

Allianz Risk Transfer AG

Annual Report 2020

This document is an unofficial English translation of the annual report.
Only the original German version of the annual report is authoritative.

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Managing Officers

Board of Directors

Joachim Müller (Chairman)
William Scaldaferri (Vice President)
Aylin Somersan Coqui
Carsten Scheffel

Executive Board

Christoph Müller (Chairman)
Richard Boyd
Thomas Bründler
Robert Makelaar
Thomas Schatzmann

Important Functions

Lara Martiner (Head of Compliance)
Yvonne Pusch (Head of Risk Management)
Henning Sohnemann (Head of Claims)
Anahid Terzian (Head of Actuary)

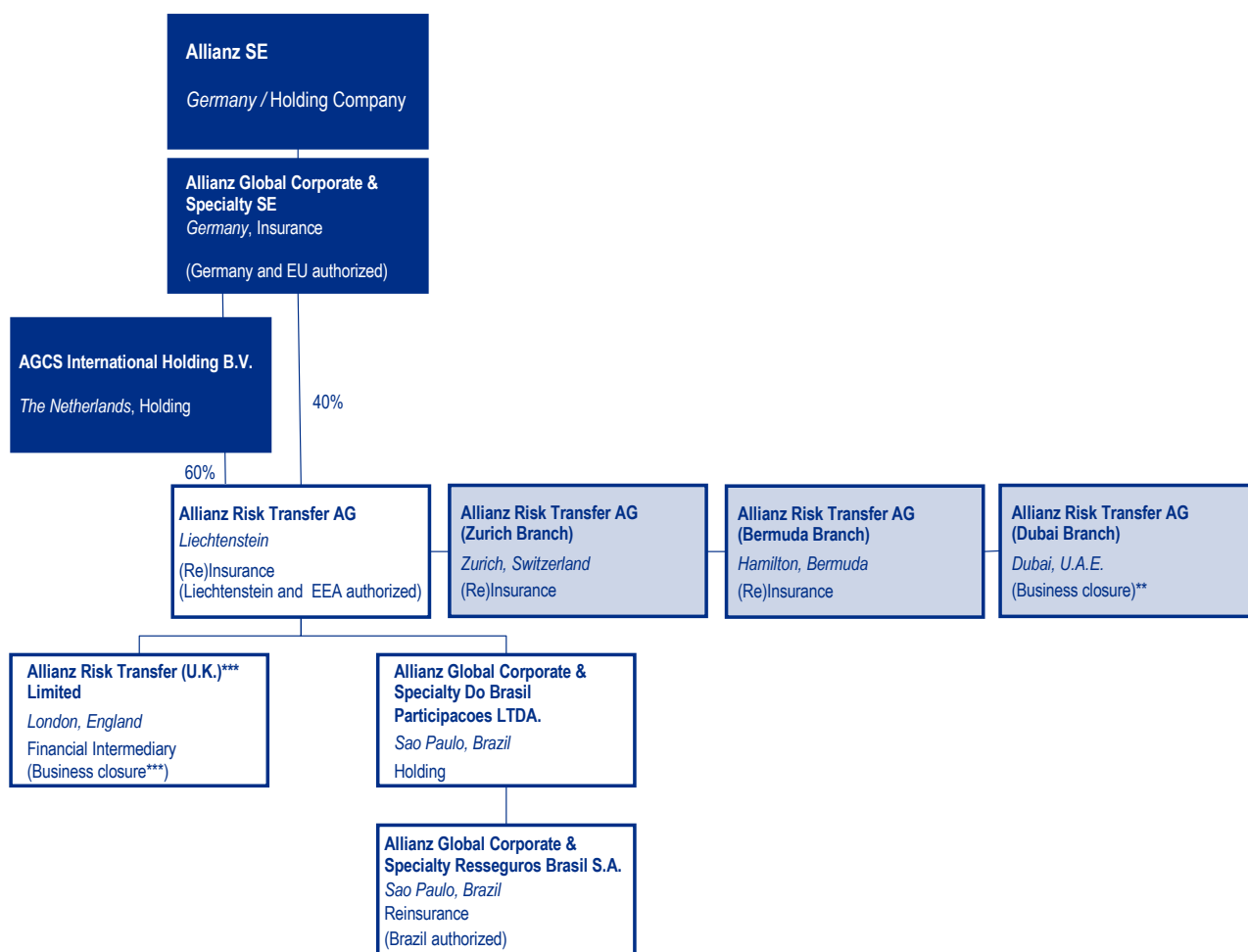
Internal Auditors

Marcus Zappe (Department Head)

Auditors

PricewaterhouseCoopers AG (PwC), Zurich

Company structure*



* Save where specified otherwise, all participations are 100%, except that: (a) Allianz Risk Transfer AG owns 99.99 % of AGCS Do Brasil Participacoes LTDA; and (b) Allianz Risk Transfer AG is owned by AGCS International Holding B.V. (60%) and Allianz Global Corporate & Specialty SE (40%)

