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Managing Officers

Board of Directors

Chris Fischer Hirs (Chairman)
Hartmut Mai
Douglas Pennycuik (until May 4, 2018)
Carsten Scheffel
Thomas C. Wilson

Board of Management

Christoph Müller (Chairman)
Bernhard Arbogast
Richard Boyd
Thomas Bründler
Thomas Schatzmann

Important functions

Michael Bamberger (Head Actuary)
Lara Martiner (Head of Compliance)
Yvonne Pusch (Head of Risk Management)

Internal Auditors

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Company structure

Annual Report

Introduction

Allianz Risk Transfer AG, Schaan (ART AG) is a Liechtenstein-based joint-stock company and indirectly is a wholly owned subsidiary of Allianz Global Corporate & Specialty SE (AGCS SE), headquartered in Munich. 60% of the shares of ART AG are held by AGCS International Holding B.V. in Amsterdam, in which AGCS SE in turn has a 100% stake. 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. It transferred its registered domicile to Liechtenstein in 2016.

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 programs, 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 160 countries. ART AG maintains branch offices in Zurich (Switzerland), Hamilton (Bermuda) and Dubai (United Arab Emirates).

In the 2018 fiscal year, ART AG sold its shares in Allianz Risk Transfer Inc., a (re)insurance intermediary domiciled in New York [including its subsidiary, Allianz Risk Transfer (Bermuda) Limited, an insurance company domiciled in Bermuda], internally within the Group. These companies will be integrated into the company structure of Allianz Global Risk US Insurance Company, the main insurance company of the AGCS Group in the United States, and will in future be controlled by this company.

PricewaterhouseCoopers AG, Zurich, was appointed as the auditor for the 2018 fiscal year.

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 statements. Allianz SE's annual report and Solvency II reports are published on its website. The reports may be viewed there or requested from the company.

You can find ART AG's Annual Report and other documents at www.agcs.allianz.com/services/alternative-risk-transfer/art-annual-report

Performance and results

The market environment remained very competitive in the 2018 fiscal year. Despite the previous year's loss burden, which was due to natural catastrophes, premium rates recovered only in isolated cases. Gross written premiums increased by 3.0% or EUR 34.2 million year on year to EUR 1,170.0 million. This increase was primarily due to the further expansion of the fronting business. Following a decline in the previous year, net premiums earned were up 7.0% or EUR 18.5 million. Premium development was influenced by the market environment, which remained focused on competition, and the associated pressure on premium rates, which affected liability, transport, fire and aviation insurance lines in particular.

Despite major loss events in the liability and property insurance lines, the loss burden was down slightly by 1.5% or EUR 3.3 million compared with the previous year.

Provisions for premium refunds rose significantly by EUR 11.7 million year on year, while other costs fell by EUR 16.3 million. This led to a lower expense ratio overall.

Higher premium income, a lower loss burden and lower costs resulted in a combined ratio of 90.1%, compared with 104.0% in the previous year.

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 prudent person principle 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 is assessed in accordance with the requirements of IAS 39 (t

Annual financial statements

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Balance sheet

EUR thousand	Notes	Dec. 31, 2018	Dec. 31, 2017
Assets			
B. Investments		1,179,084	1,161,565
II. Investments in affiliated companies and participating interests	1, 2, 3	105,767	156,915
1. Shares in affiliated companies		67,102	120,106
2. Debentures of affiliated companies and loans to affiliated companies		38,665	36,809
III. Other investments	1, 3	1,025,895	1,003,329
1. Equities, other non-fixed-income securities and units in investment funds		1,469	1,399
2. Debentures and other fixed-income securities		932,585	821,060
6. Deposits with banks		88,335	177,532
7. Other investments		3,506	3,338
IV. Deposits retained on assumed reinsurance business		47,421	1,321
D. Other accounts receivable		442,337	388,441
I. Receivables from direct insurance business		17,849	14,270
1. from policyholders		2,582	1,458
c) from other policyholders		2,582	1,458
2. from insurance brokers		15,267	12,811
c) from other insurance brokers		15,267	12,811
II. Accounts receivable on reinsurance business		312,630	240,428
1. from affiliated companies		78,048	66,182
3. from other debtors		234,583	174,246
III. Other accounts receivable		111,858	133,743
1. from affiliated companies		93,575	116,349
3. from other debtors		18,283	17,394

Income statement

EUR thousand	Notes	2018	2017
1. Premiums earned for own account		281,204	262,670
a) Gross premiums written	7	1,169,963	1,135,755
b) Ceded reinsurance premiums		-895,585	-859,854
c) Change in gross premiums carried forward		-53,625	25,822
d) Change in reinsurers' share of gross premiums carried forward		60,451	-39,053
3. Other underwriting income for own account		0	3,766
4. Charges for insurance claims for own account		-221,472	-234,698
a) Payments for insurance claims		-239,491	-98,615
aa) Gross amount		-820,036	-604,963
bb) Share of reinsurers		580,544	506,348
b) Change in provisions for unsettled insurance claims		18,019	-136,083
aa) Gross amount		326,204	-759,592
bb) Share of reinsurers		-308,185	623,510
6. Cost of performance-related and non-performance-related premium reimbursement for own account		-12,528	-871
7. Expenses for insurance operations for own account		-31,939	-38,329
a) Acquisition costs		-22,852	-29,044
b) Administrative expenses		-9,087	-9,285
8. Other underwriting expenses for own account		-1	13
9. Change in equalization provisions and similar reserves		0	0
10. Underwriting result for non-life insurance		15,264	b
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Notes

