

Life and Health Insurance

		2002	2001	2000
Total revenues	€ mn	40,066	33,687	31,025
Gross premiums	€ mn	20,663	20,145	20,239
Expense ratio	%	19.3	20.2	17.4
Investment income	€ mn	7,445	8,565	14,044
Net income	€ mn	19	229	625
Investments	€ mn	221,313	212,757	211,798
Insurance reserves	€ mn	224,673	215,217	208,829

Total revenues¹⁾

	2002 € mn	2001 € mn	2000 € mn
Germany	12,565	11,672	11,681
Italy	7,717	5,944	4,490
France	4,238	4,864	5,558
Switzerland	1,197	1,174	1,053
Spain	551	940	767
Rest of Europe	1,635	1,871	1,612
U.S.A.	9,530	4,982	3,681
Asia-Pacific Region	2,298	1,817	1,733
South America	237	356	469

¹⁾ Before cross-border consolidation

- _ Total revenues increased 18.9 percent to 40.1 billion euros.
- _ Revenues from investment-oriented life insurance products included in the total rose 43.3 percent to 19.4 billion euros, which increased their share of total revenues to 48.5 percent.
- _ Net investment income fell 13.1 percent to 7.4 billion euros.
- _ Reported net income dropped to 19 (229) million euros despite considerable improvement in the operating activities.

Earnings after taxes²⁾

	2002 € mn	2001 € mn	2000 € mn
Germany	137	127	514
Italy	289	261	281
France	- 223	97	400
Switzerland	- 80	- 17	43
Spain	30	28	51
Rest of Europe	- 77	12	97
U.S.A.	- 18	- 24	133
Asia-Pacific Region	- 9	- 5	- 66
South America	5	- 20	- 30

²⁾ Earnings after taxes, before amortization of goodwill and minority interests, net of extraordinary tax items in 2000

Investments³⁾

	2002 € mn	2001 € mn	2000 € mn
Germany	119,786	117,199	121,260
Italy	17,413	15,122	14,977
France	40,256	43,313	43,625
Switzerland	8,819	8,066	8,213
Spain	3,956	3,564	2,776
Rest of Europe	10,080	9,335	9,278
U.S.A.	15,903	11,825	8,179
Asia-Pacific Region	4,675	3,945	3,241
South America	352	389	424

³⁾ Excluding real estate held for own use as of 2001

Total statutory life and health insurance premiums increased 18.9 percent to 40.1 billion euros. Almost half of these premiums derived from investment-oriented products, mainly unit-linked life insurance. Despite the state of the capital markets, we were able to increase revenues from these products by 43.3 percent to 19.4 billion euros. We also improved our expense ratio, but investment income declined sharply to 7.4 billion euros, which in turn reduced net income to 19 (229) million euros.

In many countries, in particular in the U.S.A., Italy and France, premiums from investment-oriented products exceed the sale of traditional life insurance products. This is surprising because it is generally assumed that in times of economic difficulty consumers become more skeptical with respect to investment products. And, indeed, they are more cautious, but instead of rejecting investment-oriented products, they are showing a growing interest in solutions with guaranteed capital components.

The following table shows the premiums we generated from investment-oriented products in the various countries.

Premiums from investment-oriented life insurance products

	2002 € mn	2001 € mn	2000 € mn
U.S.A.	8,119	3,504	2,216
Italy	6,419	4,608	3,036
France	2,790	3,308	3,261
South Korea	652	583	759
Switzerland	546	590	529
Germany	331	12	0
Netherlands	103	252	194
Belgium	100	105	115
Spain	49	61	235
Other countries	294	519	441
Total	19,403	13,542	10,786

In IFRS accounts, which only recognize the risk and cost elements in premiums from investment-oriented products, **premium income** rose 2.6 percent to 20.7 billion euros.

The **expense ratio**, in relation to total revenues, i.e., including investment-oriented products, improved from 12.1 to 10.0 percent. In IFRS accounts, it declined from 20.2 to 19.3 percent.

