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Introduction

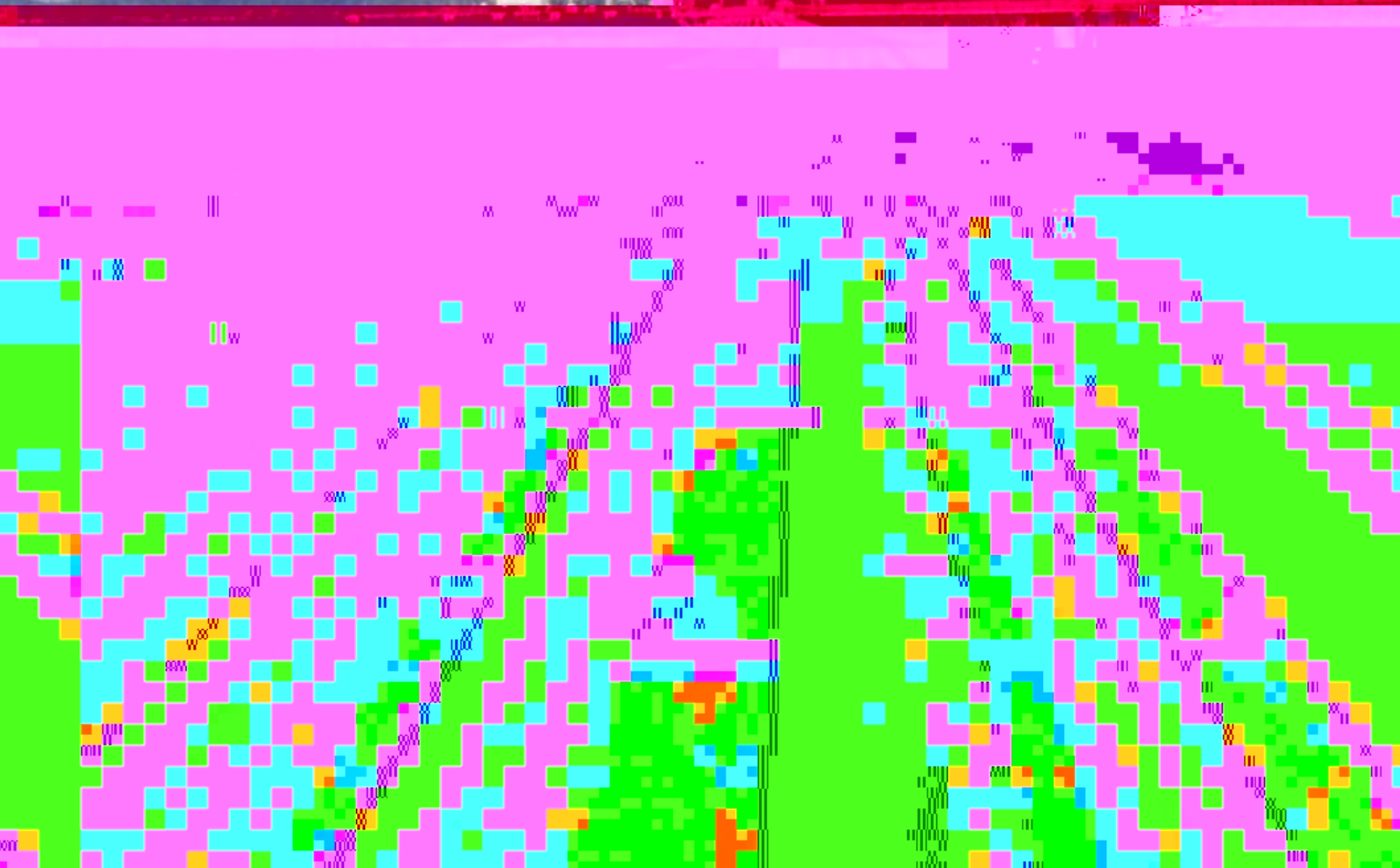
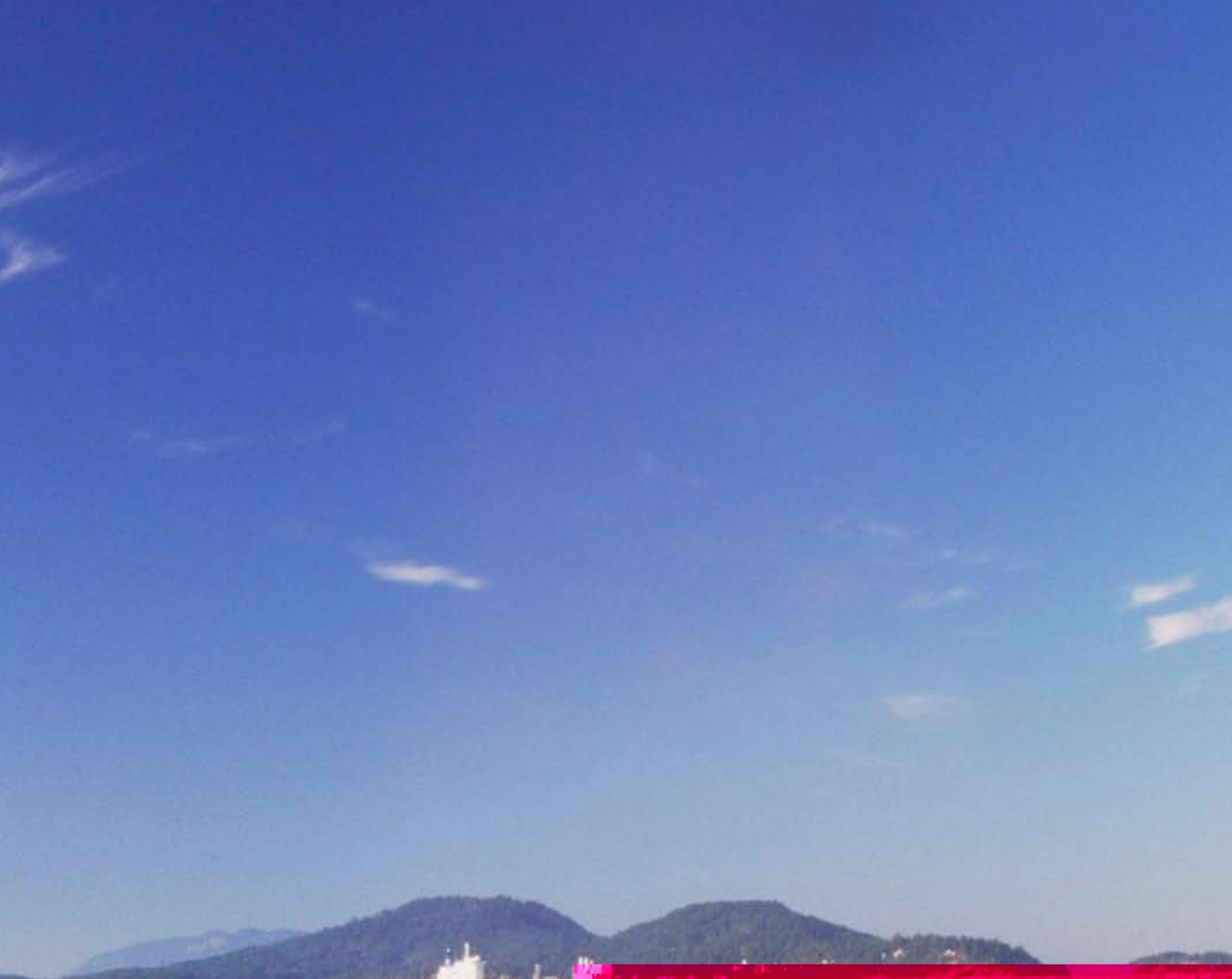
Ladies & Gentlemen,