** Deregistration with DFSA approved as of 1 October 2020; run-off business is managed by Head Office; DIFC deregistration completed effective 1 March 2021

*** Deregistration application approved by FCA effective on 23 December 2020; closure of liquidation planned in H1 2021

Legal Entity
Branch



Annual Report

Introduction

Allianz Risk Transfer AG, Schaan (ART AG) is a Liechtenstein-based stock corporation and indirectly a wholly owned subsidiary of Allianz Global Corporate & Specialty SE (AGCS SE), with registered domicile in Munich. 60% of the shares in ART AG are held by AGCS International Holding B.V. in Amsterdam, which is, in turn, a wholly owned subsidiary of AGCS SE. ART AG was founded in Switzerland in 1997 as a globally operating risk entity of Allianz in the field of Alternative Risk Transfer for special insurers and reinsurers.

ART AG's field of business encompasses national and international industrial client business as well as special client-specific solutions in all areas of non-life insurance and reinsurance for all risks. In addition, ART AG acts as a reinsurer for internal group risks.

ART AG offers clients with international operations a broad range of insurance and reinsurance policies, predominantly in the fields of general liability, asset insurance, property and technical insurance as well as in the special fields of transport, marine and aviation insurance and energy supply. These services also include efficient claims processing, cross-border solutions within the context of international insurance programmes, captive and fronting services, risk consulting and structured risk transfer solutions. Together with Group companies of AGCS SE and a network of Allianz affiliates in more than 70 countries as well as partner companies in other regions, it can provide support for clients in 200 countries. ART AG maintains branch offices in Zurich (Switzerland) and Hamilton (Bermuda). The branch office in Dubai (United Arab Emirates) has written no new business (run-off) since 30 April 2020. The DFSA approved the cessation of operations at the branch office as of 1 October 2020, and the cancellation of the branch's local registration took place with effect from 1 March 2021 (formal closure of the branch office). Head office will attend to the remaining business until completion.

ART AG is part of the Allianz Group, which is headed by Allianz SE, Munich. The latter is overseen by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), Graurheindorfer Strasse 108, 53117 Bonn.

ART AG is included in Allianz SE's Solvency II consolidated financial statement. Allianz SE's annual report and Solvency II report are published on its website. The reports may be viewed there or requested from the company.

This annual report and the Solvency and Financial Condition Report (SFCR) for ART AG can be found at: <https://www.agcs.allianz.com/about-us/financials/art-financials.html>

Performance and Results

The market environment in the 2020 fiscal year was dominated by COVID-19. In comparison to previous years, the risk capacity of the market fell, which had a positive effect on premium rates. Despite the upbeat outlook for the future, there are still contracts that were concluded in the past at much lower premium rates and which are not fully covered. The company placed great priority on risk reduction in the current fiscal year. The slight improvement in premium income did not therefore derive primarily from a greater market presence, but was down to a combination of a restrained approach and increased premium rates.

Gross written premiums increased by 3.07% or EUR 40.5 million year on year to EUR 1,363.2 million. The volume of the fronting business was largely maintained. The increase was chiefly due to higher premium rates. Net premiums earned remained around the previous year's level. They dipped slightly by 0.4%, or EUR 1.0 million, and stood at EUR 246.4 million. On the one hand, higher premium rates had a positive impact on the level of premiums, whereas reinsurance costs rose sharply in connection with the reduction in risk and volatility.

The effects of COVID-19 on the loss expense remained manageable. Although there were losses arising from isolated cases of coverage provided under event insurance policies and consequential losses in the airline industry, the net expenses for these claims remained relatively low, at EUR 20.9 million. The new reinsurance programme, which provides cover for short-term loss events (Short Tail Aggregate Cover), also had a very positive effect

on the net loss situation. Overall, net loss expenses decreased sharply year on year, by EUR 105.5 million or 48.8%. With no change in premium income, the net loss ratio fell to 39.9% (previous year 87.4%).

Provisions for premium refunds decreased year on year by EUR 5.2 million to EUR 24.6 million. Other operating expenses remained roughly at the level of the previous year, totalling EUR 19.1 million (previous year EUR 19.5 million). This also led to the net expense ratio remaining unchanged compared to the previous year.

Reduced claims expenditure saw the net combined ratio fall to 52.7% from 95.3% in the previous year.

The company achieved a net technical profit of EUR 92.0 million, following a net technical loss of EUR 18.1 million in the previous year.

Investment income fell year on year from EUR 24.0 million to EUR 19.2 million. This decline was largely due to lower current interest and dividend income compared to the previous year. In addition to the drop in earnings described above, the decline in the investment result from EUR 22.2 million to EUR -4.3 million is attributable to the write-down of the participating interest in Brazil in the amount of EUR 21.1 million.