Investment income, which was depressed by the extremely weak capital markets, dropped by 1.1 to 7.4 billion euros. For that reason, profit sharing was considerably lower than last year. Payments made to our customers declined from 22.0 billion euros to 21.3 billion euros despite the fact that in many countries higher payments were due for ma-

turities, surrenders and pensions. Because of this development, lower investment income had less effect on net income.

Earnings before taxes and amortization of goodwill dropped from 558 million euros to 83 million euros. After amortization of goodwill, taxes and minority interests, net income amounted to 19 (229) million euros.

GERMANY

- _ In this market, we offer life insurance products through Allianz Lebensversicherungs-AG and Deutsche Lebensversicherungs-AG.
- _ In November 2002, Allianz Leben was merged with Allianz Lebensversicherungs-AG. The merger was retroactive as of January 1, 2002.
- _ Our health insurer is Allianz Private Krankenversicherungs-AG (formerly Vereinte Krankenversicherung AG).
- _ We are the market leader in life insurance and number three in health insurance.

Total premium income breaks down as follows: life insurance business accounted for 9.7 billion euros or 77.2 percent and the sale of health insurance products contributed 2.9 billion euros or 22.8 percent. Total segmental revenues increased 893 million euros or 7.7 percent to 12.6 billion euros.

Life insurance

Following diminishing **premium income** in the preceding year, our German life insurers returned to growth in 2002. Revenues were up 719 million euros or 8 percent, which brought premium income to 9.7 billion euros.

With 30 percent higher premiums from new contracts, Allianz Leben clearly outperformed the market. In the area of new business, we were able to increase our market share from 15.1 to 18.3 percent. On the one hand, this success is due to the “flight to quality” phenomenon, i.e., in uncertain times, customers prefer to obtain their private retirement insurance from life insurers that are financially particularly solid. On the other hand, this upturn in new business is supported by the efficiency of our distribution channels, which include exclusive distribution networks, brokers, special and direct sales as well as the branch network of Dresdner Bank. The bank’s contribution to new business increased substantially from 7.8 to 11.6 percent. The figure for the prior year also included business generated by HypoVereinsbank until cooperation with this institution was terminated.

Since January 1, 2002, certain retirement provision contracts have been subsidized by the government, partially through support payments and partially through tax deductions (“Riester contracts”). To a great extent, the growth expected of this market has not yet materialized. Nonetheless, our life insurers were able to capture their share of the market. As of year-end 2002, they had sold about 600,000 Riester contracts, which gave them a market share of 20 percent.

Our business in corporate retirement provision registered dynamic growth. In 2002, we were the first insurer to offer customers all available options for corporate retirement provision. The Allianz pension fund got off to a particularly successful start: more than 2,000 employers as customers and more than 150,000 individual contracts signal solid growth for the coming years. Some 10,000 employees signed a retirement provision general contract with us. One year after the reform of private and corporate retirement provision took effect, three-quarters of all DAX 30 companies were offering their employees an Allianz retirement provision scheme.

The cancellation rate remained at a very low level of 3.7 (3.6) percent.

The **expense ratio** improved from 13.7 to 9.7 percent. Administrative costs remained at last year’s level of 2.4 percent and thus continue to stay clearly below the market average.

Given the persistent weakness of the capital markets, we decided to lower the profit participation of our life insurance customers for the year 2002 by 1.5 percentage points to 5.3 percent. This step did not affect our competitive position since all other market participants also had to do the same.

Our **investments** amounted to 107,9 (106,4) billion euros. Investment income fell 11.0 percent or 0.5 billion euros to 4.0 billion euros.

Earnings after taxes increased to 80 (65) billion euros.

Allianz Lebensversicherungs-AG, Deutsche Lebensversicherungs-AG^{*)}

		2002	2001	2000
Total sales	€ mn	9,700	8,981	9,094
Gross premiums	€ mn	9,369	8,969	9,094
Expense ratio	%	9.7	13.7	11.1
Earnings after taxes	€ mn	80.0	64.7	466.6
Investments	€ mn	107,887	106,425	111,805
Employees		5,736	6,440	6,159

^{*)} Merged with Allianz Lebensversicherungs-AG in 2002

As the deficits of the statutory retirement insurance become increasingly obvious, consumers are realizing that they need to make private or company-based arrangements for old-age provisions. We therefore expect a further increase in premium income for the **current fiscal year**. Due to our inherent strength and our position of market leadership, we should be able to outperform the market. The business potential of corporate retirement provision products is especially strong.