Allianz Risk Transfer ("ART") delivers a wide range of unique, non-traditional risk solutions. We work with our clients to develop sustainable solutions by leveraging our experience, knowledge and expertise and drawing on our strong relationships within the market.

Since our foundation, we have grown by adapting to the changing needs of our clients and to the evolving market conditions. The year under review presented more than the usual number of challenges, characterised by a financial crisis unprecedented in modern times. However, our underwriting approach and specialist skills allowed us to navigate our way through this difficult environment and grow our core lines of business.

The year under review was in many respects a time of change for us. In March 2009, ART – together with its shareholder Allianz Global Corporate & Specialty – turned its focus to those business segments which directly support Allianz financing conditions in the market. The changes within our core lines of business

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Corporate Information

Allianz Risk Transfer Group ("ART Group" or "ART") is the centre of competence for alternative risk transfer business

ART Group serves its global customer base through a number of affiliated companies, including its core underwriting entities set out below authorised to conduct insurance and reinsurance business:

- ART Zurich is incorporated in Switzerland and regulated by the Swiss Financial Market Supervisory Authority ("FINMA"). The Company maintains branch offices in Bermuda and in the United Arab Emirates (Dubai International Financial Centre) subject to local supervision by the Bermuda Monetary Authority and the Dubai Financial Services Authority respectively.
- Allianz Risk Transfer N.V. is incorporated in The Netherlands and is principally regulated by the Dutch Central Bank (De Nederlandsche Bank N.V.).
- Allianz Risk Transfer (Bermuda) Limited is a company incorporated in Bermuda and licensed as a Class 3A Insurer regulated by the Bermuda Monetary Authority.

ART Zurich and its subsidiaries ("ART Group Companies") are member companies of Allianz Group. Allianz SE, the ultimate parent of the ART Group Companies, is one of the world's leading integrated financial services providers, registered in Germany. Allianz Group has 153,000 employees and serves 75 million customers in over 70 countries (www.allianz.com).

ART Zurich is a wholly-owned subsidiary of Allianz Global Corporate & Specialty AG ("AGCS") registered in Germany. Within Allianz, AGCS Group provides corporate and specialty insurance solutions to large corporate clients (www.agcs.allianz.com).

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The Board of Directors of ART Zurich comprises:

- Axel Theis, Chairman; principal activity: Chief Executive Officer of Allianz Global Corporate & Specialty AG
- Chris Fischer Hirs, Vice Chairman; principal activity: Chief Financial Officer of Allianz Global Corporate & Specialty AG
- Thomas Wilson, Director; principal activity: Chief Risk Officer of Allianz Group
- Prof. Ulrich Zimmerli, independent Director; principal activity: various directorships and law professor emeritus of the University of Berne

The Board of Directors of ART Zurich provides strategic direction for ART Group, exercises management oversight of the Company and performs the duties imposed by Swiss Company Law and Insurance Supervisory Laws. The Board of Directors performs its responsibilities in accordance with the organisational regulations of the Company, pursuant to which certain functions are delegated to the following Committees:

- Business Approval Committee
- Remuneration Committee
- Audit Committee

The Business Approval Committee is (among others) responsible for transactional matters where a specific transaction exceeds the authority limits delegated to the Executive Board or falls outside the approved scope of business.

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The Executive Board of ART Zurich comprises:

- William Scaldaferrì, Chief Executive Officer
- Bernhard Arbogast, Chief Portfolio Officer & Appointed Actuary
- Thomas Bruendler, General Counsel
- William Guffey, Chief Underwriting Officer
- Kathrin Anne Meier, Chief Risk Officer
- Thomas Schatzmann, Chief Financial Officer