Pre-tax profit stood at EUR 79.0 million, compared to EUR 5.3 million the previous year. The tax expenditure amounted to EUR 6.5 million (EUR 2.1 million). The annual profit after tax was EUR 72.5 million (EUR 3.2 million).

Investment Strategy

ART AG persisted with its security-focussed investment strategy in 2020. The company's aim is to generate the most attractive return possible while limiting risk. By diversifying its investments across different asset classes and currencies, a satisfactory level of investment income was again achieved in 2020.

In view of financial commitments from insurance business, the bulk of the company's portfolio is invested in fixed-income investments.

The fixed-income investments are focussed on international corporate and government bonds. A large proportion of government bonds and Debentures of state-linked issuers remain concentrated on core Eurozone countries, Switzerland and the United States.

The company essentially pursues an investment strategy based on matching currencies.

Performance of Investments

The book value of ART AG's investment portfolio fell to EUR 992 million in the year under review (EUR 1.103 billion).

Investments in affiliated companies and participating interests fell sharply year on year to EUR 46.0 million (EUR 106.5 million). This was attributable firstly to the expiration of an internal group loan, and also to the write-down off the participating interest in Brazil.

Risk Report

The main elements of ART AG's risk management system are:

- a strong risk management culture, promoted by a robust risk organisation and effective risk principles (risk governance);
- a comprehensive risk capital calculation with the aim of protecting the capital base while supporting effective capital management, and
- inclusion of capital requirements and risk considerations in the decision-making and management process.

This comprehensive approach ensures that risks are appropriately identified, analysed and evaluated. The risk appetite is described in the risk strategy and made operational through the associated system of limits. Further limits are stipulated and detailed in specific standards and guidelines. Rigorous risk monitoring and corresponding reports enable any failure to comply with risk tolerance criteria to be identified at an early stage.

The principal risks to which ART AG is exposed are actuarial, market and credit risks.

Actuarial Risk

Actuarial risk is subdivided into premium and reserve risk, i.e. the risk that insurance premiums may be insufficient to cover future claims, or that existing claims may lead to settlement losses relative to the recorded claim provisions.

Premium risks are managed through underwriting guidelines, among other measures. Underwriting guidelines limit the insurance or liability sum per contract. As part of strategic planning, future business volumes and associated risks, as well as their impact on solvency, are forecast. With regard to reserve risk, the company regularly monitors the development of provisions for insured events at individual policy level. In addition, ART AG performs annual reserve uncertainty analyses in order to evaluate the sensitivity of reserves to the assumptions on which the calculations are based.

Market Risk

Market risk is the risk of losses due to fluctuations in market value, differentiated according to the type of investment.

ART AG's investments are managed centrally by specialists at Allianz Investment Management SE as part of the outsourcing of functions. The investment strategy is geared towards the requirements of ART AG's asset/liability management. Allianz Investment Management SE implements the investment strategy within the framework of a risk and limit system for investments stipulated by ART AG. The company adjusts the risk and limit system each year.

The company's strategic asset allocation stipulates that the company must essentially invest in fixed-income securities. Investments are made in accordance with the principle of corporate caution and are usually held to maturity. Interest rate risk is managed as part of a comprehensive asset/liability management system. Credit risks arising from fixed-income securities are limited and monitored by means of concentration limits. Derivatives were used only to hedge currency risks in the year under review, in line with the investment strategy.

Credit Risk

Credit risk encompasses counterparty default risk owing to the insolvency or financial difficulties of reinsurers, policyholders, insurance brokers and issuers of securities and the creditworthiness risk arising from losses in value due to a deterioration in the creditworthiness of debtors.

Premium income and own funds required to cover written risks are invested almost exclusively in fixed-income securities. As it focuses on non-life insurance business, ART AG typically chooses investments with short- to medium-term maturities, which reduces the credit risk.

The credit risk with respect to reinsurers arises due to insurance risks that ART AG transfers to reinsurance companies in order to reduce its own actuarial risks. Potential losses may arise either from payment defaults linked to existing settlement claims arising from the reinsurance business or from defaults on reinsurance receivables.

Reinsurance partners are checked by the Allianz Group Security Vetting Team (SVT). The SVT ensures that to the greatest extent possible that companies with strong credit profiles are selected. It may also request letters of credit, cash deposits or other financial collateral to further reduce the credit risk.

Credit limits are managed centrally within the Allianz Group. The limits for individual counterparties are based on a large number of factors, such as the debtor's rating, its total assets, the associated business segment and region; the respective limit utilization is also factored into setting the limit.

ART AG does however have the option to revise downward the assigned limits for maximum risk with respect to a debtor or group of debtors by stipulating its own limit.

For detailed information about ART AG's risk profile, please refer to the Solvency and Financial Condition Report.

Solvency and Financial Condition Report

Insurance companies are required to publish a report each year on their solvency and financial situation, taking account of qualitative and quantitative aspects as well as historic, current and forecast components, based on data from internal and external sources. This report does not form part of the annual report.

