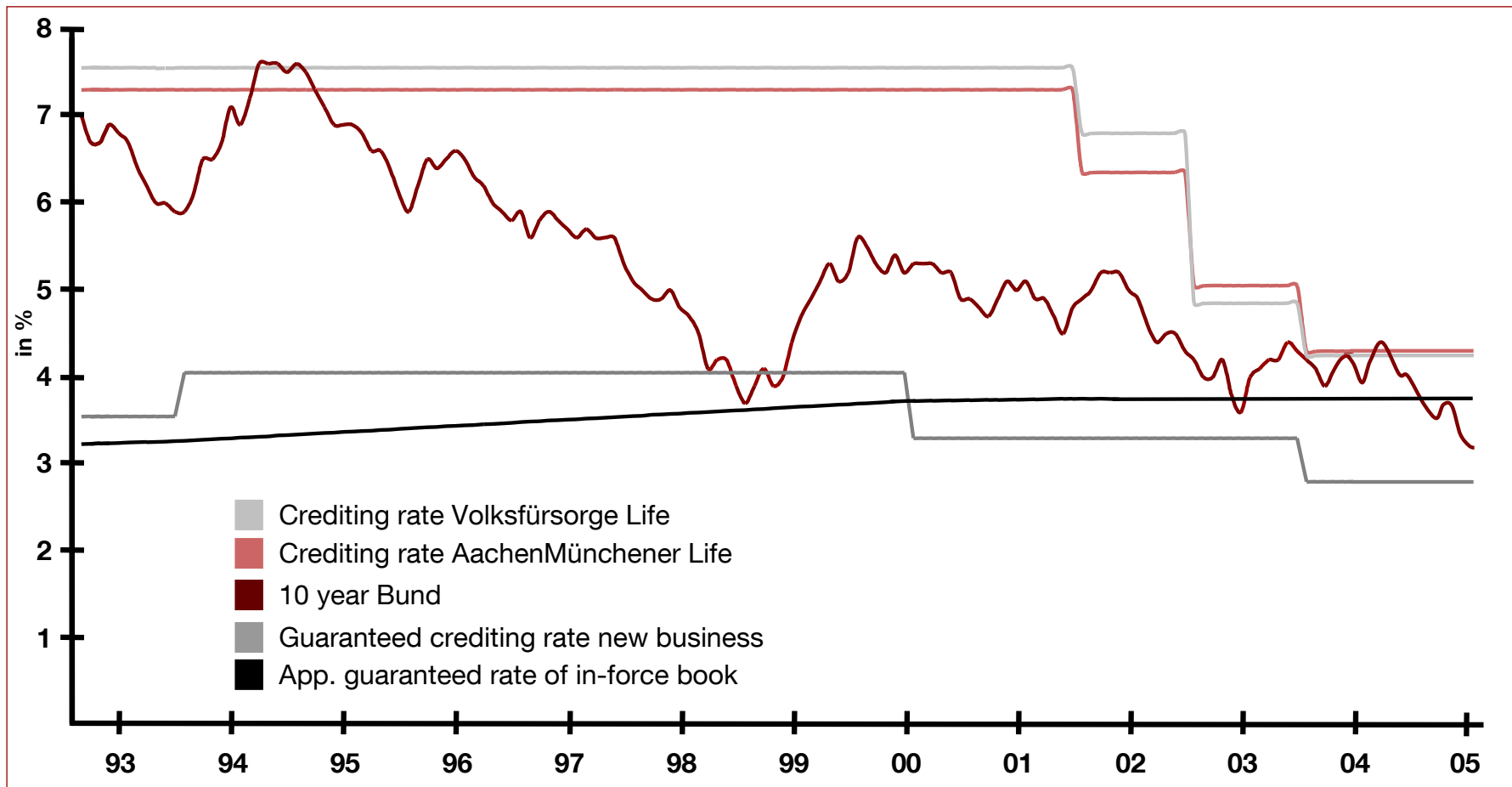
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# Profit bonus process in German life insurance companies