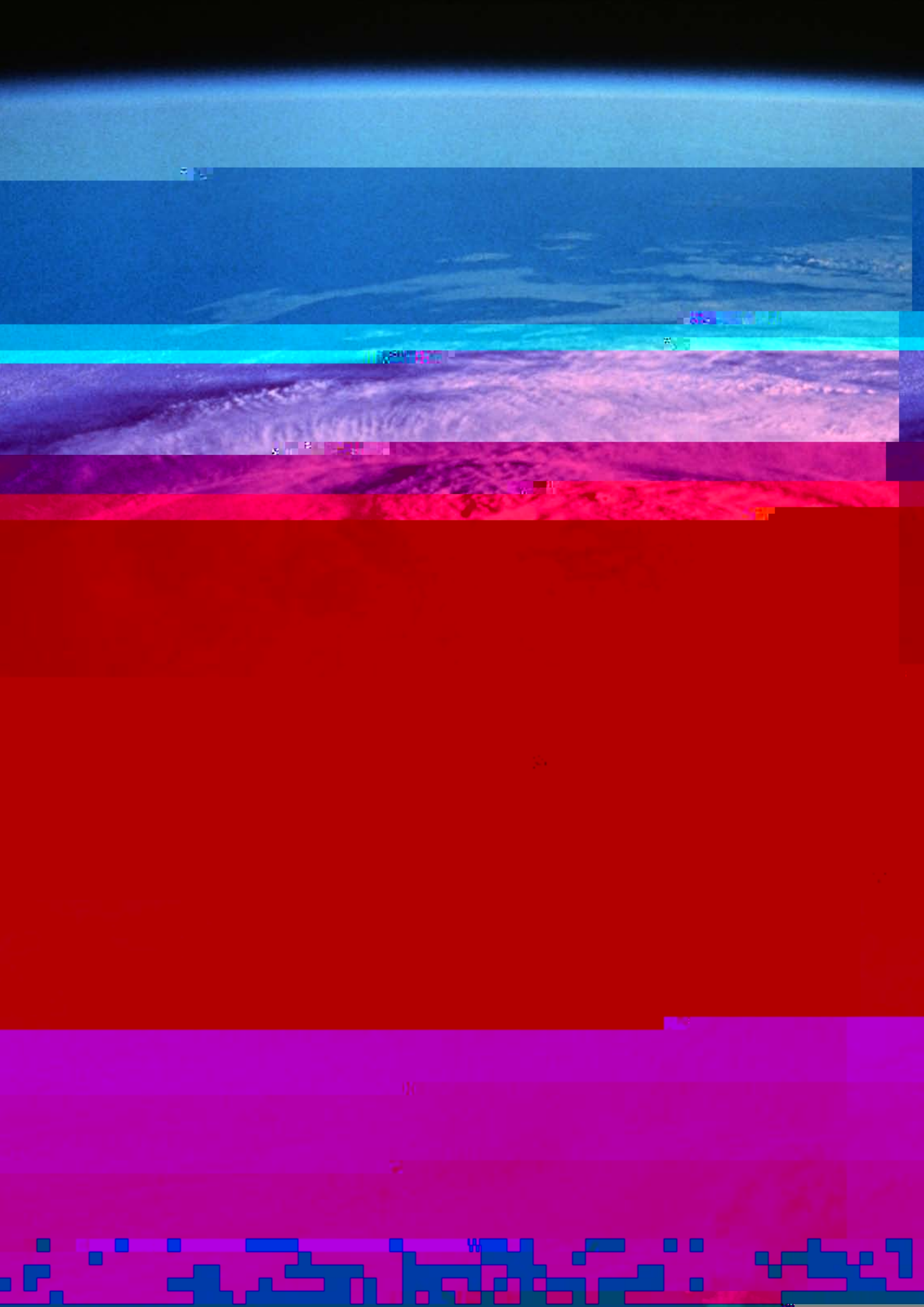
The Executive Board has executive management responsibility for ART Zurich and its business. Under the leadership of the Chief Executive Officer, it provides strategic direction to ART Group consistent with the business strategy approved by the Board of Directors.

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The Executive Board has established Committees for certain critical functions or decisions of ART Group, including:

- Underwriting Committee
- Risk Management Committee
- Reserving Committee
- Investment Committee
- Legal Committee

The ART Group Committees perform their responsibilities pursuant to their respective charters. The committees act as policy-setting or decision-making bodies within the scope of their functional remit. The committee structure allows ART Group to fully leverage the broader knowledge base of its global staff.



Business Overview

ART Group separates its business into two distinct segments. The first is our primary Alternative Risk Transfer Business, focused on providing alternative (re)insurance protections for corporate and insurance clients. The second segment is related to unique relationships with other Allianz entities.