ART AG publishes the 'Solvency and Financial Condition Report' as a separate document on its website at:

<https://www.agcs.allianz.com/about-us/financials/art-financials.html>

Forecast

ART AG expects premiums to recover over the course of the next few years, in line with the market environment. The market environment will remain competitive, however. The renewals for 2021 have already indicated positive signs. We nevertheless anticipate further costs incurred through COVID-19 claims in 2021. Provided that our selective underwriting policy is maintained, however, these expenses should remain within reasonable levels. As is always the case, expenses relating to natural catastrophes are difficult to estimate. Despite higher premium rates, we anticipate a significant decline in net premiums earned due to our cautious underwriting policy and increased reinsurance costs. In quantitative terms, we are targeting a claims ratio of less than 70% and a combined ratio in the range of 75%. However, this assumption is contingent upon COVID-19 claims not having a lasting negative impact on business development.

The reinsurance business within the Group will continue to operate based on a similar risk profile. The Short Tail Aggregate Cover arranged in the previous year has shown itself to be highly effective. Despite the high costs of this, it is a good means of controlling volatility. The stop-loss contract with Allianz Global Corporate & Specialty SE (AGCS SE) is again in place for 2021.

Assumptions regarding how the insurance and reinsurance business will perform are dependent on the fact that, due to COVID-19, future claims performance is exposed to a number of uncertainties.

ART AG will continue with its security-focussed investment strategy. In doing so, it will continue to draw on the Allianz Group's extensive experience of investing at home and abroad. To reduce its dependence on the performance of the capital market, the portfolio will be continuously monitored and restructured when necessary.

ART AG's investment planning is essentially based on the assumption of a conservative investment portfolio without significant equity exposures. As the average interest rate for reinvestment of the portfolio is expected to be less than the book interest rate, lower interest income is forecast for 2021. Current uncertainty about the future performance of the capital markets may, in future, lead to continued volatility with corresponding positive or negative effects on market values and on ART AG's investment income.

Due to the reduced equity exposure, we are not expecting any major impacts on the investment result for 2021 attributable to the current market turbulence triggered by the COVID-19 epidemic.

These statements are subject to the proviso that natural catastrophes, adverse developments on the capital markets and other factors may negatively affect the forecasts to a greater or lesser extent.

Annual financial statements

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Balance sheet

EUR thousand	Notes	Dec. 31, 2020	Dec. 31, 2019
Assets			
B. Investments		992,248	1,102,572
II. Investments in affiliated companies and participating interests	1, 2, 3	45,967	106,479
1. Shares in affiliated companies		45,967	67,102
2. Debentures of affiliated companies and loans to affiliated companies		0	39,376
III. Other investments	1, 3	892,412	942,184
1. Equities, other non-fixed-income securities and units in investment funds		1,373	1,496
2. Debentures and other fixed-income securities		868,752	911,478
6. Deposits with banks		2,412	25,640
7. Other investments		19,875	3,571
IV. Deposits retained on assumed reinsurance business		53,869	53,909
D. Other accounts receivable		538,832	571,752
I. Receivables from direct insurance business		21,820	20,689
1. from policyholders		2,347	3,634
c) from other policyholders		2,347	3,634
2. from insurance brokers		19,473	17,055
c) from other insurance brokers		19,473	17,055
II. Accounts receivable on reinsurance business		459,251	496,596
1. from affiliated companies		255,450	139,193
3. from other debtors		203,801	357,403
III. Other accounts receivable		57,761	54,467
1. from affiliated companies		55,294	34,736
3. from other debtors		2,467	19,731
E. Other assets		90,600	64,866
I. Tangible assets (excluding land and buildings) and inventories		1,311	1,946
II. Current credit balances at banks, post-office check balances, checks and cash in hand		89,289	62,920
F. Deferred income		4,839	11,581
I. Accrued interest and rent		4,839	11,456
III. Other prepaid expenses		0	124
Total assets		1,626,518	1,750,770

EUR thousand	Notes	Dec. 31, 2020	Dec. 31, 2019
Liabilities			
A. Equity		546,037	476,645
I. Called-up capital		131,529	131,529
1. Subscribed capital		263,059	263,059
2. Thereof: non-called-up capital		-131,529	-131,529
IV. Profit reserves	4	156,606	156,530
1. Statutory reserve		131,529	131,529
4. Fluctuation reserves		25,076	25,000
V. Profit brought forward		185,374	185,374
VI. Annual profit		72,528	3,212
D. Technical provisions	5	708,308	707,419
I. Premiums brought forward		63,616	86,909
1. Gross amount		293,292	329,658
2. Thereof: Share of reinsurers		-229,676	-242,749
III. Provisions for unsettled insurance claims		561,213	554,119
1. Gross amount		1,669,652	1,245,734
2. Thereof: Share of reinsurers		-1,108,439	-691,614
IV. Provision for performance-related and non-performance-related premium reimbursement		83,479	66,391
1. Gross amount		84,350	66,391
2. Thereof: Share of reinsurers		-871	0
F. Other provisions		3,263	4,473
II. Tax provisions		143	268
III. Other provisions		3,120	4,205
H. Other liabilities		368,029	561,158
I. Liabilities from direct insurance business		7,823	5,855
1. to affiliated companies		62	191
3. to other creditors		7,761	5,664
II. Accounts payable on reinsurance business		296,294	367,619
1. to affiliated companies		130,505	111,473
3. to other creditors		165,788	256,146
V. Other liabilities		63,913	187,684
2. Social security liabilities		267	167
5. Other liabilities to other creditors		63,645	187,517
I. Deferred income		881	1,074
Total liabilities		1,626,518	1,750,770