# Crediting rate reductions to secure positive financial margin

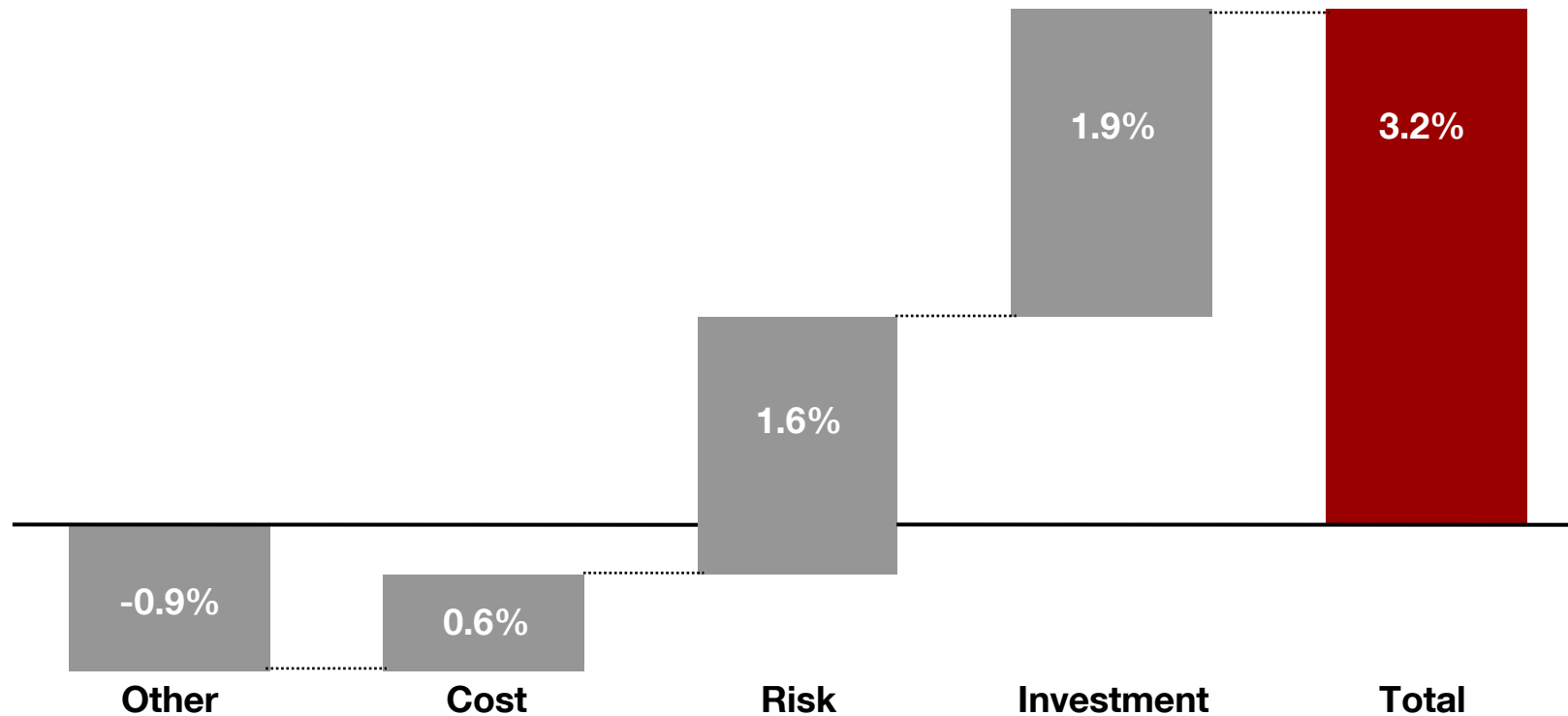
## Development of key crediting and earning rates over time