The segments are governed by distinct procedures and processes including unique underwriting, portfolio and risk management guidelines. Each business segment employs dedicated staff underwriting the relevant business. As of year-end 2009, ART Group employed 102 staff members globally, of which 62 staff members were dedicated to the Alternative Risk Transfer Business.

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We develop and utilise innovative risk management solutions for a wide range of corporate clients. Many of these corporations are leaders in the energy, construction, pharmaceutical, retail and other industry sectors. In the majority of deals, premiums range from between EUR 5m to EUR 300m per client.

We specialise in tailoring long-term agreements covering a broad range of risks. In many cases, these are multi-year and multi-line arrangements. Our offerings complement the traditional products provided by Allianz Global Corporate & Specialty ("AGCS"), a leading insurer for corporate and specialty risks. ART works closely with AGCS to devise joint solutions for its clients. Our activities span the globe.

Given the market turmoil in 2009, we had modest expectations for our Corporate Solutions business. Despite this, we ended not only ahead of the previous year but with a record number of new clients. We benefited from clients' "fight to quality" and made significant contributions to broadening the Allianz relationship with major corporate clients. For 2010, ART aims at further fostering its quality commitment. ART's openness to client concerns combined with the strength of the Allianz Group are unmatched by any of our competitors.

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Our reinsurance arm provides bespoke risk transfer solutions for insurance and reinsurance companies. We serve tens rather than hundreds of clients – but for each of these, we provide highly specialist boutique services often unavailable elsewhere.

We look at many classes of business and territories. Our product range includes prospective solutions such as structured quota shares, structured whole account covers and structured per risk covers. We also consider retroactive products such as loss portfolio transfers. In addition to structured solutions, we look opportunistically at dislocated areas of the market where capacity is in short supply.

In 2009, our renewed focus on Reinsurance Solutions led to a substantial expansion of our client base. This coalesced with our vision of developing a well-rounded and diversified portfolio. For 2010, we will strike a balance between continued expansion and the challenges presented by a potentially softening market.

Insurance Linked Markets (ILM)

Insurance Linked Markets ("ILM") is a crossover specialty, focused on the convergence between insurance and capital markets. ILM involves structuring insurance risks into a form acceptable to capital market investors. In essence, these structures transform mainly event-driven exposures such as earthquakes and hurricanes into investment products.

We act in many capacities in this value chain: as a structurer and sponsor of catastrophe bonds, as a facilitator of private

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involvement in the insurance and reinsurance

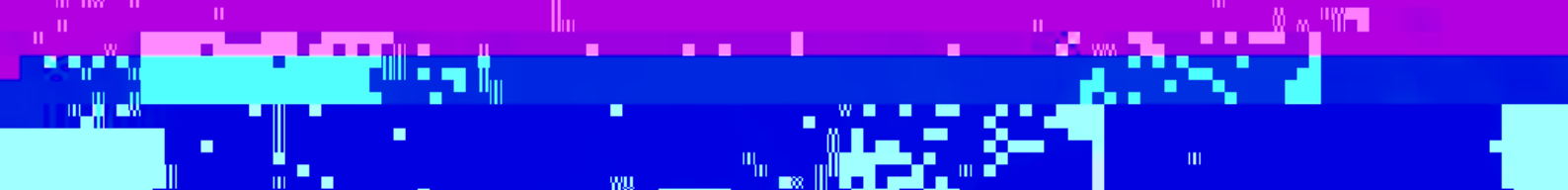
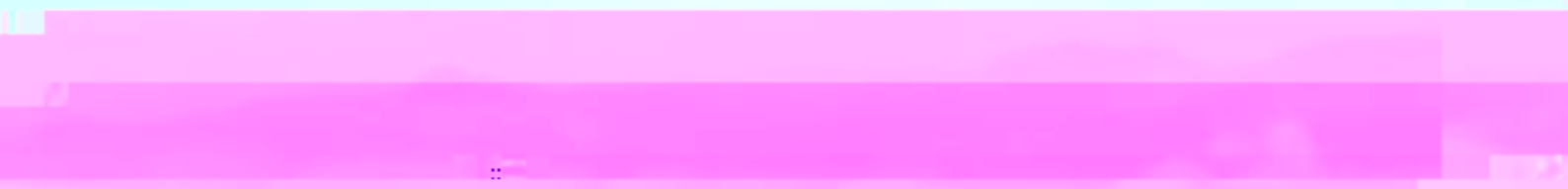
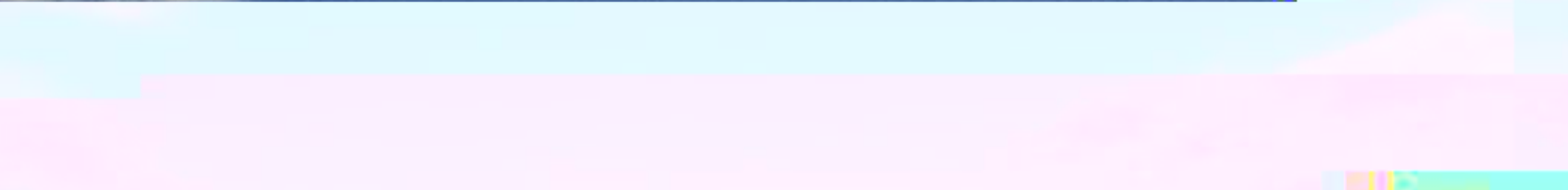
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The International Corporate Business represents the core business of our parent company AGCS. Within this business segment, we offer insurance products to large corporate clients across the whole spectrum of corporate and specialty risks. Since 2007, the Swiss business for international large corporates has been conducted by our division "AGCS Switzerland".