It is hereby confirmed that the sum of EUR 708,308 thousand (EUR 707,419 thousand) shown in the balance sheet under the item for actuarial provisions has been calculated in accordance with the provisions of the Liechtenstein Insurance Supervision Ordinance ("VersAV").

Schaan, 22 March 2021

Anahid Terzian
Responsible Actuary

Income statement

EUR thousand	Notes	2020	2019
1. Premiums earned for own account		246,465	247,444
a) Gross premiums written	7	1,363,226	1,322,669
b) Ceded reinsurance premiums		-1,137,603	-1,065,610
c) Change in gross premiums carried forward		-1,705	2,613
d) Change in reinsurers, share of gross premiums carried forward		22,548	-12,228
4. Charges for insurance claims for own account		-110,722	-216,233
a) Payments for insurance claims		-73,734	-204,084
aa) Gross amount		-539,392	-931,552
bb) Share of reinsurers		465,659	727,468
b) Change in provisions for unsettled insurance claims		-36,988	-12,148
aa) Gross amount		-512,656	-30,038
bb) Share of reinsurers		475,667	17,890
6. Cost of performance-related and non-performance-related premium reimbursement for own account		-24,650	-29,853
7. Expenses for insurance operations for own account		-19,113	-19,493
a) Acquisition costs		-80,847	-111,826
b) Administrative expenses		-14,942	-12,935
c) Commission received and profit-sharing on retroceded business		76,676	105,268
8. Other underwriting expenses for own account		-2	-1
10. Underwriting result for non-life insurance		91,978	-18,136
3. Investment income		19,172	23,980
a) Current income from other investments		16,519	22,839
e) Realised gains on the disposal of investments		2,653	1,141
5. Investment expenses		-23,430	-1,825
a) Cost of administering investments and interest expenses		-979	-1,150
b) Write-downs on investments		-21,135	–
c) Realised losses on the disposal of investments		-1,315	-676
7. Other income from ordinary business activities		3,830	4,740
8. Other expenses for ordinary business activities		-12,551	-3,456
9. Result from ordinary activities		79,000	5,303
13. Taxes on income		-4,584	-1,322
14. Other taxes		-1,888	-768
15. Annual profit		72,528	3,212

Notes

Accounting principles

The company prepares the annual financial statement and the annual report in accordance with the provisions of the Liechtenstein Persons and Companies Act (Personen- und Gesellschaftsrecht – “PGR”), as well as the Liechtenstein Insurance Supervision Act (Versicherungsaufsichtsgesetz – “VersAG”) and the Liechtenstein Insurance Supervision Ordinance (Versicherungsaufsichtsverordnung – “VersAV”).

The annual financial statement has been drawn up in thousands of euros (€ thousand). The fiscal year corresponds to the calendar year, which means that 31 December is the balance sheet date.

The accounts of non-domestic branch offices are usually drawn up in the respective national currency. For the periodic financial statements, balance sheet items are converted into EUR at the rate on the reporting date, while income statement items are converted at the average rate.

Due to rounding, totals and percentages may differ slightly from the figures shown.

Accounting, valuation and calculation methods

Intangible assets

Intangible assets are reported at production or acquisition cost and are amortised on a straight-line basis over their useful lives (maximum of five years).

Shares in affiliated companies, loans to affiliated companies, participating interests

These items are reported at acquisition cost. In the event of impairment that is expected to be permanent, the corresponding value adjustments are made.

The fair value of shares in affiliated companies and participating interests is determined using the equity method.

Other investments

Shares, units or shares in investment funds, bearer debt securities, other fixed-income and variable-income securities

The company's own investments are valued at the lower of cost or market and are reported at the average acquisition cost or the market value if lower.

The fair values of stock market-listed investments are determined based on the stock market value on the balance sheet date or, if this is not a trading day, on the last trading day before the balance sheet date. Investments that are not listed are recognised at their expected realisable value.

Bonds and other fixed-income securities

These are carried at amortised cost.

Mortgage claims, other lending and loans

These are stated at face value and adjusted for any impairments.

Deposits with banks

These are reported at face value.