Health insurance

Premium income of Vereinte Krankenversicherung AG increased 6.5 percent to 2.9 billion euros. The growth in premium income from the core health insurance business resulted from new business, the legal premium supplement and premium adjustments reflecting higher health care costs.

In mandatory care insurance, for which the same conditions apply throughout the market, premium income remained at the previous year's level of 230 million euros.

The number of insured increased slightly by 0.2 percent to 2.27 million.

The **claims ratio** improved to 71.0 (73.1) percent, which is indicative of the fact that our claims and health management is beginning to take effect.

The **expense ratio** increased slightly by 0.7 percentage points to 10.6 percent since the offsetting effect of capitalized acquisition costs was lower than last year.

Investment income clearly recovered. After a substantial drop in the previous year, it increased to 421 (275) million euros. As a result, **earnings** after taxes also improved to 64 (48) million euros.

Allianz Private Krankenversicherungs-AG

		2002	2001	2000
Gross premiums	€ mn	2,865	2,691	2,587
Claims ratio	%	71.0	73.1	71.6
Expense ratio	%	10.6	9.9	9.4
Earnings after taxes	€ mn	63.6	48.0	34.1
Investments	€ mn	12,132	10,940	10,549
Employees		3,947	3,926	3,836

Our business prospects for the **current fiscal year** will to a large extent depend on the government's decisions on health care policy. Disregarding these effects, we expect an increase in new business and corresponding growth in revenues. In this context, we are counting on the strength of our brand and our exclusive sales organizations. Our ongoing efforts in the area of claims and health management are likely to further reduce the claims ratio. A more efficient sales organization is expected to lower the expense ratio. All in all, we expect improved earnings performance in 2003.

ITALY

- _ With the RAS Group and Lloyd Adriatico, we have an excellent position in the Italian life insurance market.
- _ Together, they increased their revenues to 7.7 billion euros.
- _ That makes them number two in the Italian market.

The extraordinarily dynamic growth of total **premium income** by an impressive 1.8 billion euros or 29.8 percent was well above the market average. The RAS Group reported revenues of 6.5 billion euros and Lloyd Adriatico revenues of 1.2 billion euros. While the demand for traditional unit-linked life insurance products declined slightly, this was more than compensated for by sales of unit-linked products with guaranteed components. Premium income in IFRS accounts, which includes only a small fraction of the premiums from investment-oriented life insurance products, amounted to 1.3 billion euros. The success of our companies increased our share of the Italian health insurance market from 12.8 to 13.7 percent.

This growth was mainly attributable to bank-based sales of unit-linked life insurance products. A strong contributor to this success was our bancassurance partner, the Unicredito group, which sold contracts representing 4.4 billion euros across its counters. Antoniana Veneta Popolare Vita, a fully consolidated joint venture of Lloyd Adriatico, once again boosted its revenues by 49 percent to 808 million euros.

The **expense ratio** increased to 31.3 (22.5) percent. This was mainly due to the strong performance of our companies in acquiring new business. In IFRS accounts, acquisition costs are fully recognized while premiums are barely taken into account. At the same time, efforts made by RAS to reposition its brand are feeding through to the expense ratio.

Net investment income increased to 868 (842) million euros, mainly because RAS Group disposed of most of its real estate holdings.

Earnings after taxes increased to 289 (261) million euros.

Italy

		2002	2001	2000
Total revenues	€ mn	7,717	5,944	4,490
Gross premiums	€ mn	1,298	1,336	1,454
Expense ratio	%	31.3	22.5	14.8
Earnings after taxes	€ mn	288.6	260.7	281.4
Investments	€ mn	17,413	15,122	14,977

We are confident that revenues from unit-linked life insurance will continue to increase in the **current fiscal year**, provided that there is a recovery in the capital markets. The success of sales cooperation with the Unicredito group and the dynamic development of Antoniana Veneta Popolare Vita will further strengthen our position in this growth market. On the downside, the new tax rules announced for life insurance are likely to depress

growth in this industry. Nonetheless, we have reason to believe that we will once again be able to improve our earnings performance in 2003.