Since January 2009, ART has taken a quota share participation in the facultative corporate client business written by Allianz SE Dubai Branch in the business lines of property, engineering and energy. From January 2010, this facultative reinsurance business from clients located in the Middle East & North Africa region will be underwritten by the Company's newly formed Dubai Branch.

The International Corporate Business is still in a build-up phase, and the business segment is developing in line with our expectations.



International Corporate Business Segment

The International Corporate Business represents the core business of ART's parent company – Allianz Global Corporate & Specialty – and serves the insurance needs of large international corporates.

The key figures of the International Corporate Business segment are:

International Corporate Business Segment			
For year ended 31 December (CHF thousand)	2009	2008	2007
Net premiums earned	62,904	31,601	13,600
Benefits incurred	(32,685)	(39,799)	(8,414)
Underwriting expenses	(15,857)	(7,602)	(8,254)
Operating income (net)	143	(1,932)	(107)
Non-operating items	(800)	(800)	0
Taxes	(2,944)	4,075	1,426
Combined ratio	77.2%	150.0%	122.6%

The International Corporate Business has become more established and premium volume has grown significantly each year since the start of this business in 2007.

In 2008, the business incurred a large property loss, which had a disproportionate impact due to the low business volume during the initial build-up phase of the business segment. In the absence of major losses and low attritional losses, the combined ratio experienced in 2009 reflects an excellent underwriting year for this segment.

Traditional Reinsurance Business

Traditional reinsurance comprises mainly quota share business with other large reinsurers written for the Allianz Group.

The key figures of the Traditional Reinsurance Business segment are:

Traditional Reinsurance Business			
<i>For year ended 31 December (CHF thousand)</i>	\$'000	\$'000	\$'000
Net premiums earned	387,002	806,505	996,367
Benefits incurred	(302,058)	(576,754)	(672,310)
Acquisition expenses	(302,058)	576,754	0

Consolidated Financial Statements

The following unaudited consolidated financial statements present a consolidated view of the entire ART Group. The consolidated financial statements have been prepared in accordance with the critical IFRS accounting policies set out in this report. These consolidated statements were not audited by KPMG.

The ART Group comprises Allianz Risk Transfer AG and its (direct or indirect) subsidiaries:

- Allianz Risk Transfer N.V., Netherlands
- Allianz Risk Transfer (U.K.) Limited, England
- Allianz Risk Transfer, Inc., U.S.A.
- Entertainment Funds Solutions, U.S.A.
- Prism Re Ltd., Bermuda
- Allianz Risk Transfer (Bermuda) Limited, Bermuda

The branch offices of the Allianz Risk Transfer AG in Bermuda and Dubai are an integral part of the financial statements of the Company.