Requirement to reverse write-downs, write-backs

Assets that have been written down to a lower market value in previous years can be subject to write-backs if the value of these assets is deemed to have increased again as at the balance sheet date. Write-backs may be carried out up to amortised cost or the market value if lower.

Deposits retained on assumed reinsurance

These are reported at face value.

Other receivables and other assets

In detail, these include:

- Receivables from direct insurance business;
- Accounts receivable on reinsurance business;
- Other accounts receivable;
- Current credit balances at banks, checks and cash in hand and
- Other assets.

These are reported at face value.

For accounts receivable from the direct insurance business, general loss allowances are made to account for the general credit risk.

Tangible assets and other assets are measured at amortised cost. The amortisation period is determined based on the useful life and is usually five years.

Accounts receivable on reinsurance business are reported separately under reinsurance assumed and reinsurance ceded for each contracting party.

Actuarial Provisions**Premiums brought forward**

In direct insurance business, premiums brought forward are usually determined using the daily calculation method. In technical insurance, premiums brought forward are deferred in accordance with the risk pattern for each insurance contract. Flat rates are applied to a limited extent.

For reinsurance business assumed, premiums brought forward are reported on the basis of information provided by the ceding insurers. The reinsurance share deducted from gross unearned premiums is generally determined using the daily calculation method.

In the case of quota charges with participation in the original costs, the proportional unearned premiums are recognised in accordance with the quota share of the reinsurer.

Provisions for unsettled insurance claims

The probable insurance payout is determined for each known insurance claim based on claims records.

For claims that have occurred but have not yet been reported by the balance sheet date, statistical methods are applied to calculate an additional provision for each risk group, and provisions are recognised for reinsurance business assumed in accordance with the information provided by the ceding insurers.

For reinsurance business ceded, the reinsurers' share in provisions is determined in accordance with the contractual agreements.

Provisions for performance-related and non-performance-related premium reimbursement

This item is determined on the basis of individual contracts and is defined in accordance with the respective payout sum that is anticipated.

Other provisions

Non-technical provisions are always stated at the expected settlement amount. The expected settlement amount is derived from the best estimate.

Liabilities

In detail, these include:

- Deposits retained on retroceded business;
- Liabilities from direct insurance business;
- Accounts payable on reinsurance business;
- Liabilities to banks and
- Other liabilities.

These are reported at the settlement amount.

Accounts payable on reinsurance business are reported separately under reinsurance assumed and reinsurance ceded for each contracting party.

Approximation and simplification methods

To the extent that calculations from ceding insurers are not received in time for the fiscal year, the corresponding amounts are estimated on the basis of past experience, taking current developments into account.

Currency conversion

As a general rule, all transactions are recorded in the original currency and converted into the balance sheet currency at the relevant mean spot exchange rate on the date of the transaction.

Assets and liabilities denominated in foreign currencies are generally converted at the mean spot exchange rate on the balance sheet date. Shares in affiliated companies are converted at historic rates. The lowest value principle is applied, which means that losses resulting from conversion are always taken into account, but profits are realised only if they have a residual term of one year or less.

As a result of this valuation method, currency gains and losses are not determined separately and are therefore not included in the currency conversion result.

Conversion rates (1 EUR):

	Dec. 31, 2020	Dec. 31, 2019
CHF	1.08155	1.08700
USD	1.22355	1.12250
GBP	0.89510	0.84735
AED	4.49430	4.12315

Notes to the balance sheet

1) Investments

EUR thousand	Dec. 31, 2019 Book value	Additions	Transfers	Disposals	Write-backs	Write-downs	Dec. 31, 2020 Book value
B. Investments	1,102,572	88,411	–	-150,278	92	-48,550	992,248
II. Investments in affiliated companies and participating interests	106,479	–	–	-39,468	92	-21,135	45,967
1. Shares in affiliated companies	67,102	–	–	–	–	-21,135	45,967
2. Debentures of affiliated companies and loans to affiliated companies	39,376	–	–	-39,468	92	–	0
III. Other investments	942,184	85,208	–	-107,566	–	-27,415	892,412
1. Equities, other non-fixed-income securities and units in investment funds	1,496	–	–	–	–	-123	1,373
2. Debentures and other fixed-income securities	911,478	66,518	–	-81,952	–	-27,292	868,752
6. Deposits with banks	25,640	2,386	–	-25,614	–	–	2,412
7. Other investments	3,571	16,304	–	–	–	–	19,875
IV. Deposits retained on assumed reinsurance business	53,909	3,203	–	-3,243	–	–	53,869

2) Holdings of shares in affiliated companies and participating interests

Company	Registered office	Share %	Currency	Share capital	Annual result 2020 in EUR thousand
Allianz Risk Transfer (U.K.) Limited	London	100.0	GBP	1,000,000	-551
Allianz Global Corporate & Specialty do Brasil Participações Ltda.	Sao Paulo	99.9	BRL	251,488,094	-64

Shares in affiliated companies include hidden reserves of EUR 1,497 thousand (previous year: EUR 2,814 thousand). A tax rate of 12.5% applies.