Accounting principles

The company prepares the annual financial statements 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 Supervi-

Actuarial provisions

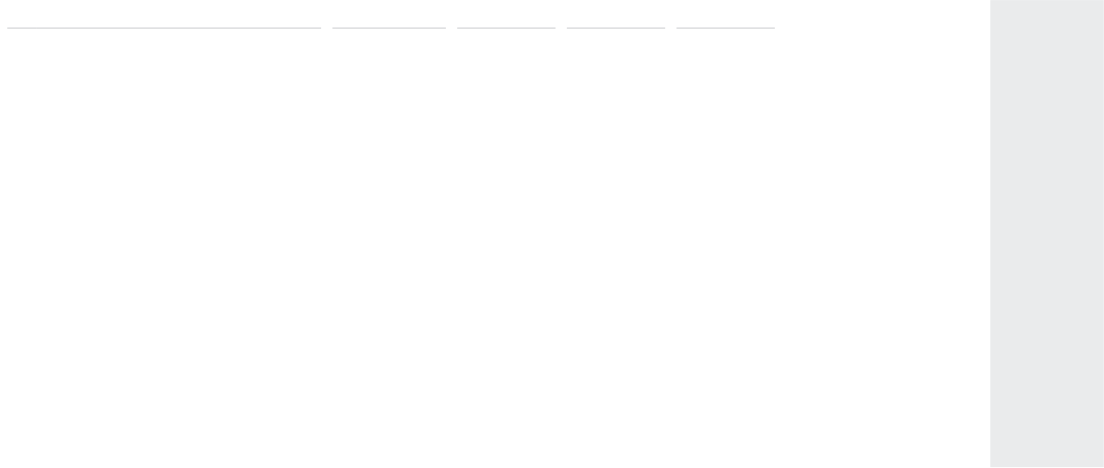
Premiums brought forward

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 infor-

Notes to the balance sheet

1) Investments



5) Gross actuarial provisions

EUR thousand	Actuarial provisions		of which gross provisions for unsettled insurance claims	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Total insurance business	711,453	699,005	1,626,127	1,813,998
Direct insurance business	91,715	83,523	217,338	222,378
General liability insurance	52,712	45,267	128,292	134,354
Fire and natural hazards insurance	10,120	3,785	20,758	10,462
Aviation liability insurance	24,258	26,116	56,761	55,703
Comprehensive aviation insurance	1,683	6,281	2,626	9,075
Other property insurance	30	115	30	115
Goods in transit (including commodities, items of luggage and all other goods)	806	559	3,684	4,334
Accident insurance (including industrial accidents and occupational illnesses)	903	745	1,593	1,780
Miscellaneous financial losses	1,203	656	3,593	6,555
Assumed reinsurance business	619,738	615,482	1,408,789	1,591,620
General liability insurance	195,446	192,978	386,350	367,237
Fire and natural hazards insurance	311,975	319,717	875,372	1,097,022
Liability insurance for land vehicles with their own engine	12,393	14,522	12,577	14,770
Credit	6,204	7,421	20,416	22,343
Comprehensive land vehicle insurance (excluding rail vehicles)	3,267	3,831	3,267	3,831
Aviation liability insurance	9,086	8,937	12,929	12,258
Comprehensive aviation insurance	491	460	642	737
Other property insurance	15,005	12,157	15,702	12,893
Goods in transit (including commodities, items of luggage and all other goods)	19,937	23,196	22,170	23,819
Accident insurance (including industrial accidents and occupational illnesses)	10,961	9,800	11,928	10,821
Miscellaneous financial losses	34,973	22,463	47,438	25,891

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	2018	2017
Premiums earned for own account	177,476	133,889
Charges for insurance claims for own account	71,577	67,641

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 24,331 thousand (previous year EUR 25,840 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.

8) Premium income broken down according to regional origin

EUR thousand	2018	2017
Liechtenstein	713	181
Other EEA treaty states	36,883	37,157
Other states	74,720	79,980
Gross premiums written	112,316	117,318

The amounts shown relate solely to direct insurance business.

9) Personnel expenses

EUR thousand	2018	2017
a) Wages and salaries	17,227	20,403
b) Social security contributions and pension costs	4,001	4,808
of which for pensions	3,444	4,194

Total remuneration for the Board of Management amounted to EUR 3,696 thousand in the year under review. This sum includes salaries, fringe benefits and bonuses awarded for performance in the 2018 fiscal year. In addition, 3,239 RSUs (restricted stock units) with a fair value of EUR 502 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 2023. Total remuneration for the Board of Directors came to EUR 31 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).

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Report of the Auditors

As the auditor, we have audited the annual financial statements (pages 8 to 18, without footnote on page 9) and the annual report of Allianz Risk Transfer AG for the fiscal year ending December 31, 2018. The annual financial statements for the fiscal year ending December 31, 2017 were audited by a different auditor, which issued an unqualified audit opinion on May 4, 2018.

The Board of Directors is responsible for the annual financial statements and the annual report, while our task is to audit and assess these. We confirm that we fulfill 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 statements and the annual report can be identified with reasonable assurance. We examined the items and disclosures in the annual financial statements 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 statements. We believe that our audit provides a reasonable basis for our opinion.

In our view, the annual financial statements give a true and fair view of the net assets, financial position and results of operations in accordance with Liechtenstein law. Furthermore, the annual financial statements, 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 statements and in our view does not contain any material misstatements.

We recommend that these annual financial statements should be approved.

Zürich, April 12, 2019

PricewaterhouseCoopers AG

Enrico Strozzi

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