FRANCE

- _ In the French life insurance market, the AGF Group retreated from sixth to eighth place.
- _ In health insurance, we are number two in France.
- _ Total life insurance revenues amounted to 4.3 billion euros.

Premium income of AGF decreased 11.9 percent for various reasons.

First of all, demand for unit-linked life insurance products in private customer business declined 36 percent due to the downturn of the capital markets. The sale of unit-linked products with guaranteed interest rates to some extent made up for this loss but did not fully compensate for it. Growth in this product category amounted to 2 percent. The cancellation ratio continued its fall to 3.25 percentage points, which is below market average.

In addition, premium income from group business fell 26 percent because a major group contract with an industrial company had generated a non-recurring premium of 416 million euros (after 800 million euros in 2000) in 2001. No such contract was acquired in 2002. Disregarding this special effect, revenues from group insurance contracts rose 8 percent.

The decline in income from the entire segment raised the **expense ratio** 0.5 percentage points to 52.5 percent. This relatively high expense ratio can be explained by the fact that it is not calculated on the basis of total revenues but rather on the basis of substantially lower premium income according to IFRS.

Due to high write-offs and realized capital losses, **investment income** declined to 0.7 (1.3) billion euros.

Together with strong competition, this resulted in an after-tax **loss**, which amounted to 223 million euros after net income of 97 million euros in the previous year.

France

		2002	2001	2000
Total revenues	€ mn	4,283	4,864	5,558
Gross premiums	€ mn	1,493	1,556	2,297
Expense ratio	%	52.5	52.0	27.6
Earnings after taxes	€ mn	- 223.1	97.4	399.7
Investments	€ mn	40,256	43,313	43,625

For the **current fiscal year**, we are anticipating a stagnating life insurance market. In health insurance, further rate adjustments and rising health care costs can be expected. This should lead to a slight increase in revenues across the entire segment. More efficient IT systems and lower administrative costs will bring down the expense ratio. Earnings are likely to improve.

SWITZERLAND

- _ Allianz Suisse Lebensversicherungsgesellschaft reported revenues of 1.2 billion euros.
- _ That puts this company at sixth place in the Swiss market.

Total premium income increased 2.0 percent to 1.2 billion euros. Premium income in IFRS accounts, which includes only a small fraction of the premiums from investment-oriented life insurance products, amounted to 651 million euros. This growth is mainly attributable to consumer life insurance business with a high percentage of non-recurring premiums. Gross premium income from this activity increased 12.2 percent to 412 million euros. Recurring premiums represented the main source of income in the area of group life insurance, which brought total premium income up 3.2 percent to 239 million euros.

The **expense ratio** increased slightly by 0.5 percentage points to 23.1 percent, essentially due to higher project costs.

Investment income dropped to 31 (220) million euros, primarily due to write-offs and realized capital losses, mainly on stocks.

Our Swiss life insurer reported an after-tax **loss** of 80 (17) million euros for 2002. This is the result of the 4 percent interest rate for group life insurance, which is legally guaranteed in Switzerland. This rate has been excessive for years and cannot be generated under the conditions currently prevailing in the capital markets. By way of comparison, in 2002 the interest rate on Swiss bonds was around 2.75 percent.

Allianz Suisse

		2002	2001	2000
Total revenues	€ mn	1,197	1,174	1,053
Gross premiums	€ mn	651	584	524
Expense ratio	%	23.1	22.6	9.9
Earnings after taxes	€ mn	- 79.6	- 17.1	42.6
Investments	€ mn	8,819	8,066	8,213

The problem of excessive guaranteed interest continues to smolder despite the fact that the guaranteed interest rate in the group insurance business has been reduced to 3.25 percent. We intend to overcome these difficulties in the **current fiscal year** with a uniform and modernized product portfolio. All in all, we expect to improve our earnings performance in 2003, despite the difficult market situation.