3) Fair values of investments

EUR thousand	2020	2019
Investments in affiliated companies and participating interests		
Shares in affiliated companies	47,464	69,917
Debentures of affiliated companies and loans to affiliated companies	0	39,376
Other investments		
Equities, other non-fixed-income securities and units in investment funds	1,373	1,496
Debentures and other fixed-income securities	895,959	925,958
Deposits with banks	2,412	25,640
Other investments	19,875	3,571
Deposits retained on assumed reinsurance	53,869	53,909

4) Equity and proposal for the appropriation of profit for submission to the General Shareholders' Meeting

Appropriation of profit in EUR	2020	2019
Profit brought forward Jan. 1	185,374,201	185,374,201
Annual profit Dec. 31	72,527,627	3,211,830
Net profit for the year	257,901,828	188,586,031
Appropriation		
Allocation to the legal reserves	–	–
Allocation to the statutory reserves	–	–
Allocation to other reserves	–	–
Distributions from company capital	–	–
Dividend	-72,527,627	-3,211,830
Profit brought forward	185,374,201	185,374,201

The Board of Directors will ask the General Shareholders' Meeting to pay a dividend of EUR 72,527,627 from the net profit for the year as at 31 December 2020.

In this proposed appropriation of profit, the Board of Directors has taken due account of the recommendations on dividend distribution made by EIOPA in its statement of 2 April 2020.

5) Gross actuarial provisions

EUR thousand	Actuarial provisions		of which gross provisions	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Total insurance business	708,308	707,419	2,047,294	1,641,783
Direct insurance business	131,610	91,006	291,881	239,824
General liability insurance	80,206	66,731	200,987	159,172
Fire and natural hazards insurance	17,037	-9,300	29,755	12,026
Credit	3,256	4,538	3,256	4,538
Aviation liability insurance	20,187	23,631	41,195	49,965
Comprehensive aviation insurance	1,768	2,249	2,612	3,808
Other property insurance	0	-22	0	-21
Goods in transit (including commodities, items of luggage and all other goods)	1,477	1,412	4,307	4,905
Accident insurance (including industrial accidents and occupational illnesses)	461	880	2,054	2,400
Various financial losses	7,218	888	7,716	3,031
Assumed reinsurance business	576,698	616,414	1,755,413	1,401,959
General liability insurance	170,063	198,548	1,134,412	838,368
Fire and natural hazards insurance	290,578	309,190	479,926	426,020
Liability insurance for land vehicles with their own engine	7,802	4,461	7,802	4,461
Credit	4,341	5,293	15,390	18,063
Comprehensive land vehicle insurance (excluding rail vehicles)	1,886	919	1,886	919
Aviation liability insurance	6,471	8,036	8,327	10,460
Comprehensive aviation insurance	877	800	1,121	1,066
Other property insurance	8,809	15,252	13,066	16,897
Goods in transit (including commodities, items of luggage and all other goods)	44,323	28,654	48,987	35,051
Accident insurance (including industrial accidents and occupational illnesses)	9,840	9,854	10,529	10,586
Various financial losses	31,708	35,407	33,968	40,067

Actuarial provisions do not include any fluctuation reserves.

ART AG generates sales with affiliated companies, which exclusively comprise Allianz Group companies, primarily in the fields of reinsurance and services.

These services are charged on the basis of framework agreements and service level agreements, as would be the case between third parties.

The most extensive transactions with affiliated companies are listed below.

EUR thousand	2020	2019
Premiums earned for own account	34,246	89,930
Charges for insurance claims for own account	-123,504	95,584

Administrative expenses and other income and other expenses for ordinary business activities also include the provision of various services within the Group.

The resulting net expenses come to EUR 17,421 thousand (previous year EUR 17,538 thousand).

6) Liabilities

The company does not have any liabilities with a remaining term of more than five years or any liabilities that are secured by liens or similar rights in rem on its accounts.

There are no deferred tax liabilities in accordance with the valuation principles of commercial law.