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<i>For year ended 31 December (CHF thousand)</i>		
Gross premiums written (incl. fee income)	1'177'227	1'491'318
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Claims paid and increase in loss reserves	(467'038)	(713'187)
Prof t shares paid and accrued	6'496	(13'399)
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Underwriting expense (net)	(225'184)	(384'350)
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Investment income (net)	21'148	39'337
Other income and expense	(800)	(800)
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Taxes	(2'141)	(4'228)
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We set out below an overview of the accounting policies adopted by the Company for the purpose of Allianz Group reporting pursuant to IFRS.

IFRS does not provide specific guidance concerning all aspects of the recognition and measurement of insurance contracts, reinsurance contracts and investment contracts. The provisions embodied under accounting principles generally accepted in the United States of America ("U.S. GAAP") have been applied to those aspects where specific guidance is not provided by IFRS 4, Insurance Contracts.

The financial statements of the Company are prepared as of and for the year ended 31 December, and presented in thousands of Swiss Francs (CHF), unless otherwise stated.

The preparation of consolidated financial statements requires Management to make estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The major estimates reflected in the Company's consolidated financial statements include (but are not limited to) outstanding losses and expenses.

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Fixed maturity investments and equity securities are classified as available-for-sale and carried at fair value with unrealised gains or losses, net of related tax effects, included in the balance sheet as a separate component of

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The following financial statements of Allianz Risk Transfer AG are prepared in accordance with the Swiss Code of Obligations and the relevant rules issued by the Swiss Financial Market Supervisory Authority (FINMA). Our independent auditors KPMG have audited the financial statement for financial year 2009 and provided an unqualified opinion.

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As statutory auditor, we have audited the accompanying financial statements of Allianz Risk Transfer AG, which comprise the balance sheet, income statement and notes for the year ended 31 December 2009.

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The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

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We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's

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As at 31 December (CHF)		
Participations	105'875'485	107'847'753
Shares	6'383'123	209'431'411
Bonds	1'228'838'460	692'334'759
Loans to third parties	56'303'378	88'548'635
Loans to associated enterprises	124'787'436	129'386'040
Short-term investments	78'745'880	687'650'856
Office equipment	976'941	1'172'329
Reinsurers' share of the technical provisions	429'185'559	240'043'353
Outstanding share capital	200'000'000	200'000'000
Cash and cash equivalents	178'306'714	142'640'234
Receivables		
- reinsurance deposits	41'276'373	49'408'812
- due from third parties	218'631'053	133'034'089
- due from group companies or shareholders	9'979'090	70'253'292
- group cash pooling	173'639'672	17'080'074
- other receivables	16'814'457	1'910'210
Accrued income	22'573'676	19'943'763
Deferred acquisition cost	32'407'593	1'460'318
Unearned premium reserve	408'526'029	395'395'506
Reserve for policyholder dividends	67'142'586	106'270'117
Provision for outstanding claims	1'594'394'092	1'623'669'052
Other non-technical provisions	28'129'990	18'733'706
Payables due to insurance companies		
- due to third parties	93'431'661	6'964'835
- due to group companies or shareholders	0	26'285'877
Other short-term liabilities	49'318'843	1'418'573
Share capital	400'000'000	400'000'000
General reserves	200'000'000	200'000'000
Retained earnings brought forward	83'781'688	13'408'263
Shareholders' equity	683'781'688	613'408'263
Liabilities	1'228'838'460	1'228'838'460
Total	1'912'618'176	1'912'618'176

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The statements contained herein may include statements of future expectations and other forward-looking statements that are based on Management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (i) general economic conditions, including in particular economic conditions in ART Group's business and markets, (ii) performance of financial markets, including market volatility, liquidity and credit events, (iii) frequency and severity of insured loss events, including from natural catastrophes and development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) credit default levels, (vii) interest rate levels, (viii) currency exchange rates, including the CHF/U.S. Dollar or CHF/Euro exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities or other major catastrophic events and their related consequences. The Company assumes no obligation to update any forward-looking statement.

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