SPAIN

- _ In Spain, our life insurance activities are handled by Allianz Seguros and Eurovida, a bancassurance joint venture.
- _ Together, they recorded premium income of 551 million euros.
- _ That made them number fourteen in the Spanish market.

Total **premium income** decreased sharply by 41.4 percent to 551 (940) million euros. This decline was due to the fact that in the previous year our corporate customers outsourced their employee pension funds and transferred them to us. In this process, we acquired exceptionally high single payments. In the remaining group and private customer business our companies resisted the downward trend of the market and increased their premium income. Growth amounted to 26 percent and 13 percent respectively.

The additional premium income is attributable to the restructuring of our sales organization, which clearly improved the productivity of our sales force. In Spain, there was also less demand for traditional unit-linked life insurance, Eurovida's core business. Instead, many customers opted for products with guaranteed components. As a result, we expanded our product offerings considerably. Despite these efforts, the high growth rate of Eurovida slowed down. The company reported total revenues in the amount of 127 million euros.

The **expense ratio** climbed to 7.3 (4.2) percent. In 2001, high non-recurring revenues resulted in an exceptionally low expense ratio.

Earnings after taxes improved slightly to 30 (28) million euros.

Spain

		2002	2001	2000
Total revenues	€ mn	551	940	767
Gross premiums	€ mn	502	879	532
Expense ratio	%	7.3	4.2	8.9
Earnings after taxes	€ mn	29.5	27.5	50.7
Investments	€ mn	3,956	3,564	2,776

For the **current fiscal year**, no stimulus for market-wide growth is expected. Forthcoming legal changes, which will provide tax incentives not only for pension plans and fund investment but also for traditional life insurance, are a welcome sign of relief. Our attractive products in this area and the new legal situation should help to reinvigorate this activity and bring new growth to an area that has been neglected by the entire market. We therefore expect to be able to report improved earnings performance in 2003.

REST OF EUROPE

Rest of Europe

Total revenues by country

	2002	2001	2000
	€ mn	€ mn	€ mn
Belgium	413	421	414
Austria	303	282	268
Netherlands	247	409	270
Great Britain	153	337	344
Luxembourg	125	129	100
Greece	80	71	74
Portugal	74	69	65
Subtotal western and southern Europe	1,395	1,718	1,535
Slovakia	73	16	–
Hungary	66	53	52
Poland	45	38	24
Czech Republic	36	35	–
Croatia	14	8	–
Bulgaria	6	3	1
Subtotal central and eastern Europe	240	153	77
Total	1,635	1,871	1,612

Total **revenues** from life and health insurance in the other European markets came to 1.6 (1.9) billion euros. Due to the downturn in the capital markets, many customers refrained from buying unit-linked products, particularly in the Netherlands. In Great Britain, we withdrew from the investment-oriented business and concentrated our efforts on risk life insurance. The demand for traditional life insurance increased in many countries. In IFRS accounts, premium income rose to 1.3 (1.1) billion euros.

In 2002, our companies in central and eastern Europe were involved in the process of building up their business. The corresponding expenses depressed earnings. In Belgium, the Netherlands and Great Britain, charges arising from the performance of the capital markets resulted in losses.

After taxes, we reported a **loss** of 77 million euros in other European markets, following earnings of 12 million euros in the preceding year.

For the **current fiscal year**, we expect higher premium income and improved earnings performance. The fact that private retirement savings are being increasingly subsidized by the governments of Central and Eastern Europe gives us reason for optimism. Larger portfolios should improve our expense ratio so that overall profitability in the other European markets is likely to rise again.

U.S.A.

_ Allianz Life of North America is our life insurer in the United States of America.

_ Strong expansion of our revenues network enabled us to boost total premium income 91.3 percent to 9.5 billion euros.

In local currency, the increase came to 103.9 percent. The main contributor was the retirement insurance business, a traditional domain of Allianz Life. In this dynamic market, our companies achieved above-average growth rates. On the one hand, this was due to the swift expansion of our sales network. On the other hand, the current situation on the financial markets considerably strengthened demand for retirement insurance, where most capital is invested in fixed-income securities.