Notes to the income statement

7) Income broken down according to lines of business

	Gross premiums written		Net premiums earned		Net claims incurred		Net operating expenses		Net underwriting result	
EUR thousand	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Direct business and proportional reinsurance business assumed										
General liability insurance	85,173	55,516	32,660	21,316	-17,758	-24,364	-2,353	-2,627	12,548	-5,675
Fire and natural hazards insurance	24,867	23,818	17,139	-25,290	-19,224	23,113	-5,030	-3,535	-7,115	-5,711
Credit	–	4,819	1,181	301	-213	-20	–	-723	969	-442
Aviation liability insurance	10,948	12,631	3,236	2,876	-10,962	-8,818	-1,230	-214	-8,956	-6,156
Comprehensive aviation insurance	3,371	3,808	2,570	2,003	-1,139	1,048	-2	18	1,429	3,069
Other property insurance	–	28	–	74	-832	228	-795	-835	-1,627	-533
Goods in transit (including commodities, items of luggage and all other goods)	3,581	4,418	661	-593	-383	-694	-58	-82	219	-1,369
Accident insurance (including industrial accidents and occupational illnesses)	469	666	-50	-211	193	-8	-39	-39	105	-258
Various financial losses	8,555	10,898	3,646	2,496	-7,437	-402	257	109	-3,534	2,201
Subtotal	136,966	116,603	61,043	2,972	-57,755	-9,917	-9,250	-7,928	-5,963	-14,874
Non-proportional reinsurance business assumed										
Subtotal	1,226,260	1,206,066	185,422	244,472	-77,617	-236,169	-9,863	-11,565	97,941	-3,262
Total	1,363,226	1,322,669	246,465	247,444	-135,372	-246,086	-19,113	-19,493	91,978	-18,136

8) Premium income broken down according to regional origin

EUR thousand	2020	2019
Liechtenstein	977	490
Other EEA treaty states	116,813	37,745
Other states	19,176	78,368
Gross premiums written	136,966	116,603

The amounts shown relate solely to direct insurance business.

9) Personnel expenses

EUR thousand	2020	2019
a) Wages and salaries	18,002	18,479
b) Social security contributions and pension costs	4,310	4,278
of which for pensions	3,806	3,630

Total remuneration for the Board of Management amounted to CHF 3,812 thousand in the year under review. This sum includes salaries, fringe benefits and bonuses awarded for performance in the 2020 fiscal year. In addition, 3,200 RSUs (restricted stock units) with a fair value of EUR 514 thousand were allocated to members of the Board of Management. Payment of these RSUs is linked to certain conditions and is scheduled to take place in March 2024. Total remuneration for the Board of Directors amounted to EUR 33 thousand in the year under review. There were no pension commitments for former members of the Board of Directors or the Board of Management in the year under review.

Supplementary information about the annual financial statements

Information about the total fees paid to the auditor can be found in the consolidated annual financial statements of Allianz SE, Munich (www.allianz.com).

10) Average number of employees during the year

	2020	2019
Full-time equivalents	76.9	107.6

11) Sureties, guarantees and contingent liabilities

Sureties, guarantees and contingent liabilities include a guarantee from ART AG for the benefit of Allianz Risk Transfer (Bermuda) Ltd., Hamilton ("ART Bermuda"). This serves to protect ART Bermuda's commitments arising from insurance contracts, reinsurance contracts and other underwriting contracts which the company entered into by 31 December 2019 or by the termination date of the guarantee.

Pledged assets totalled EUR 606,790 thousand (previous year EUR 643,282 thousand).

12) Derivative financial instruments

ART AG uses derivative instruments solely to protect its long-term incentive scheme/RSUs and for individual foreign currency items. The scope of these hedging instruments is very limited.

The fair value of hedging transactions for the RSUs is EUR 5,135 (previous year EUR 10,386 thousand) and is reported under other accounts receivable.

13) Extraordinary income and extraordinary expenses

No transactions were reported as extraordinary income in the 2019 and 2020 fiscal years.

14) Significant events after the balance sheet date.

The company is not aware of any reportable events after the balance sheet date.

Report of the Auditors

As the auditor, we have audited the annual financial statement (pages 8 to 18, without footnote on page 9) and the annual report of Allianz Risk Transfer AG for the fiscal year ending 31 December 2020.

The Board of Directors is responsible for the annual financial statement and the annual report, while our task is to audit and assess these. We confirm that we fulfil the legal requirements with regard to professional qualification and independence.

Our audit was conducted in accordance with the standards of the profession in Liechtenstein and Art. 10a (1) of the Liechtenstein Auditors and Auditing Companies Act (Gesetz über die Wirtschaftsprüfer und Revisionsgesellschaften – WPRG), which require an audit to be planned and performed in such a way that any material misstatements in the annual financial statement and the annual report can be identified with reasonable assurance. We examined the items and disclosures in the annual financial statement on the basis of spot checks using analyses and surveys. We also assessed the application of the relevant accounting principles, key decisions on valuation and the overall presentation of the annual financial statement. We believe that our audit provides a reasonable basis for our opinion.

In our view, the annual financial statement gives a true and fair view of the net assets, financial position and results of operations in accordance with Liechtenstein law. Furthermore, the annual financial statement, the annual report and the proposal for the appropriation of the net profit for the year comply with Liechtenstein law and with the Articles of Association.

The annual report is in line with the annual financial statement and in our view does not contain any material misstatements.

We recommend that this annual financial statement should be approved.

Zurich, 22 March 2021

PricewaterhouseCoopers AG

Enrico Strozzi
Liechtenstein
registered auditor
Lead auditor

Christian Konopka

**This document is an unofficial English translation of the annual report.
Only the original German version of the annual report is authoritative.**

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