## Risk and investment results contributing most to gross profit

### Sources of profitability of AMB Generali life insurance companies 2004 \*

in % of 2004 technical reserve

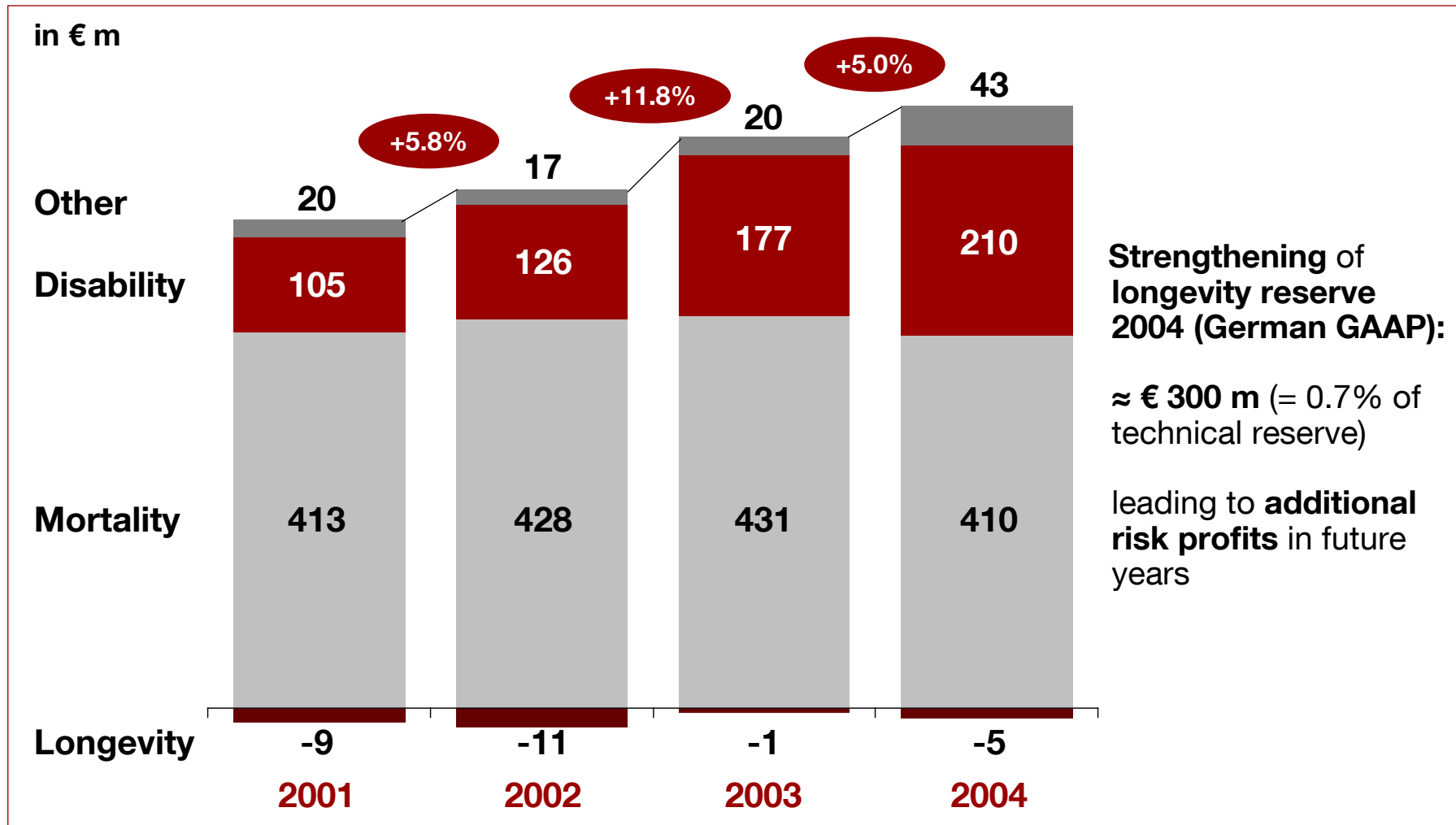


\* estimated



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## Risk profit increasing due to good underwriting and sufficient loadings

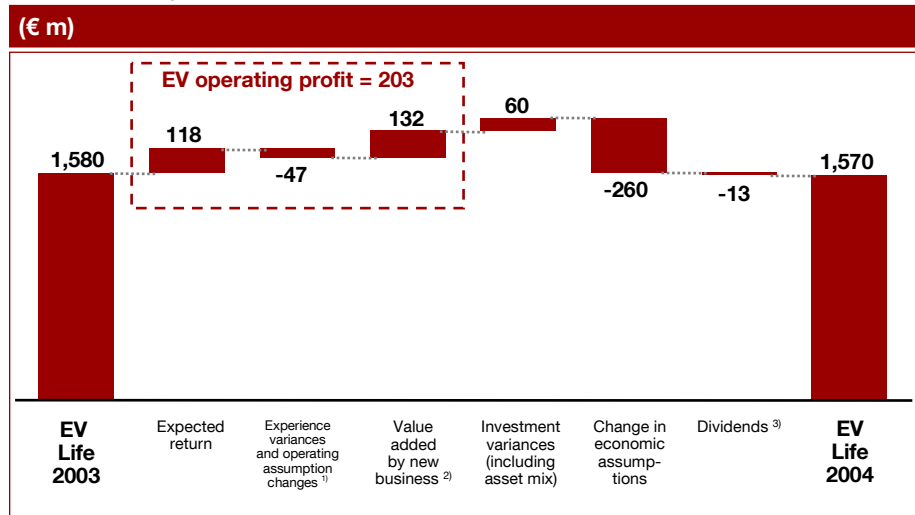


# Life value reporting: continuously good performance

**(€ m, December 2004)**

	Traditional life (incl. Riester)	Unit- linked <sup>1)</sup>	Total new business value
New business value	79	53	132
APE <sup>2)</sup>	760	463	1,223
PV premiums	5,359	3,109	8,468
New business value	10.4%	11.4%	10.8%
Value / PV premiums	1.5%	1.7%	1.6%

<sup>1)</sup> incl. net fund management fees    <sup>2)</sup> regular premiums plus 10% of single premiums on new policies issued in 2004



<sup>1)</sup> of which cost and biometric variances of € -11m  
<sup>2)</sup> on 2004 assumptions

<sup>3)</sup> of which dividends of € -83m and capital contributions of € 70 m

## Measuring the segment's performance

€ m (net of tax)                      2004      2003

APE of new business	1,223	766
New business margin	10.8%	12.1%

<b>New business value</b>	<b>132</b>	<b>93</b>
Expected in-force profits	118	125
Operational variances	-11	-11

<b>Net result post tax</b>	<b>239</b>	<b>207</b>
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**12.5%  
RoEC**



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## Summary: life and pensions in Germany as attractive marketplace

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- **German life and pension market** developing at an **accelerated growth level**
- In international comparison **Germany** with **huge structural gap in old age income**
  - But:** Germans begin to understand the need to **build up additional pension pillars**
  - And:** **Legislation / state subsidies contribute to development of new products**
- **Flexible products** and **superior advisory capacity** are key to successful market coverage
- **Risk/return profile remains viable and attractive**, given the development of products with good cost and risk loadings
- **Risk profits** provide a **sound basis to secure safe gross margins**
- **Satisfying overall profitability** for our **life new business and book of business in force**



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