The dynamic growth triggered high acquisition costs, which in IFRS accounts are capitalized and amortized over the estimated life of the contracts. As a result, the **expense ratio** improved to 47.0 (49.2) percent in the reporting year.

Investment income rose to 561 (468) million euros.

Financing of the substantial new business depressed income. After taxes, a **loss** of 18 (24) million euros was reported, which represents a slight improvement.

Allianz Life

		2002	2001	2000
Total revenues	€ mn	9,530	4,982	3,681
Gross premiums	€ mn	1,411	1,478	1,465
Expense ratio	%	47.0	49.2	48.2
Earnings after taxes	€ mn	- 17.7	- 23.7	132.6
Investments	€ mn	15,903	11,825	8,179
Employees		1,997	1,750	1,435

For the most part, the legal minimum interest rate for our life insurance products is 3.0 percent. We closely monitor the day-to-day situation on the capital markets and are able to rapidly and flexibly adjust the interest payments credited to our customers.

For the **current fiscal year**, we are aiming for premium volume at the level of the reporting year. Further cost reductions and stable investment income are expected to restore profitability.

ASIA-PACIFIC REGION

- _ We also offer life and health insurance in Asia and are steadily expanding our business in the rapidly developing markets of this region.
- _ Total premium income from this region amounted to 2.3 billion euros.

With a total premium volume of 1.9 billion euros, our biggest company in this region is in Allianz Life Insurance South Korea (formerly Allianz First Life). It ranks fourth in the South Korean life insurance market. The most common products in this country are guaranteed interest products, which in years with falling interest rates like 2002 puts life insurers under considerable pressure. After taxes, the company reported earnings of 3.2 (26) million euros.

Our Indonesian company, PT Asuransi Allianz Life Indonesia, offers life and health insurance. In 2002, the two lines generated vigorous growth of 87 percent to 47 million euros, which was due to the expansion of our distribution capacity. With 5,400 representatives, we operate the biggest life insurance distribution network in the Indonesian market. The after-tax loss in Indonesia came to 2.5 (8.5) million euros.

We also expanded our sales organization in other Asian countries, particularly in China and India. At present, 9,000 representatives of our local joint venture sell our products on the Indian subcontinent.

In Malaysia, we sell life insurance through our subsidiary Allianz Life Insurance Malaysia Berhad. We are also represented in the area of life insurance in Taiwan. In Singapore and Pakistan, we now underwrite health insurance. In Thailand, we are represented through our interest in Allianz CP Life.

Total revenues in the Asia-Pacific region grew 26.5 percent to 2.3 billion euros.

After taxes, the Asia-Pacific region reported a **loss** of 9 million euros, after 5 million a year earlier.

Asia-Pacific Region

Total revenues by country

	2002 € mn	2001 € mn	2000 € mn
Korea	1,894	1,642	1,614
Taiwan	277	127	103
Malaysia	54	13	-
Indonesia	47	25	16
China	16	8	-
Phillippines	8	-	-
Pakistan	2	2	-
Total	2,298	1,817	1,733

In the **current fiscal year**, we will further expand our life insurance business in China. We are planning to enter the bancassurance market in South Korea together with our cooperation partner Hana Bank.

Effective as of January 14 of this year, we sold our 50 percent interest in Pioneer Allianz Life Assurance Company (PALAC) to our joint venture partner, Pioneer, who will from now on operate the company as sole owner. As a result, we have completely withdrawn from the Philippine insurance market, a market in which we have been active since 1997 but which today offers insufficient potential.

Altogether, we expect further premium growth in the Asia-Pacific region and improved earnings performance.

SOUTH AMERICA

We also sell life insurance in Brazil, Colombia, Chile, Argentina and Venezuela. Total **revenues** in these countries amounted to 237 million euros.

South America

Total revenues by country

	2002 € mn	2001 € mn	2000 € mn
Brazil	122	178	208
Colombia	73	107	195
Chile	39	1	–
Argentina	2	61	59
Venezuela	1	9	7
Total	237	356	469